

## IMPORTANT NOTICE

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The attached document has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of Miclyn Express Offshore Pte. Ltd. (the "**Issuer**"), Miclyn Express Offshore Limited ("**MEOL**") and DBS Bank Ltd. or any person who controls any of them nor any of their respective directors, officers, employees, representatives or affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version.

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Except with respect to eligible investors in jurisdictions where such offer is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of the Issuer, MEOL or DBS Bank Ltd. to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute in the United States or elsewhere a general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act).

The attached offering circular or any materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the dealers or any affiliate of the dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the dealers or such affiliate on behalf of the Issuer in such jurisdiction. The attached offering circular may only be communicated to persons in the United Kingdom in circumstances where section 21(1) of the Financial Services and Markets Act 2000 does not apply.

You are reminded that you have accessed the attached offering circular on the basis that you are a person into whose possession this offering circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this document, electronically or otherwise, to any other person. **If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.**

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## MICLYN EXPRESS OFFSHORE PTE. LTD.

(Incorporated in Singapore on 15 December 1992)

(UEN/Company Registration No. 199206761W)

### US\$150,000,000 8.75% SENIOR SECURED GUARANTEED BONDS DUE 2018

The US\$150,000,000 8.75% Senior Secured Guaranteed Bonds due 2018 (the “**Bonds**”) will be issued by Miclyn Express Offshore Pte. Ltd. (the “**Issuer**”). The Bonds bear interest from and including the Issue Date (as defined herein) at a fixed rate of 8.75% per annum. Interest on the Bonds is payable semi-annually in arrear on 25 May and 25 November in each year. Payments on the Bonds will be made without withholding or deduction for any taxes of the Relevant Jurisdiction (as defined herein) to the extent described in “Terms and Conditions of the Bonds — Taxation”.

The Bonds will be (a) secured by certain security interests granted by MEO Finance Company Limited, Maldives Fishery Pte Ltd, Cuig Maritime Pte Ltd, MEO Investments Pte Ltd, MEO Services Pte Ltd, Miclyn Supply Chain Management Pte Ltd, Miclyn Offshore Pte Ltd, Miclyn Express Offshore (Australia) Pty Ltd and Express Offshore Solutions Pte Ltd (together, the “**Security Providers**”) and (b) guaranteed by Miclyn Express Offshore Limited (“**MEOL**”), a company headquartered in Singapore and incorporated in Bermuda, and certain subsidiaries of MEOL as of the Issue Date being MEO Finance Company Limited, Miclyn Shipbuilding & Engineering Pte Ltd, Airmat Singapore Pte Ltd, Entrons (Singapore) Pte Ltd, Girino Enterprise Pte Ltd, Ken-Mok Engineering & Fabricators Pte Ltd, Kolet (S) Pte Ltd, Ticwink Pte Ltd, Offshore Charters Pte Ltd, Stardazz Pte Ltd, Express Offshore Solutions Pte Ltd, Miclyn Express Offshore (Australia) Holdings Pty Ltd, Miclyn Express Offshore (L) Bhd, Mulia Samudera (L) Bhd, PT Sukses Graha Samudera and PT Nusa Perkasa Permai (together, the “**SGD Bond Guarantors**”) and any wholly-owned subsidiary of MEOL after the Issue Date which individually, on an unconsolidated basis, comprises at least 10% of the consolidated EBITDA (as defined herein) or total assets of the MEOL Group (as defined herein) (“**Future Guarantors**”) and, together with the SGD Bond Guarantors, the “**Guarantors**”). The Guarantors shall unconditionally and irrevocably guarantee the due and punctual repayment of all sums from time to time payable by the Issuer in respect of the Bonds.

The Bonds mature on 25 November 2018 (the “**Maturity Date**”). Upon the occurrence of a Change of Control (as defined herein) or Substantial Asset Disposition Event (as defined herein), the holders of the Bonds (the “**Bondholders**”) shall have the right to require the Issuer to repurchase all Bonds then outstanding at a purchase price equal to (in the case of a Change of Control) 101%, or (in the case of a Substantial Asset Disposition Event) 100%, of the principal amount of the Bonds, together with accrued interest. At any time prior to 25 November 2017, the Issuer may redeem the Bonds, at a redemption price equal to the sum of (i) 100% of the principal amount thereof, plus (ii) the Applicable Premium (as defined herein), plus (iii) accrued and unpaid interest, if any, to, the redemption date. At any time on or after 25 November 2017, the Issuer may redeem the Bonds, in whole or in part, at the redemption price specified in Condition 8(C) of the Bonds. The Bonds are subject to redemption in whole, at their principal amount, together with accrued interest, at the option of the Issuer at any time in the event of certain changes affecting taxes of a Relevant Jurisdiction. See “Terms and Conditions of the Bonds — Redemption and Purchase”.

Application will be made to the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for the listing and quotation of the Bonds on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this offering circular (the “**Offering Circular**”). Admission to the Official List of the SGX-ST and quotation of the Bonds on the SGX-ST are not to be taken as an indication of the merits of the Bonds, the Issuer, MEOL, their respective subsidiaries and/or associated companies.

For a discussion of certain investment considerations relating to the Bonds, see “Risk Factors”.

The Bonds will be issued in registered form in the denomination of US\$200,000 and integral multiples of US\$1,000 in excess thereof. The Bonds will initially be represented by a Global Certificate (as defined herein), without interest coupons, which will be deposited with and registered in the name of or a nominee for, a common depository for Clearstream, Luxembourg and Euroclear (each as defined herein) on or about the Issue Date. Except as described herein, definitive certificates (“**Definitive Certificates**”) evidencing holdings of Bonds will not be issued in exchange for a beneficial interest in the Global Certificate. See “Summary of Provisions Relating to the Bonds While in Global Form”.

The Bonds have not been and will not be registered under the U.S. Securities Act of 1933 (the “**Securities Act**”). The Bonds are being offered in offshore transactions outside the United States in reliance on Regulation S under the Securities Act (“**Regulation S**”) and subject to certain exceptions, may not be offered or sold within the United States.

For a description of certain restrictions on offers and sales of the Bonds and on distribution of this Offering Circular, see “Subscription and Sale”.

**Sole Bookrunner**



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## IMPORTANT NOTICE

If you are in any doubt about this Offering Circular, you should consult your broker, dealer, bank manager, solicitor, certified public accountant or other professional advisor.

Each of the Issuer and MEOL accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of each of the Issuer and MEOL, which has taken all reasonable care to ensure that such is the case, the information contained in this Offering Circular is in accordance with the facts as of the date of this Offering Circular and does not omit any material information likely to affect the import of such information.

This Offering Circular has been prepared by the Issuer and MEOL for use in connection with the offer and sale of the Bonds outside the United States. The Issuer and DBS Bank Ltd. as Sole Bookrunner (the “**Sole Bookrunner**”) reserve the right to reject any offer to purchase the Bonds, in whole or in part, for any reason. This Offering Circular does not constitute an offer to any person in the United States. Distribution of this Offering Circular by any non-U.S. person outside the United States to any U.S. person (as defined in Regulation S) or to any other person within the United States, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, is prohibited.

No person has been authorised to give any information or to make any representation other than as contained in this Offering Circular in connection with the issue or sale of the Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, MEOL, the Sole Bookrunner, the Trustee, the Common Security Agent, the Principal Paying Agent and the Registrar. Neither the delivery of this Offering Circular nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer, MEOL, their respective subsidiaries and/or associated companies since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer, MEOL, their respective subsidiaries and/or associated companies since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the offering of the Bonds is correct as of any time after the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Offering Circular and the offering or sale of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, MEOL and the Sole Bookrunner to inform themselves about and to observe any such restrictions. The Bonds have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States. Subject to certain exceptions, the Bonds may not be offered or sold within the United States or to U.S. persons. For a description of certain restrictions on offers and sales of the Bonds and on distribution of this Offering Circular, see “Subscription and Sale”.

Neither this Offering Circular nor any information supplied in connection with the Bonds constitutes an offer of, or an invitation by or on behalf of the Issuer, MEOL or the Sole Bookrunner to subscribe for or purchase any Bonds.

To the fullest extent permitted by law, none of the Sole Bookrunner, the Trustee or any Agent accepts any responsibility for the contents of this Offering Circular or for any other statement, made or purported to be made by the Sole Bookrunner, the Trustee or any Agent or on its behalf in connection with the Issuer or the issue and offering of the Bonds. Each of the Sole Bookrunner, the Trustee and the Agents accordingly disclaims all and any liability whether

arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement. Neither this Offering Circular nor any other financial statements is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer or the Sole Bookrunner that any recipient of this Offering Circular or any other financial statements should purchase the Bonds. Each potential purchaser of the Bonds should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Bonds should be based upon such investigation as it deems necessary. None of the Sole Bookrunner, the Trustee or any Agent undertakes to review the financial condition or affairs of the Issuer, MEOL or the MEOL Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Bonds of any information coming to their attention.

By receiving this Offering Circular, investors acknowledge that (i) they have been afforded an opportunity to request and to review, and have received, all information that investors consider necessary to verify the accuracy of, or to supplement, the information contained in this Offering Circular, (ii) they have not relied on any of the Sole Bookrunner, the Trustee or any Agent nor any person affiliated with any of the Sole Bookrunner, the Trustee or any Agent in connection with their investigation of the accuracy of any information in this Offering Circular or their investment decision, and (iii) no person has been authorised to give any information or to make any representation concerning the issue or sale of the Bonds or the Issuer, MEOL or the MEOL Group other than as contained in this Offering Circular and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Sole Bookrunner, the Trustee or the Agents.

#### **CERTAIN DEFINED TERMS AND CONDITIONS**

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to “Singapore dollars” and “S\$” are to the lawful currency of Singapore, all references to “U.S. dollars” and “US\$” are to the lawful currency of the United States, and all references to “A\$” are to the lawful currency of Australia.

As used in this Offering Circular, “MEOL” refers to Miclyn Express Offshore Limited as a standalone entity, “MEOL Group”, “we”, “our” and “us” refers to MEOL and its consolidated subsidiaries, taken as a whole.

Any discrepancies in the tables included herein between the listed amounts and totals thereof are due to rounding.

## FORWARD-LOOKING STATEMENTS

This Offering Circular includes assumptions, expectations, projections, intentions and beliefs about future events. These statements are intended as “forward-looking statements”. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to be materially different. We caution that assumptions, expectations, projections, intentions and beliefs about future events may and often do vary from actual results and the differences can be material. Although we believe that our plans, intentions and expectations reflected in or suggested by any forward-looking statements are reasonable, we can make no representation or warranty as to the accuracy or completeness of such statements, estimates or projections contained in this Offering Circular or that any forecast contained in this Offering Circular will be achieved.

Forward-looking statements include, but are not limited to, such matters as:

- our charterers’ ability to make charter payments to us;
- our ability to generate cash to pay principal and interest on the Bonds and to service our other indebtedness;
- our ability to continue to satisfy our financial and other covenants, or obtain waivers relating to such covenants from our lenders or Bondholders, as the case may be, under the Trust Deed (as defined herein), or our other indebtedness;
- our ability to obtain financing in the future to fund capital expenditures, acquisitions and other general corporate activities;
- the effect of long-term charters on our future revenues;
- our incurrence of operating risk when vessel charters expire;
- our future plans and strategies;
- our expectations regarding changes in global demand in the shallow water oil and gas industry or marine civil construction industry; and
- potential disruption of our business due to political events or other disruptions.

These forward-looking statements are identified by their use of terms and phrases, such as “believe”, “may”, “should”, “intend”, “expect”, “anticipate”, “project”, “estimate”, “predict”, “scheduled” and similar expressions and phrases.

Important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include global and economic and political conditions, general market conditions, including fluctuations in charter hire rates and vessel values, demand for vessels, fluctuations in currencies and interest rates, our incurrence of vessel operating expenses, such as bunker prices, drydocking, repair and insurance costs, changes in governmental rules and regulations or actions taken by regulatory authorities, potential liability from future litigation, general domestic and international political conditions, potential disruption of shipping routes due to piracy, accidents or political events.

You should carefully consider the information provided in “Risk Factors” and the other information in this Offering Circular before investing in the Bonds. We will not update the forward-looking statements or risk factors to reflect future events or circumstances.



## DEFINITIONS

The following definitions have, where appropriate, been used in this Offering Circular:

<b>"ABS"</b>	:	American Bureau of Shipping
<b>"Agency Agreement"</b>	:	the agency agreement dated 25 November 2015 made among the Issuer, the Trustee, the Principal Paying Agent, as principal paying and transfer agent, the Registrar, as registrar, and the other paying and transfer agents appointed thereunder
<b>"Agents"</b>	:	has the meaning ascribed to it in the Conditions of the Bonds
<b>"AHT"</b>	:	anchor handling tug vessels
<b>"AHTS"</b>	:	anchor handling tug supply vessels
<b>"ASX"</b>	:	Australian Securities Exchange Ltd
<b>"BIMCO"</b>	:	Baltic and International Maritime Council
<b>"Bondholders"</b>	:	the holders of the Bonds
<b>"Bonds"</b>	:	US\$150,000,000 8.75 per cent. Senior Secured Guaranteed Bonds due 2018
<b>"Brunei Shell Petroleum"</b>	:	Brunei Shell Petroleum Company Sdn. Bhd.
<b>"BV"</b>	:	Bureau Veritas
<b>"CHAMP"</b>	:	the Original CHAMP Holders and any custodian, nominee or other entity controlling voting rights of the issued share capital of the Issuer for and on behalf of any of the Original CHAMP Holders
<b>"Change of Control"</b>	:	the occurrence of any of the following (a) prior to an initial public offering of MEOL after the Issue Date: (i) CHAMP and Headland (acting in concert) ceasing to Control more than 50% of the voting rights of the issued share capital of MEOL or the Issuer, or (ii) MEOL or the Issuer falling under the Control of a single Person or a group of Persons or Persons (as defined in the Trust Deed) acting in concert (other than a Person or a group of Persons which are controlled by CHAMP and Headland acting in concert), or (b) following an initial public offering of MEOL after the Issue Date, any Person or Persons (acting in concert), Controlling a percentage of the voting rights of the issued share capital of MEOL or the Issuer that exceeds the percentage of the voting rights of the issued share capital of MEOL or the Issuer which is Controlled by the Permitted Holders (as defined in Condition 8 of the Bonds) (acting in concert or individually)
<b>"Chevron"</b>	:	Chevron Corporation, including its subsidiaries and associates

<b>“Clearstream, Luxembourg”</b>	:	Clearstream Banking S.A., and includes a reference to its successors and permitted assigns
<b>“Companies Act”</b>	:	the Companies Act (Chapter 50 of Singapore), as amended or modified from time to time
<b>“Common Security Agent”</b>	:	DB International Trust (Singapore) Limited, in its capacity as common security agent under the Trust Deed, or its successor in such capacity
<b>“Conditions”</b>	:	the terms and conditions of the Bonds
<b>“Control”</b>	:	(a) the ownership or control, directly or indirectly, of more than 50 per cent. of the voting rights of the issued share capital of MEOL or the Issuer, (b) the right to appoint and/or remove all or the majority of the members of MEOL’s or the Issuer’s board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise, or (c) the possession, directly, or indirectly, of the power to direct or cause the direction of the management or policies of MEOL or the Issuer; and the terms <b>“Controlling”</b> and <b>“Controlled”</b> shall have meanings correlative to the foregoing
<b>“CSV”</b>	:	coastal survey vessel
<b>“DBS Facilities”</b>	:	means the senior secured loan facilities to be granted by the Lender pursuant to the DBS Facilities Agreement
<b>“DCR”</b>	:	unweighted daily charter rates
<b>“DBS Facilities Agreement”</b>	:	means a facilities agreement dated 12 December 2013 entered into initially between, among others, MEOL, as borrower and the Lender, as lender as amended, supplemented, restated or modified (however fundamentally) from time to time
<b>“DNV”</b>	:	Det Norske Veritas
<b>“EBITDA”</b>	:	has the meaning ascribed to it in the Conditions of the Bonds
<b>“EOS”</b>	:	Express Offshore Solutions Pte. Ltd.
<b>“EOT”</b>	:	Express Offshore Transport Pte. Ltd.
<b>“Euro”</b>	:	the currency of the member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended from the time to time
<b>“Euroclear”</b>	:	Euroclear Bank S.A./N.V., and includes a reference to its successors and permitted assigns



<b>“Future Guarantors”</b>	:	any wholly-owned subsidiary of MEOL after the Issue Date which individually comprises at least 10% of the consolidated EBITDA or total assets of the MEOL Group
<b>“FY”</b>	:	Financial year ended 30 June
<b>“GL”</b>	:	Germanischer Lloyd
<b>“Global Certificate”</b>	:	the Global Certificate substantially in the form set out in the Second Schedule of the Trust Deed issued in respect of the Bonds
<b>“Guarantee” or “Guarantees”</b>	:	the guarantee(s) of the Bonds by the Guarantors as set out in the Trust Deed
<b>“Guarantors”</b>	:	Future Guarantors and SGD Bond Guarantors
<b>“Heerema”</b>	:	Heerema Marine Contractors, including its subsidiaries and associates
<b>“Headland”</b>	:	means, collectively, The Headland Private Equity Fund 6 L.P. (“ <b>HPEF6</b> ”), HPEF6 Parallel L.P. (“ <b>HPEF6 Parallel</b> ”), Headland Private Equity GP 6 L.P. as general partner of each of HPEF6 and HPEF6 Parallel, and/or any custodian, nominee or other entity controlling voting rights of the issued share capital of the Issuer for and on behalf of any of the aforementioned entities
<b>“HSQE”</b>	:	health, safety, quality and environment
<b>“IFRS”</b>	:	International Financial Reporting Standards
<b>“IFRS 11 Joint Arrangements”</b>	:	the International Financial Reporting Standards 11 Joint Arrangements issued by the International Accounting Standards Board
<b>“Intercreditor Deed”</b>	:	the intercreditor deed dated 12 December 2013 made among, among others, MEOL, the Guarantors, the Lender as the 1st Priority Representative, the Trustee as the 2nd Priority Representative, and DB International Trust (Singapore) Limited as the Common Security Agent, as amended, supplemented, restated or modified (however fundamentally) from time to time
<b>“IMO”</b>	:	International Maritime Organization
<b>“ISM Code”</b>	:	International Safety Management Code
<b>“Issuer”</b>	:	Miclyn Express Offshore Pte. Ltd.
<b>“ITA”</b>	:	the Income Tax Act (Chapter 134 of Singapore), as amended or modified from time to time
<b>“Lender”</b>	:	DBS Bank Ltd.

<b>“Macquarie Group”</b>	:	Macquarie Group Limited and, where the context requires, all its subsidiaries
<b>“Manta 2”</b>	:	Manta 2 Holdings Limited
<b>“MAS”</b>	:	The Monetary Authority of Singapore
<b>“Material Subsidiary”</b>	:	any wholly-owned Subsidiary of MEOL after the Issue Date which individually, on an unconsolidated basis, comprises at least 10% of the consolidated EBITDA or total assets of the MEOL Group
<b>“McDermott”</b>	:	McDermott International, Inc, including its subsidiaries and associates
<b>“MEOA”</b>	:	Miclyn Express Offshore (Australia) Holdings Pty Ltd (formerly known as Samson Maritime Holdings Pty Ltd)
<b>“MEOL”</b>	:	Miclyn Express Offshore Limited, an entity incorporated in Bermuda on 11 September 2008, and subsequently amalgamated with Manta 2 Holdings Limited on 16 December 2013
<b>“MEOL Group”</b>	:	MEOL and each of its consolidated subsidiaries (including, for the avoidance of doubt, subsidiaries held through a nominee) from time to time
<b>“Miclyn Offshore”</b>	:	Miclyn Offshore Pte Ltd
<b>“MOTT”</b>	:	multi-purpose offshore terminal tug
<b>“MPV”</b>	:	multi-purpose vessels
<b>“Original CHAMP Holders”</b>	:	means CHAMP Buyout III Pte Ltd, CHAMP Miclyn GP Limited as general partner of the CHAMP Miclyn L.P., Perpetual Corporate Trust Limited ACN 000 341 533 as trustee of the Champ Buyout III (SWF) Trust, Perpetual Trustee Company Limited ACN 000 001 007 as trustee of the Champ Buyout III Trust and P.T. Limited ACN 004 454 666 as trustee of the CHAMP BUYOUT III (WW) Trust and CHAMP Marlin Holdings Limited
<b>“OSV”</b>	:	offshore support vessels
<b>“Permitted Business”</b>	:	means any business conducted by MEOL and its Subsidiaries on the date of the Trust Deed and any other business reasonably related, incidental, ancillary or complementary to any such business
<b>“Petronas”</b>	:	Petroliaam Nasional Berhad
<b>“Principal Paying Agent”</b>	:	Deutsche Bank AG, Hong Kong Branch
<b>“PSV”</b>	:	platform supply vessels

<b>“PTT Group”</b>	:	PTT Global Chemical Public Company Limited
<b>“PTTEP”</b>	:	PTT Exploration and Production Public Company Limited, including its subsidiaries and associates
<b>“Registrar”</b>	:	Deutsche Bank Luxembourg S.A.
<b>“Regulation S”</b>	:	Regulation S under the Securities Act
<b>“Saudi Aramco”</b>	:	the Saudi Arabian Oil Company
<b>“Securities Act”</b>	:	the U.S. Securities Act of 1933, as amended
<b>“Security Documents”</b>	:	means the Existing Security Documents and the Subsequent Security Documents (each as defined in Condition 1 of the Bonds) and includes any other document from time to time designated as a Security Document by the Issuer and the Trustee
<b>“Security Providers”</b>	:	MEO Finance Company Limited, Maldives Fishery Pte Ltd, Cuig Maritime Pte Ltd, MEO Investments Pte Ltd, MEO Services Pte Ltd, Miclyn Supply Chain Management Pte Ltd, Miclyn Offshore Pte Ltd, Miclyn Express Offshore (Australia) Pty Ltd and Express Offshore Solutions Pte Ltd
<b>“SFA”</b>	:	the Securities and Futures Act (Chapter 289 of Singapore), as amended or modified from time to time
<b>“SGD Bond Guarantor”</b>	:	each person who is a SGD Bond Guarantor under the Trust Deed
<b>“SGD Bonds”</b>	:	the S\$200,000,000 in aggregate principal amount of 8.50% Senior Secured Guaranteed Bonds due 2016 issued by MEOL
<b>“SGX-ST”</b>	:	Singapore Exchange Securities Trading Limited
<b>“Sole Bookrunner”</b>	:	DBS Bank Ltd.
<b>“SPRC”</b>	:	Star Petroleum Refining Public Company Limited
<b>“Subscription Agreement”</b>	:	the subscription agreement relating to the Bonds dated 12 November 2015 made between the Issuer and the Sole Bookrunner
<b>“Subsea7”</b>	:	Subsea7 S.A.
<b>“Subsidiary”</b>	:	any company which is for the time being a subsidiary (within the meaning of Section 5 of the Companies Act)

<b>“Substantial Asset Disposition Event”</b>	:	a sale or other disposition of all or substantially all the assets of MEOL and its Subsidiaries, taken as a whole, where MEOL or its relevant Subsidiary has not, on or prior to the date falling six months after such disposition, either (a) applied (or entered into a binding agreement to apply) the proceeds of such disposition to purchase assets which are intended to replace the assets so disposed and which when purchased will be deployed for use in the Permitted Business, or (b) applied the proceeds of such disposition towards the repayment or prepayment of senior Indebtedness of MEOL and its Subsidiaries
<b>“Svitzer”</b>	:	Svitzer Asia Pte. Ltd.
<b>“Technip”</b>	:	Technip S.A., including its subsidiaries and associates
<b>“Trust Deed”</b>	:	the trust deed dated 25 November 2015 constituting the Bonds made between the Issuer, the Trustee, and the Common Security Agent
<b>“Trustee”</b>	:	DB International Trust (Singapore) Limited, in its capacity as trustee under the Trust Deed, or its successor in such capacity
<b>“United States” or “U.S.”</b>	:	United States of America
<b>“Unithai”</b>	:	Unithai Line Public Company Limited
<b>“Uniwise Joint Venture Companies”</b>	:	means the following companies in which Cuig Maritime Pte Ltd, a wholly owned subsidiary of the Issuer, holds a 20% or greater interest: Uniwise Holdings Limited, UWO, Uniwise Marine Services Holding Limited and UWT
<b>“UWO”</b>	:	Uniwise Offshore Limited
<b>“UWT”</b>	:	Uniwise Towage Limited
<b>“US\$” and “U.S. Dollars”</b>	:	the lawful currency of the United States
<b>“S\$”, “\$” or “Singapore Dollars” and “cents”</b>	:	Singapore dollars and cents respectively
<b>“%”</b>	:	per cent.

Words importing the singular shall, where applicable, include the plural and *vice versa*, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall, where applicable, include corporations. Any reference to a time of day in this Offering Circular shall be a reference to Singapore time unless otherwise stated. Any reference in this Offering Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or the SFA or any statutory modification thereof and used in this Offering Circular shall, where applicable, have the meaning ascribed to it under the Companies Act or, as the case may be, the SFA.

## SUMMARY OF THE OFFERING

*The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular. Words and expressions defined in “Terms and Conditions of the Bonds” shall have the same meanings in this summary.*

<b>Description</b>	:	US\$150,000,000 8.75 per cent. Senior Secured Guaranteed Bonds due 2018.
<b>Issuer</b>	:	Miclyn Express Offshore Pte. Ltd.
<b>Issue Date</b>	:	25 November 2015
<b>Status of the Bonds</b>	:	The Bonds constitute direct, unsubordinated and unconditional obligations of the Issuer and shall at all times rank <i>pari passu</i> and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, except as may be provided by mandatory provisions of applicable law and subject to each of Condition 4 of the Bonds and the Intercreditor Deed, at all times rank at least equally with the Issuer’s other present and future senior, unsecured and unsubordinated obligations.
<b>Guarantees</b>	:	<p>MEOL and certain subsidiaries of MEOL as of the Issue Date being MEO Finance Company Limited, Miclyn Shipbuilding &amp; Engineering Pte Ltd, Airmat Singapore Pte Ltd, Entrons (Singapore) Pte Ltd, Girino Enterprise Pte Ltd, Ken-Mok Engineering &amp; Fabricators Pte Ltd, Koleth (S) Pte Ltd, Ticwink Pte Ltd, Offshore Charters Pte Ltd, Stardazz Pte Ltd, Express Offshore Solutions Pte Ltd, Miclyn Express Offshore (Australia) Holding Pty Ltd, Miclyn Express Offshore (L) Bhd, Mulia Samudera (L) Bhd, PT Sukses Graha Samudera and PT Nusa Perkasa Permai.</p> <p>Each wholly-owned subsidiary of MEOL after the Issue Date which, as shown by the accounts of such subsidiary, based upon which the latest audited consolidated accounts of the MEOL Group have been prepared, individually, on an unconsolidated basis, comprises at least 10% of the consolidated EBITDA or total assets of the MEOL Group as shown by such audited consolidated accounts shall be required to become a guarantor by entering into a deed of accession to the Trust Deed and the Agency Agreement.</p>
<b>Security and Intercreditor Arrangements</b>	:	The Bonds shall be secured by assets which are the subject of the Existing Security Documents and the Subsequent Security Documents (each as defined in Condition 1 of the Bonds). See Conditions 1(B) and (C) of the Bonds under “Terms and Conditions of the Bonds” for a description of the Security Documents.

See Conditions 1(D) and (E) of the Bonds under “Terms and Conditions of the Bonds — Status, Security, Intercreditor Arrangements and Guarantees” for the intercreditor arrangements under the Intercreditor Deed.

<b>Issue Price</b>	:	100.0 per cent. of the principal amount of the Bonds.
<b>Form and Denomination</b>	:	<p>The Bonds will be initially represented by a Global Certificate, without interest coupons, which will be deposited with, and registered in the name of or nominee for, a common depository for Euroclear and Clearstream, Luxembourg, on or about the Issue Date. The purchase, sale and transfer of the Bonds may only be effected through accounts at Euroclear and Clearstream, Luxembourg.</p> <p>The Global Certificate will be exchangeable for Definitive Certificates in the denomination of US\$200,000 each or integral multiples of US\$1,000 excess thereof in the limited circumstances set out in it. See “Summary of Provisions Relating to the Bonds While in Global Form.”</p> <p>The Bonds will be traded on the SGX-ST in a minimum board lot size of US\$200,000 for so long as the Bonds are listed on the SGX-ST.</p>
<b>Interest Rate</b>	:	The Bonds bear interest from and including the Issue Date at the rate of 8.75% per annum. Interest on each Bond is payable semi-annually in arrear on 25 May and 25 November in each year.
<b>Maturity Date</b>	:	25 November 2018
<b>Negative Pledge</b>	:	See Condition 4 of the Bonds.
<b>Bondholder Redemption Rights</b>	:	Upon the occurrence of a Change of Control, each Bondholder shall have the right to require that the Issuer repurchase such Bondholder’s Bonds at a purchase price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest up to the date of purchase (subject to the right of Bondholders of record on the relevant Record Date (as defined in Conditions of the Bonds) to receive interest due on the relevant purchase date.



Upon the occurrence of a Substantial Asset Disposition Event, each Bondholder shall have the right to require that the Issuer apply an amount equal to the Substantial Asset Disposition Event Proceeds (as defined in the Conditions of the Bonds) to repurchase such Bondholder's Bonds at a purchase price in cash equal to 100% of the principal amount thereof, plus accrued and unpaid interest up to the date of purchase (subject to the right of Bondholders of record on the relevant Record Date to receive interest due on the relevant purchase date). If the aggregate principal amount of Bonds tendered for purchase exceeds the amount of the Substantial Asset Disposition Event Proceeds, the Trustee will select the Bonds to be purchased on a pro rata basis. If any Substantial Asset Disposition Event Proceeds remain after the consummation of a repurchase pursuant to a Substantial Asset Disposition Event, the Issuer may use those excess proceeds for any purpose not otherwise prohibited under the Trust Deed.

The Issuer will not be required to repurchase the Bonds upon a Change of Control or a Substantial Asset Disposition Event if a third party makes an offer and purchases the Bonds in the manner, at the times and otherwise in compliance with the requirements set forth in the Trust Deed and the Conditions of the Bonds applicable to such an offer and purchases all Bonds validly tendered and not withdrawn under such offer.

**Optional Redemption**

: At any time on or after 25 November 2017, the Issuer may redeem the Bonds, in whole or in part, at the redemption price specified in Condition 8(C) of the Bonds. At any time prior to 25 November 2017, the Issuer may redeem the Bonds, at a redemption price equal to the sum of (i) 100% of the principal amount thereof, plus (ii) the Applicable Premium, plus (iii) accrued and unpaid interest, if any, to the redemption date.

<b>Redemption for Taxation Reasons</b>	:	The Bonds may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (as defined in the Conditions of the Bonds), at a price equal to 100% of their principal amount (together with interest accrued to (but excluding) the date fixed for redemption), if (a) the Issuer or any Guarantor has or will become obliged to pay additional amounts as provided or referred to in Condition 7 of the Bonds, or increase the payment of such additional amounts, as a result of any change in, or amendment to, the laws (or any regulations, rulings or other administrative pronouncements promulgated thereunder) of a Relevant Jurisdiction (as defined in the Conditions of the Bonds) or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws, regulations, rulings or other administrative pronouncements, which change or amendment is made public on or after the Issue Date, and (b) such obligations cannot be avoided by the Issuer or such Guarantor taking reasonable measures available to it.
<b>Financial Covenants</b>	:	See Condition 9 of the Bonds.
<b>Events of Default and Enforcement</b>	:	See Condition 10 of the Bonds.
<b>Taxation</b>	:	All payments of principal and interest in respect of the Bonds by the Issuer and the Guarantors will be made without withholding or deduction for or on account of any Taxes (as defined in the Conditions of the Bonds) imposed or levied by or on behalf of the Relevant Jurisdiction unless such withholding or deduction for or on account of Taxes is required by law. In such event, the Issuer or, as the case may be, the relevant Guarantor, will pay such additional amounts as necessary in order that the net amounts received by the Bondholders after such withholding or deduction shall be equal to the respective amounts which would have been receivable in respect of the Bonds in the absence of such withholding or deduction, save for certain exceptions. For further details, please see Condition 7 of the Bonds and “Singapore Taxation”.
<b>Selling Restrictions</b>	:	There are restrictions on the offer, sale and transfer of the Bonds in, among other jurisdictions, the United States, the United Kingdom, the European Economic Area, Hong Kong and Singapore. For further details, please see the section on “Subscription and Sale” herein.

<b>Listing and Trading of the Bonds</b>	: Application will be made to the SGX-ST for the listing and quotation of the Bonds on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Offering Circular. Admission to the Official List of the SGX-ST and quotation of the Bonds on the SGX-ST are not be taken as an indication of the merits of the Bonds, the Issuer, MEOL, their respective subsidiaries and/or associated companies.
	The Bonds will be traded on the SGX-ST in a minimum board lot size of US\$200,000 for so long as the Bonds are listed on the SGX-ST.
<b>Trustee</b>	: DB International Trust (Singapore) Limited.
<b>Common Security Agent</b>	: DB International Trust (Singapore) Limited.
<b>Principal Paying Agent</b>	: Deutsche Bank AG, Hong Kong Branch.
<b>Registrar</b>	: Deutsche Bank Luxembourg S.A.
<b>Governing Law</b>	: The Bonds are governed by, and shall be construed in accordance with, the laws of Singapore.
<b>ISIN/Common Code</b>	: XS1311942426/131194242
<b>Use of Proceeds</b>	: See "Use of Proceeds".

## RISK FACTORS

*The Issuer believes that the following factors may affect its business and/or its ability to fulfill its obligations under the Bonds. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. Prospective investors should carefully consider, among other things, the risks described below, as well as the other information contained in this Offering Circular and reach their own views prior to making an investment decision. Any of the following risks could materially adversely affect the MEOL Group's business, financial condition or results of operations and, as a result, investors could lose all or part of their investment. The risks below are not the only risks the MEOL Group faces. Additional risks and uncertainties not currently known to the MEOL Group, or that it currently deems to be immaterial, may also materially and adversely affect the MEOL Group's business, financial condition or results of operations.*

### **RISKS ASSOCIATED WITH THE ISSUER'S AND THE MEOL GROUP'S BUSINESS, FINANCIAL CONDITION AND/OR RESULTS OF OPERATIONS**

#### **Risks relating to our indebtedness**

***Our leverage could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry and prevent us from meeting our obligations under the Bonds***

As of 30 June 2015, we had outstanding debt amounting to (i) US\$335.4 million under our facility agreements between MEOL and MEO Finance Company Limited, as borrowers, DBS Bank Ltd., as lender, (ii) S\$200 million under the SGD Bonds, (iii) US\$17.0 million under the term debt facilities entered into by the Uniwise Joint Venture Companies, and (iv) US\$26.4 million under our facility agreement between MEO (Brunei) Sdn. Bhd., as borrower, and Baiduri Bank Bhd., as lender. We have made an offer to purchase the the SGD Bonds pursuant to and subject to the terms of an offer to purchase and invitation memorandum dated 30 October 2015. Such level of debt could have adverse consequences to Bondholders. For example, the size of our debt could:

- limit our ability to satisfy our obligations with respect to the Bonds;
- limit, along with the financial and other restrictive covenants of our indebtedness, our ability to obtain additional financing for working capital, capital expenditures, debt service requirements, vessel or other acquisitions or general corporate purposes;
- require us to dedicate a substantial portion of our cash flow from operations to payment of principal and interest on our indebtedness, thereby reducing the funds available to us for other purposes;
- make it more difficult for us to satisfy our obligations to our lenders, which could result in possible defaults on and acceleration of such indebtedness;
- make us more vulnerable to general adverse economic and industry conditions;
- put us at a competitive disadvantage compared to competitors who may have less debt or comparable debt at more favourable interest rates, enabling these competitors to possibly better withstand economic downturns;
- limit our ability to refinance our indebtedness or finance the associated costs; and
- limit our flexibility to adjust to changing market conditions or prevent us from carrying out capital spending that may at the time be necessary to our growth strategy.

We also may incur additional debt in the future. If we or our subsidiaries incur additional debt, the risks that we face as a result of our leverage could increase.

***The terms of our indebtedness could impose operating and financial restrictions that may limit our ability to operate our business***

Restrictions and covenants in certain of our debt agreements prohibit us from incurring additional indebtedness, subject to certain exceptions, unless we are able to satisfy certain financial ratios and certain other restrictions. The terms of our debt agreements also restrict our ability to:

- obtain additional financing for working capital, capital expenditures, including our newbuild programme, acquisitions, general corporate and other purposes;
- pay dividends or make other restricted payments in certain circumstances, create or permit liens, sell vessels or other assets;
- operate, plan for and react to changes in our business;
- dispose of assets, withstand current or future economic or industry downturns and compete with others in our industry for strategic opportunities;
- consolidate or merge with or into other companies or sell all or substantially all of our assets; and
- engage in transactions with affiliates.

These restrictions could limit our ability to react to changes in market conditions, take advantage of business opportunities we believe to be desirable, obtain future financing, fund needed capital expenditures, or withstand a continuing or future downturn in our business. Any of these could materially and adversely affect our ability to satisfy our obligations under the Bonds and other debt.

***If we are unable to comply with the restrictions and covenants in our debt agreements, including the Trust Deed constituting the Bonds, there could be a default under the terms of our debt agreements or the Trust Deed constituting the Bonds, which could cause payment of our debt to be accelerated***

If we are unable to comply with the restrictions and covenants in our current or future debt and other agreements including when in effect, the Trust Deed constituting the Bonds, there could be a default under the terms of these agreements. Under the terms of our debt agreements, we are required to maintain specified financial ratios and satisfy other financial condition tests. Our ability to comply with the restrictions and covenants can be affected by events beyond our control. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to us, accelerate the debt and/or declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of our debt agreements contain cross-acceleration or cross-default provisions. As a result, our default under one debt agreement may cause the acceleration of debt, including the Bonds, or result in a default under our other debt agreements. Even if we could obtain alternative financing, there is no assurance that it would be on terms that are favourable or acceptable to us.

## **Risks relating to our business**

### ***Demand for our vessels depends on the level of activity in offshore oil and gas exploration, development and production***

Our future growth is dependent on conditions in the offshore oil and gas exploration, development and production industry and, in particular, shallow water offshore oil and gas production. The level of offshore oil and gas exploration and development activity has historically been volatile and is likely to continue to be so in the future. In addition to the ability and willingness of oil and gas companies to make capital expenditures, this level of activity is subject to fluctuations in response to relatively minor changes in a variety of factors that are beyond our control, including:

- prevailing oil and natural gas prices and expectations about future prices and price volatility;
- the cost of offshore exploration for, and production and transportation of, oil and natural gas;
- worldwide demand for oil and natural gas;
- consolidation of oil and gas and oil service companies operating offshore;
- availability and rate of discovery of new oil and natural gas reserves in offshore areas;
- local and international political and economic conditions and policies;
- technological advances affecting energy production and consumption;
- weather conditions; and
- environmental regulation.

The downturn in oil and natural gas prices has caused a decline in expenditures for exploration, development and production activity, which has resulted in a corresponding decline in the demand for service vessels, causing a decrease in the utilisation rates of our vessels. This decline could have a material adverse effect on our financial condition and results of operations. Conversely, increases in oil and natural gas prices and higher levels of expenditure by oil and gas companies for exploration, development and production may not necessarily result in increased demand for our vessels. Levels of oil and gas exploration, development and production activity may continue to be volatile and, in turn, affect the demand for our vessels. There can be no assurance that the current levels of offshore oil and gas activity will be maintained in the future or that oil and gas companies will not reduce their offshore activities and capital expenditure.

### ***Failure to realise future contracted revenue or backlog for our business***

Our future contracted revenue, or backlog, for our businesses may not ultimately be realised. The backlog relating to our businesses was approximately US\$490 million as of 30 September 2015, assuming the performance of mutual obligations under the relevant contracts, including the completion of charter terms and exercise of option periods which account for approximately US\$184 million as of 30 September 2015. We may not be able to perform under these contracts due to events beyond our control, and our customers may seek to cancel or renegotiate our contracts for various reasons, including adverse conditions, resulting in lower earnings. In addition, under the terms of some of our current charter contracts which are based on major oil customers' form contracts, such customers are entitled to terminate a charter upon



one month's notice, without any termination penalties. Our backlog is calculated based on the assumption that these charter contracts are not terminated. There is no guarantee that our customers will not exercise their termination rights should the global economy deteriorate and our customers face circumstances where they do not require our vessels or our other services. Such circumstances are beyond our control. Moreover, our vessels are typically chartered to provide services to a specific project, such as a drilling rig, and a delay in the project commencement or disruption through unforeseen events may have an adverse impact on our utilisation of the contracted vessel and thus on our financial condition and results of operations. Our inability, or the inability of our customers to perform, under our or their contractual obligations or our customers' exercise of their termination rights may have a material adverse effect on our financial position, results of operations and cash flows.

***Excess supply of OSVs, crewboats, tugs or barges would likely have a negative effect on charter rates for our vessels, which could adversely impact our results of operations***

Charter rates for our vessels depend in part on the supply of vessels in the markets in which we operate, and, accordingly, we could experience a material reduction in demand as a result of an increased supply of the types of vessels we operate. Excess vessel capacity in the industry or in a particular offshore market may result from:

- constructing new vessels;
- moving vessels from one offshore market area to another;
- converting vessels formerly dedicated to services other than offshore marine services;
- declining offshore oil and gas drilling production activities; and/or
- vessel operators extending the operating life of older vessels which otherwise would have been removed from service.

In the last ten years, industry-wide construction of vessels of the types we operate has increased. The addition of new capacity of various types of marine supply vessels to the worldwide offshore marine fleet and/or declining offshore oil and gas production or marine construction activities are likely to increase competition in those markets where we presently operate. These trends could reduce DCRs, utilisation rates and operating margins of our vessels, which would adversely affect our financial condition and results of operations.

***Competition in our industry could reduce our results of operations and market share***

Contracts for our OSVs, tugs and barges are generally awarded on a competitive basis. Some important factors determining whether a contract will be awarded include:

- age, quality and capability of the vessels;
- a vessel operator's ability to meet the customer's schedule;
- length of our relationships with customers;
- a vessel operator's safety record, reliability, efficiency, reputation and experience; and
- price.

Some of our competitors, including diversified multinational companies, have large, high-quality vessel-fleets, distinguished industry reputation, greater financial resources and larger operating staff than we do. We also face competition from local service providers in the markets in which we operate. Our competitors may be better able to compete in making

vessels available more quickly and efficiently, meeting the customer's schedule and withstanding the effect of declines in DCRs and utilisation rates. They may also be better able to weather a downturn in the oil and gas industry. Some of our competitors may also be willing to accept lower DCRs in order to maintain utilisation, which can have a negative impact upon DCRs and utilisation in our business. As a result, we could lose customers and market share to these competitors.

***We depend on a limited number of customers for a significant portion of our charter revenue and if we were to lose the business of one or more key customers, the loss of business could have a material adverse effect on our financial condition and results of operations***

We are dependent on a limited number of customers for a substantial portion of our charter revenue. Our major customers include the following, or group members of the following: Chevron, Heerema, Saudi Aramco, Mermaid, Brunei Shell Petroleum, Petronas, Saipem S.p.A., HBK Contracting, Qatar Petroleum, Maersk Qatar and Technip. For the financial year ended 30 June 2015 our top three customers (by revenue) in aggregate represented 39.4% of our revenue while our top five customers (by revenue) in aggregate represented 53.0% of our revenue. For the financial years ended 30 June 2014 and 2013, our top three customers (by revenue) in aggregate accounted for 40.9%, and 40.2% of our revenue, respectively, while our top five customers (by revenue) represented 56.2% and 54.1% of our revenue, respectively. Because of the nature of our business and the type of customers and projects for which we compete, we anticipate that the IOCs and the NOCs such as Chevron, Saudi Aramco and Brunei Shell Petroleum will continue to account for a similar proportion of our revenue. Other customers such as Heerema and Technip may not continue to account for as much of our revenue, although they may employ our services again in the near future. Our ability to retain these and other customers and add new customers is important to our ongoing success. The loss of one or more of our key customers for any reason, reduced orders from any of our key customers, or any significant delay in payment from one or more of our key customers could have a material adverse effect on our business, financial condition and results of operations.

***Our ability to charter out vessels at the expiration of the current charters or enter into new charters for our newbuilds or acquired vessels is subject to availability of charterers and prevailing charter rates at that time***

As of 30 June 2015, the average terms of our OSV and crewboat charters were 2.9 years and 3.5 years, respectively. Our tugs and barges are chartered on a short-term basis. Based on our portfolio as of 30 June 2015, 53%, 31% and 7% of our OSV and crew/utility charters are set to expire in 2016, 2017 and 2018, respectively. Some of our charters include options to extend the term. However, under these charters, our charterers typically have sole discretion as to whether or not they wish to extend the charters after expiration of the initial charter term. We are not able to predict whether our charterers will exercise such options. Our charterers may choose not to extend our charters for reasons, including, but not limited to, electing to charter with one or more of our competitors, concerns or issues with our operational performance or completion of the customer's contracted-for project.

Under the terms of our charters, our charterers are also often not required to give us notice of their intention to exercise their option until a short period, sometimes as little as 30 days, prior to the expiration of the charter. If charterers decide not to extend, we may not be able to re-charter the vessels on similar terms, and if a charterer does not give us advance notice of its intention not to extend the charter, we may have difficulty re-chartering the vessel within a short period after the expiration of the lease, which would result in longer periods of off-hire. There have been circumstances in the past when some of our customers, with a number of

vessels chartered from us, notified us of their intention not to extend charter terms only 30 days prior to the expiration of the charters, which resulted in us having to attempt to re-charter a number of vessels within a very short period of time and experience greater periods of off-hire for those vessels.

Our ability to re-charter vessels on the expiration or termination of the initial charter terms and the charter hire payable under any renewal or replacement charter will depend upon, among other things, the then prevailing availability of charterers and conditions in the relevant market at that time. If we are unable to charter out a vessel or enter into new charters for our newbuilds or acquired vessels, we may be required to bear substantial costs and expenses for the vessel until it is chartered. If we receive less income as a result of lower charter hire under replacement charters or are unable to charter out the vessels on expiration or termination of their current charters or enter into new charters for our newbuilds or acquired vessels, this may have an adverse impact on our results of operations and our ability to make interest or principal payments on the Bonds.

***Charter rates may be reduced or suspended upon the occurrence of certain events***

The charter rates payable under our charter contracts may be reduced or suspended due to various reasons. Such reasons may include poor or non-performance, request for suspension or reduction in charter rates by the charterer, events of force majeure or any other reasons which render our offshore vessels unavailable for deployment for specified periods of time.

In addition, if for any reason we are unable to redeploy our offshore vessels for a period of time, such as upon the expiry of any existing charter contract, or following a charterer's exercise of its early termination right, or negotiations over the terms of our charter contracts are protracted, or our charter contracts are renewed at less favourable terms, this could have a material adverse effect on our business, results of operations and financial condition and our ability to make interest or principal payments on the Bonds.

***Our vessels may be subject to unbudgeted periods of off-hire, which could adversely affect our business, financial condition and results of operations***

Under the terms of the charter agreements under which our vessels generally operate, or are expected to operate in the case of newbuilds, when a vessel is "off-hire", or not available for service or otherwise deficient in its condition or performance, the charterer generally is not required to pay the hire rate for the off-hire period, and we do not receive the charter hire rate from our insurer, as we do not insure for such losses. Moreover, we will be responsible for all costs incurred by the vessel, unless the charterer is responsible for the circumstances giving rise to the lack of availability. In addition, the charterer is generally permitted, at its sole option, to extend the term of the charter by a period equal to the period of off-hire. A vessel generally will be deemed to be off-hire if there is an occurrence preventing the full working of the vessel due to, among other things:

- operational deficiencies;
- the removal of a vessel from the water for repairs, maintenance or inspection, which is referred to as drydocking;
- equipment breakdowns;
- delays due to accidents;
- our failure to maintain the vessel in compliance with its specifications, contractual standards and applicable country of registry and international regulations or to provide the required crew;

- occurrence of hostilities in countries where the vessel's operations may be affected; and/or
- crewing strikes, certain vessel detentions or similar problems.

When our vessels suffer damage, they may require repair at a drydocking facility, and the availability of a suitable drydock and the costs of repair at a drydocking facility are unpredictable and can be substantial. Sometimes, our vessels have to wait for drydocking space or relocate to drydocking facilities that are farther away. We may have to pay repair costs that our insurance does not cover in full. Off-hire periods result in the loss of earnings and additional costs and expenses which, in turn, would adversely affect our results of operations.

***We are exposed to the credit of our customers***

We typically grant our customers credit on a short term basis. Related credit risks are inherent as we do not typically collateralise receivables due from customers. Moreover, because we depend on a limited number of customers for a significant portion of our revenue, we are dependent on the due performance of such charterers of their respective obligations under their charters, and a default or delay by any such charterer in the payment of the charter income, or other failure by a charterer to perform its obligations under a charter, could result in a loss of a substantial portion of our revenue. Any loss of income from any of such charterer could have a material adverse effect on our financial performance and our ability to make principal and interest payments on the Bonds. We provide estimates for uncollectible accounts based primarily on our judgment using historical losses, current economic conditions and individual evaluations of each customer as evidence supporting the receivables valuations stated on our financial statements. However, our receivables valuation estimates may not be accurate and receivables due from customers reflected in our financial statements may not be collectible.

***Failure to obtain vetting approval by our customers might adversely affect the employment of our vessels***

Vessels, owners, management, personnel, operational procedures and emergency preparedness are increasingly being subjected to scrutiny or "vetting" by charterers. Concerns for the environment have also led our clients to develop and implement a strict due diligence process when selecting the vessels and vessel operators.

As of 30 June 2015, all of our on hire vessels have passed the applicable vetting inspections by the relevant charterers. To pass the vetting process successfully and thereby qualify for business with charterers is a major challenge and often requires our incurring expenses to ensure that our vessels machinery, equipment and procedures are in-line with the relevant charterers' vetting protocols. Moreover, our charterers' vetting procedures generally are becoming more exacting, which likely may result in additional, future expenses in order for our vessels to pass the applicable vetting inspections. Failure to obtain vetting approval from one or more of our charterers would have significant impact on our vessels' utilisation rates, our corporate profile and reputation, and our results of operations, cash flow and financial position.

### ***We may fail to maintain certification by classification societies***

The hull and certain machinery of every vessel must be classed by a classification society authorised by the vessel's country of registry. All of our vessels are classified by the BV with the exception of two vessels in Australia under GL, one vessel under DNV and three vessels under ABS. A classification society certifying that a vessel is "in class" signifies that the vessel is safe and seaworthy in accordance with the rules of the classification society and complies with applicable rules and regulations of the vessel's country of registry and the international conventions to which that country is a party. The certificates that are essential for trading include but are not limited to international safety management, safety construction, safety equipment and safety radio certificates.

A vessel must undergo scheduled surveys such as annual surveys, intermediate surveys, drydocking surveys and special surveys and is sometimes subject to other surveys and inspections that are required pursuant to the regulations and requirements of the vessel's country of registry. In lieu of a special survey, a vessel's machinery may be on a continuous survey cycle, under which the machinery would be surveyed periodically over a five-year period.

If any vessel does not maintain its class or fails any annual survey, intermediate survey, drydocking survey, special survey or other surveys performed by her classification society, that vessel may be unable to trade between ports and will be unemployable. The failure to maintain a vessel's class or the failure of a vessel survey could also cause us to be in violation of our insurance policies, and may prevent recovery for insured events or allow the insurer to decline, or increase premiums for, coverage. Such inability to trade between ports or violations of our insurance policies would negatively impact our revenue. Failure to maintain appropriate classification may also constitute a default under certain of our loan agreements thereby providing our lenders with a right to accelerate payments under those loan agreements (subject to applicable cure periods available under the loan agreement). Failure to maintain appropriate classification would also result in a breach of our charter contracts.

As of 30 June 2015, none of our vessels have failed to maintain their class or failed any survey performed by the respective classification society. However, there is no guarantee that our vessels will maintain their class and pass the required survey in the future, any failure of which could adversely affect our financial position, results of operations and cash flows.

### ***Our operations are subject to international as well as domestic government regulations***

We must comply with international regulations as well as domestic regulations and sanctions in jurisdictions in which our vessels operate or are registered and in which our subsidiaries are domiciled. We are also exposed to the inherent risks, as well as to the local customs and practices of the countries in which we operate. These regulations and customs may impact our ability to operate in these jurisdictions or maintain or repatriate funds from these jurisdictions. For example, we may not always receive the necessary licenses and approvals. Furthermore, regulations and customs or their application and interpretation may change, and we may have difficulties interpreting or complying with such regulations and customs, or these may otherwise adversely affect us and/or increase our costs of operation.

In some jurisdictions in which we operate, cabotage laws require vessels to be locally flagged and/or beneficially owned by citizens of the country in which we operate. Accordingly, as is common in the industry, some of our vessels in Indonesia and Malaysia are held through trusts or other contractual arrangements in order to comply with local laws, which are intended to provide us with effective control over the trustee and contract counterparties and allow us to obtain economic benefits from the arrangements. However, these trusts or contractual arrangements may not be as effective in providing control as direct ownership and any breach or non-performance by trustees or contract counterparties could hinder our operations and

have a material adverse effect on us. In addition, as our vessels are held under such arrangements, if the trustees or contract counterparties breach their agreements with us or they or their assets become insolvent or become subject to liens or rights of third party creditors, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations.

We believe that we are in compliance in all material respects with all applicable laws and regulations to which we are subject. We do not anticipate that compliance with existing environmental laws and regulations will have a material adverse effect on our business, financial condition or results of operations. However, changes in environmental laws and regulations, or claims for damages to persons, property, natural resources or the environment, could result in substantial costs and liabilities.

***Any delay in delivery and repairs of our vessels could adversely affect our financial condition and our operations***

Our newbuild and repair projects are subject to the risks of delay and cost overruns inherent in any large construction project, including shortages of equipment, unforeseen engineering problems, work stoppages, weather interference, unanticipated cost increases, inability to obtain the necessary certifications and approvals and shortages of materials or skilled labour.

There is no guarantee that we will not experience delays in delivery of committed newbuilds from third party shipyards. Significant cost overruns or delays in connection with our vessel construction and repair projects could adversely affect our financial condition and results of operations. In particular, cost overruns and/or delays in newbuilds from third party shipyards may have a more pronounced effect on our results of operations, as we cannot seek remuneration or penalties from these third party shipyards in relation to the costs overruns and delays in delivering our newbuilds. Significant delays could also result, under certain circumstances, in penalties under, or the termination of, contracts with charterers under which our vessels operate. The demand for vessels we construct may diminish from anticipated levels, or we may experience difficulty in acquiring new vessels or obtaining equipment to fix our older vessels due to high demand, both circumstances which may have a material adverse effect on our revenues and profitability.

There can also be no assurance that third party shipyards will be able to source key machinery and equipment (such as engines and gearboxes) in a timely manner and without delay. In addition, there may not be third party shipyard slots available either at all, or at prices or delivery times acceptable to us.

The failure to complete construction or repairs on budget could have a material adverse effect on our revenues and profitability.

***If our costs increase or we encounter unforeseen costs, we may not be able to recover such costs from our customers***

Many of our operating costs are unpredictable and vary based on events beyond our control. Although we operate according to an internal preventive safety programme, whereby maintenance, including replacement of parts, is performed according to pre-established schedules, regardless of whether the vessel or parts show any signs of defects, many of our operating costs and capital expenses for our vessels are still unpredictable and may vary based on events beyond our control. While some unpredictable costs, such as fuel, are passed through to the customer under our existing contracts, most other unpredictable costs, including increase in prices of materials, supplies and spare parts, litigation expenses and redeployment expenses, may not be recoverable from our customers, which could adversely affect our financial position, results of operations and cash flows.



### ***We may not be able to grow or effectively manage our growth***

Our future growth will depend upon a number of factors, some of which we can control and some of which we cannot. These factors include market conditions, as well as our ability to:

- build or acquire new vessels;
- put our fleet to work in projects that require multiple vessels and logistical solutions;
- integrate any acquired businesses or vessels successfully with our existing operations;
- identify new customers and negotiate favourable charter terms;
- obtain required financing;
- identify new regions and countries for the deployment of our vessels; and
- identify suitable third party vessels for charter to our customers in order to fulfil any specific requirements of our customers.

A deficiency in any of these factors could adversely affect our ability to achieve growth in the levels of cash flows or realise other anticipated benefits. In addition, competition from other buyers could reduce our acquisition opportunities or cause us to pay a higher price than we might otherwise pay.

Future acquisitions could result in the incurrence of additional indebtedness and liabilities that could have a material adverse effect on our business, results of operation and financial condition and our ability to make interest or principal payments on the Bonds.

### ***Our time charter contracts contain termination rights in favour of our customers***

Our time charter contracts entered into with respect to our OSVs, crew/utility vessels and tugs are mostly for periods greater than one year and substantially all have fixed DCRs for that term, which were based in part on prevailing charter rates and expectations for future charter rates and residual values at the time we entered into these charters. Under our time charters, we are not free to terminate the charters and redeploy the vessels to take advantage of more profitable charters during the terms of our existing charters. However, our contracts under certain oil major customers' form charters typically allow the customer to terminate the charter on one month's notice without penalty. If such termination rights are exercised, there can be no assurance that we will be able to redeploy the vessels on similar or better charter terms, which could result in a reduction in our income and adversely affect our ability to make interest or principal payments on the Bonds.

### ***Older vessels may be less desirable to end-users and may command lower charter rates***

As our vessels age, our operating and capital expenses may increase and our charter rates may decline. As of 30 June 2015, our vessels had an average age of 7.8 years. In general, capital expenditure and other costs of maintaining a vessel in good operating condition increase with the age of the vessel. Older vessels are typically more costly to maintain than more recently constructed vessels and are subject to lower utilisation rates due to their higher maintenance requirements. Cost efficiency decreases with the age of a vessel, such that older vessels are relatively less desirable to charterers, which, in turn, leads to a reduction in charter rates for older vessels. In addition, government regulations on safety or other equipment standards relating to the age of vessels may require expenditure for alterations, or the addition of new equipment, to our vessels and may restrict the type of activities in which the vessels may engage.

In addition, some of our customers set their own age restrictions for vessels they will agree to charter. Certain customers may also apply their own performance criteria to our vessels before making a decision to charter our vessels or mandate minimum performance standards during the term of their charter. The ability of our vessels to meet these performance criteria or standards may diminish should our vessels age without increasing levels of capital expenditure. Charter rates for our vessels may also reduce for the period our vessels are in non-compliance with such performance standards.

As a result of a combination of the foregoing, the charter rates for older vessels are generally lower than that for newer vessels. The average age of our OSVs, crewboats, tugs and barges as of 30 June 2015 was 6.3, 7.8, 9.3 and 7.0 years, respectively. However, as our vessels are redeployed upon the expiry or termination of their charters, there can be no assurance that the replacement charters will not be at lower charter rates. Lower charter rates would have an adverse effect on our ability to make interest or principal payments on the Bonds.

***We may not be able to keep pace with the continual technological developments that characterise the market for our services, and our failure to do so may result in our loss of market share***

The market for our services is characterised by continual technological developments that have resulted in, and will likely continue to result in, substantial improvements in equipment functions and performance. As a result, our future success and profitability will depend in part upon our ability to keep pace with technological developments. If we are not successful in acquiring new equipment or upgrading our existing equipment in a timely and cost-effective manner in response to technological developments or changes in standards in our industry, we could lose business and profits.

***We may be unable to attract and retain qualified and skilled employees necessary to operate our business***

Our success depends in large part on our ability to attract and retain highly skilled and qualified personnel, including masters, or captains, for our vessels. Our seafarers are all on short-term contracts and given the relatively short-term nature of our seafarers' engagement, we face significant risk of turnover of seafarers as a number of them can be expected to come off-contract at various points in the year. Our inability to hire, train and retain a sufficient number of qualified employees could impair our ability to manage, maintain and grow our business. We require skilled employees who can perform physically demanding work. As a result of the volatility of the oil and gas industry and the demanding nature of the work, potential employees, especially seafarers, may choose to pursue employment in fields that offer a more desirable work environment at wage rates that are competitive with ours. With a reduced pool of workers, it is possible that we will have to raise wage rates to attract workers from other fields and to retain our current employees. If we are not able to increase our charter rates to our customers to compensate for wage-rate increases, our financial condition and results of operations may be adversely affected.

***Our success depends on key members of our management, the loss of whom could disrupt our business operations***

We depend to a large extent on the efforts and continued employment of our executive officers and key management personnel. There is no assurance that any such persons will not leave us. We do not maintain key man insurance on such officers and key personnel. The loss of services of one or more of our executive officers or key management personnel could have a negative impact on our financial condition and results of operations.

### ***We may be adversely affected by uncertainty in the global financial markets***

Our future results may be impacted by volatility, weakness or deterioration in the debt and equity capital markets. Inflation, deflation, or other adverse economic conditions may negatively affect us or parties with whom we do business resulting in their non-payment or inability to perform obligations owed to us, such as the failure of customers to honor their commitments, the failure of shipyards and major suppliers to complete orders or the failure by banks to provide expected funding under our revolving credit agreement. Additionally, credit market conditions may slow our collection efforts as customers experience increased difficulty in obtaining requisite financing, potentially leading to lost revenue and higher than normal accounts receivables. This could result in greater expense associated with collection efforts and increased bad debt accounts receivables and write-offs.

Should the global economic conditions deteriorate and adversely impact our ability to issue additional debt and equity in the future on acceptable terms, we cannot be certain that additional funding will be available if needed and to the extent required, on acceptable terms.

### ***As an international business, we face risks of political unrest and instability***

A significant portion of our revenues are generated from operations in countries and regions where the geopolitical climates are challenging, including parts of the South-East Asia and the Middle East. As such, our business is subject to the political, economic and social conditions of the countries where these ports and our charterer are located. For example, we are exposed to risks of political unrest, war and economic and other forms of instability, such as natural disasters, widespread transmission of communicable or infectious diseases, acts of God, terrorist attacks and other events beyond our control which may adversely affect local economies, infrastructures and livelihoods as well as disrupt our business and affect our employees, markets and our customers. Any deterioration of the geopolitical climate, including the outbreak of war or the imposition of economic sanctions in one or more of our key markets, may require us or our customers to discontinue business operations in the affected country or countries, resulting in a decline in the utilisation of our vessels and services.

The nature of the industry and the geographic locations in which we operate may make us more susceptible to protracted or uncertain legal disputes than other types of business. Furthermore, these events could adversely affect world trade, which could reduce demand for vessels or our services. The political, economic or social conditions in any of these countries may have an effect on our charterers' business and financial condition which may affect the creditworthiness of our charterers, and their ability to perform under their charter contracts with us. Any of these events could materially impact our revenue, cost of operations, overall results of operations and financial condition.

### ***Our vessels could be subject to government requisitions during periods of emergency or war***

A government could requisition for title or seize vessels in our portfolio. Requisition for title occurs when a government takes control of a vessel and becomes the owner. Also, a government could requisition one or more of our vessels for hire. Requisition for hire occurs when a government takes control of a vessel and effectively becomes the charterer at dictated charter rates. Generally, such requisitions occur during a period of war or emergency and would result in the loss of war risk insurance cover for the relevant vessels. In the event that the vessels are lost due to war, we could be adversely affected in terms of our business, financial position and results of operations.

***Maritime claimants could arrest our vessels, which could interrupt our cash flow***

Crew members, suppliers of goods and services to a vessel and other parties may be entitled to maritime liens against our vessels for unsatisfied debts, claims or damages. In many jurisdictions, a maritime lienholder may enforce its lien by arresting a vessel and commencing foreclosure proceedings. This would apply even if vessels in our portfolio are chartered out. The arrest or attachment of one or more of our vessels could result in us paying a substantial sum of money to have the arrest lifted if the charterer of the relevant vessel does not do so. In this respect, our business and financial condition may be adversely affected.

In addition, international vessel arrest conventions and certain jurisdictions allow so-called “sistership” arrests, which permit the arrest of vessels that are within the same legal ownership as the vessel which is subject to the claim or lien. Certain jurisdictions go further, permitting not only the arrest of vessels within the same legal ownership, but also any “associated” vessels. In these jurisdictions, an “association” may be recognised when two vessels are owned by companies controlled by the same party. Consequently, a claim may be asserted against us, any of our subsidiaries, or our vessels for the liability of one or more of the other vessels we own.

***Our vessels may be exposed to attacks by pirates or terrorist attacks***

Our vessels may be attacked, destroyed, hijacked or seized by pirates, or subject to terrorist attacks, resulting in damage or loss to the vessels which exceeds existing insurance coverage or which is not covered by the existing insurance policies. While our charterers would be liable to continue to make charter payments, or, in the event of the loss of the vessel, the stipulated loss value, if they fail to do so, our business and financial condition may be adversely affected.

***We are subject to natural disasters and accidents customary for the operation of vessels that could adversely affect our financial performance even if we are adequately insured or indemnified***

Our business involves many risks beyond our control that may disrupt our business or otherwise result in substantial losses, and insurance may be unavailable or inadequate to protect us against these risks. Our charter vessels are subject to risks customary for the operation of vessels such as:

- catastrophic marine disaster;
- adverse weather and sea conditions;
- collisions;
- oil and hazardous substance events;
- acts of God; and
- war and terrorism.

The occurrence of any of these events may result in damage to or loss of our vessels or other property and injury to passengers and personnel. If any of these events were to occur, we could be exposed to liability for resulting damages and possible penalties, that pursuant to typical marine indemnity policies, we must pay and then seek reimbursement from our insurer. Affected vessels may also be removed from service and thus be unavailable for income

generating activity. While we believe our insurance coverage is at adequate levels and insures us against risks that are customary in the industry, we may be unable to renew such coverage in the future at commercially reasonable rates. Moreover, existing or future coverage may not be sufficient to cover claims that may arise.

***Our insurance coverage does not cover all foreseeable risks for our business and/or may not provide adequate protection***

We maintain hull and machinery insurance, protection and indemnity insurance and increased value insurance for all our vessels, and innocent owners' interest insurance for selected vessels. We also enter into material insurance for certain materials in transit, or have our vendors cover material insurance. Although we maintain insurance coverage which we consider appropriate, we are not insured against all foreseeable risks including, but not limited to, insurance for loss of charter hire rates during "off-hire" periods. See "— Risks relating to our business — Our vessels may be subject to unbudgeted periods of off-hire, which could adversely affect our business, financial condition and results of operations". There can be no assurance that in the future we will be able to maintain our current level of insurance at commercially reasonable rates.

***We are exposed to interest rate risk***

Our debt includes bank borrowings to finance our operations. Where appropriate, we seek to minimise our interest rate risk exposure by entering into interest rate swap contracts to swap floating interest rates for fixed interest rates over the duration of certain of our borrowings. However, our hedging policy may not adequately cover our exposure to interest rate fluctuations and this may result in a large interest expense and an adverse effect on our business, financial condition and results of operations.

***We are exposed to counterparty risk***

We may enter into various transactions from time to time which will expose us to the credit of our counterparties and their ability to satisfy the terms of contracts with us. For example, we may enter into swap arrangements, which expose us to the risk that counterparties may default on their obligations to perform under the relevant contract. In the event a counterparty, including a financial institution, is declared bankrupt or becomes insolvent, this may result in delays in obtaining funds or us having to liquidate our position, potentially leading to losses.

***We may be subject to additional tax liability***

Any change in laws and regulations applicable to the taxation of income, intercompany transactions, withholding taxes, levies and other transactional taxes of ours in the countries in which we operate, or any change in our current interpretation or any disputes with tax authorities or any changes to our income and geographical mix, could adversely affect our tax status and increase our tax payable, which could have a negative impact on our financial results. In particular, given that we have cross-border intercompany transactions, tax authorities in any of the countries in which we operate may challenge our transfer prices as not reflecting arm's length transactions, or may challenge other interpretations of tax law, which, if successful, may result in a higher tax liability for us.

***We may be subject to claims associated with asbestos***

We discovered asbestos in 2008 onboard our vessel Veritas Voyager in Australia, which was subsequently removed. This vessel was renamed Voyager Explorer and is chartered to a customer. We have since checked all of our current vessels and confirmed that they now comply with the United States' National Institute for Occupation Safety and Health and other international standards. While we have developed an asbestos management plan, there can

be no assurance that materials containing asbestos do not exist in, and will not be brought in, on or through, our vessels or operating areas. There can also be no assurance that the costs of review and disposal, or any liability arising in connection with the presence of asbestos will not be material.

***Climate change and regulation of greenhouse gases could have a negative impact on our business***

Due to concern over the risk of climate change, a number of countries and the United Nations' IMO have adopted, or are considering the adoption of, regulatory frameworks to reduce greenhouse gas emissions including technical and operational reduction measures recommended by IMO's Marine Environment Protection Committee.

The implementation of any such laws, regulations and obligations relating to climate change in the regions in which we operate could increase our costs related to operating and maintaining our assets, and might also require us to install new emission controls, acquire allowances or pay taxes related to our greenhouse gas emissions, or administer and manage a greenhouse gas emissions programme.

As such laws, treaties and international agreements are often revised, we cannot predict the ultimate costs of complying with such laws, treaties and international agreements or their impact on the resale price or useful life of our vessels. Additional laws, treaties and international agreements may be adopted which could limit our ability to do business or require us to incur substantial additional costs or otherwise materially adversely affect our business, financial condition and results of operations.

***Failure to comply with applicable anti-corruption laws could result in fines, criminal penalties, drilling contract terminations and an adverse effect on our business***

Our global business operations include many countries with developing economies. Also, the existence of state or government-owned shipbuilding enterprises puts us in contact with persons who may be considered "foreign officials" under the United States Foreign Corrupt Practices Act of 1977 (the "**FCPA**") or otherwise subjects us to risks under the FCPA, the United Kingdom Bribery Act 2010 (the "**Bribery Act**"), and similar laws in other jurisdictions. We are committed to doing business in accordance with applicable anti-corruption laws and have adopted a code of conduct in addition to a gifts and donations policy that are consistent and in full compliance with the FCPA, the Bribery Act and other similar laws. We will be subject, however, to the risk that we, our affiliated entities or our or their respective officers, directors, employees and agents may take actions determined to be in violation of such anti-corruption laws, including the FCPA, the Bribery Act, and similar laws in other jurisdictions. Any such violation could result in substantial fines, sanctions, civil and/or criminal penalties, curtailment of operations in certain jurisdictions, and might adversely affect our business, results of operations or financial condition. In addition, actual or alleged violations could damage our reputation and ability to do business. Furthermore, detecting, investigating and resolving actual or alleged violations is expensive and can consume significant time and attention of our senior management.

***Our historical operations in Iran could potentially result in sanctions on us***

We have in the past operated and chartered our vessels for projects in Iran, which have been the subject of U.S. sanctions administered by the U.S. Department of the Treasury's Office of Foreign Assets Control ("**OFAC**"), and by the U.S. Department of State. We had ceased our operations in Iran by 31 December 2012 and as a result of our withdrawal from Iran, a one-time



provision of US\$4.5 million was made for uncollected receivables. Although the United States is slowly lifting its sanctions against Iran, it is still possible that the United States could impose sanctions on companies that engage in certain activities in and with Iran, especially in Iran's energy sector.

***We may be subject to litigation, arbitration and other proceedings that could have an adverse effect on us***

Currently we are not party to any material litigation. We anticipate that we may be involved in litigation matters from time to time in the future. The operating hazards inherent in our business may expose us to litigation, including personal injury litigation (including as a result of exposure to asbestos or toxic fumes or resulting from other occupational diseases), labour and employment litigation, environmental litigation, contractual litigation with clients and maritime lawsuits. We cannot predict with certainty the outcome or effect of any claim or other litigation matter, or a combination of these. If we are involved in any future litigation, or if our positions concerning current disputes are found to be incorrect, this may have an adverse effect on our business, financial position and results of operations, because of potential negative outcomes, the costs associated with asserting our claims or defending such lawsuits, and the diversion of management's attention to these matters.

***Our labour costs and the operating restrictions that apply to us could increase as a result of collective bargaining negotiations and changes in labour laws and regulations***

Currently, some of our seafarers based in Australia and seafarers working onboard our Singapore flagged vessels are represented by unions. As a result, these seafarers may, from time to time, work under collective bargaining agreements. The collective bargaining agreements may not prevent labour disruptions, particularly when the agreements are being renegotiated. As part of the legal obligations in some of these agreements, we are required to contribute certain amounts to retirement funds and pension plans and will be restricted in our ability to dismiss employees. In addition, if our employees are represented by unions, we may be required to negotiate wages. Although we have not had any significant problems in the past with the labour unions, notwithstanding a majority of our crew being employed on individual contracts, we cannot assure Bondholders that there will not be labour disputes and/or adverse employee relations in the future. Negotiations with unions relating to collective bargaining agreements and other labour related matters could result in higher personnel costs, other increased costs or increased operating restrictions, or even labour stoppages, strikes or slowdowns that could adversely affect our financial performance.

## **RISKS RELATING TO BONDS**

***Your right to receive proceeds realised from any enforcement action taken against the Shared Collateral will be effectively subordinated***

In accordance with the terms of the Intercreditor Deed, the Shared Collateral (as defined in the "Trust Deed") which secures the Bonds is also subject to first-ranking security interests which secure the Priority Debt (as defined in Condition 9 of the Bonds) under the "Terms and Conditions of the Bonds". See "Terms and Conditions of the Bonds — Status, Security, Intercreditor Arrangements and Guarantees" for more details.

As a result, the existing and future security conferred by the Security Documents over the Shared Collateral to secure the Bonds will rank junior to the existing and future security conferred by the security documents over the Shared Collateral in respect of the Priority Debt, and any proceeds that are realised from any enforcement action taken against the Shared Collateral will be applied first to the repayment in full of the Priority Debt in the manner and priority set forth in the documents governing the Priority Debt and then to repayment of the amounts outstanding in respect of the Bonds in the manner and priority set forth in the Trust

Deed. DBS Bank Ltd, as the “1st Priority Representative” under the Intercreditor Deed, will have the right to instruct the Common Security Agent in relation to any enforcement proceedings arising with respect to the Shared Collateral. There can be no assurance that any such instructions given by DBS Bank Ltd. to the Common Security Agent would result in Bondholders receiving the full amount of their claim from a sale or other liquidation of the Shared Collateral. As a result, Bondholders may receive less, rateably, than the holders of the Priority Debt, and we may not have sufficient assets remaining to pay all amounts due on any or all of the Bonds then outstanding.

***Your right to receive payment on the Bonds and the Guarantees will be effectively subordinated to the indebtedness of our non-guarantor subsidiaries and joint ventures***

The Bonds will not be guaranteed by certain of our subsidiaries and joint ventures. Creditors, including trade creditors of non-guarantor subsidiaries and any holders of preferred shares in such entities, would have a claim on the assets of the non-guarantor subsidiaries and joint ventures that would be prior to the claims of the Bondholders. As a result, the Issuer’s payment obligations under the Bonds and the Guarantors’ obligations under the Guarantees (as defined herein) will be effectively subordinated to all existing and future obligations of our non-guarantor subsidiaries and joint ventures, including their obligations under guarantees they have issued or will issue in connection with our business operations, and all claims of creditors of our non-guarantor subsidiaries and joint ventures will have priority as to the assets of such entities over our claims and those of our creditors, including the Bondholders.

The Bonds and the Trust Deed permit the Issuer, the Guarantors and our non-guarantor subsidiaries to incur additional indebtedness and issue additional guarantees, subject to certain limitations.

***MEOL is a holding company and will rely on our vessel-owning subsidiaries for funds necessary to satisfy our financial and other obligations, including the Bonds***

MEOL is a holding company and our vessel-owning subsidiaries own all of our operating assets. We have no significant assets other than the equity interests of our subsidiaries. We conduct all of our activities through our subsidiaries and will depend on those subsidiaries for dividends and other payments to generate the funds necessary to meet our financial obligations, including the payment of principal and interest on the Bonds. The ability of our subsidiaries to make distributions to us depends on distributable earnings, cash flow conditions, restrictions contained in their respective articles of association, debt instruments and other arrangements. If we are unable to obtain funds from our subsidiaries, we will not be able to pay interest or principal on the Bonds when due, or to redeem the Bonds upon a Change of Control or Substantial Asset Disposition Event, unless we obtain funds from other sources. We cannot assure you that the earnings from, or other available assets of, these operating subsidiaries will be sufficient to enable us to pay principal or interest on the Bonds when due, or that we will be able to obtain the necessary funds from other sources.

***Our operations are restricted by the terms of the Bonds, which could limit our ability to plan for or to react to market conditions or meet our capital needs, which could increase your credit risk***

The Trust Deed governing the Bonds includes a number of significant restrictive covenants. These covenants restrict, among other things, our ability, and the ability of our subsidiaries, to:

- pay dividends or other distributions;

- create liens; and
- engage in a different business activity.

These covenants could limit our ability to plan for or react to market conditions or to meet our capital needs. Our ability to comply with these covenants may be affected by events beyond our control, and we may have to curtail some of our operations and growth plans to maintain compliance.

***We may not be able to generate enough cash flow to meet our obligations***

Our ability to make scheduled payments on, or to refinance our obligations with respect to, our indebtedness, including the Bonds, will depend on our financial and operating performance. A range of economic, competitive, business and industry factors will affect our future financial performance, and, as a result, our ability to generate cash flow from operations sufficient to pay our debt, including the Bonds. Many of these factors, such as charter rates, economic and financial conditions in our industry and the global economy or competitive initiatives of our competitors, are beyond our control.

Our business may not generate sufficient cash flow from operations and future sources of capital may not be available to us in an amount sufficient to enable us to service our indebtedness, including the Bonds, or to fund our other liquidity needs. In addition, there is a risk that our capital requirements exceed our expectations and our cash flows from operations, together with our debt facilities existing at the relevant time, are insufficient to fund our on-going activities and to implement our business strategies. If we are unable to generate sufficient cash flow to satisfy our debt obligations, liquidity needs and capital requirements, we may have to undertake alternative financing plans, such as refinancing or restructuring our debt, selling assets, reducing or delaying capital investments or seeking to raise additional capital. In addition, the Bonds do not require sinking funds, which may be utilised at the time of redemption of the Bonds and our ability to make such payments would depend on the cash flow generated by our business and our ability to obtain refinancing. We cannot assure you that any refinancing would be possible, that any assets could be sold or, if sold, of the timing of the sales and the amount of proceeds that may be realised from those sales, or that additional financing could be obtained on acceptable terms, if at all.

Our inability to generate sufficient cash flows to satisfy our debt obligations, or to obtain financing on commercially reasonable terms and on a timely basis, or at all, may cause us to forfeit or forgo business opportunities or result in increased financing costs or a need to raise capital and could materially and adversely affect our financial condition and results of operations and our ability to satisfy our obligations under the Bonds and the Guarantees.

***We may not be able to repurchase the Bonds upon a Change of Control or a Substantial Asset Disposition Event***

We must offer to purchase the Bonds, upon the occurrence of a Change of Control or a Substantial Asset Disposition Event, at a purchase price equal to 101% (in the case of a Change of Control) and 100% in the case of a Substantial Asset Disposition Event) of the principal amount plus accrued and unpaid interest. See Condition 8 of the Bonds.

The source of funds for any such purchase would be our available cash or third-party financing. However, we may not have enough available funds at the time of the occurrence of any Change of Control or Substantial Asset Disposition Event to make purchases of outstanding Bonds. Our failure to make the offer to purchase or purchase the outstanding Bonds would constitute an Event of Default under the Bonds. The Event of Default may, in turn, constitute an event of default under other indebtedness, any of which could cause the related debt to be accelerated after any applicable notice or grace periods. If our other debt

were to be accelerated, we may not have sufficient funds to purchase the Bonds and repay the debt. In addition, the definition of Change of Control and Substantial Asset Disposition Event for purposes of the Trust Deed does not necessarily afford protection for the Bondholders in the event of some highly leveraged transactions, including certain acquisitions, mergers, refinancing, restructurings or other recapitalisations, although these types of transactions could increase our indebtedness or otherwise affect our capital structure or credit ratings and the Bondholders.

The definition of Substantial Asset Disposition Event for purposes of the Trust Deed also includes a phrase relating to the sale of “all or substantially all” of our assets. Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise, established definition under applicable law. Accordingly, our obligation to make an offer to purchase the Bonds, and the ability of a Bondholder to require us to purchase its Bonds pursuant to the offer as a result of a highly leveraged transaction or a sale of less than all of our assets may be uncertain.

Upon a Change of Control or Substantial Asset Disposition Event, we may also be required to immediately repay the outstanding principal, any accrued interest on and any other amounts owed by us under the DBS Facilities, for which we may not have sufficient funds.

***Your rights in the collateral may be adversely affected by the failure to perfect security interests in the collateral***

Under applicable law, a security interest in certain tangible and intangible assets can only be properly perfected, and its priority retained, through certain actions undertaken by the secured party and/or the grantor of the security. Bondholders will have the benefit of statutory mortgages under Singapore and Malaysian law over 10 vessels which are flagged in Singapore and Malaysia, vessel mortgages over 10 vessels which are flagged in Indonesia, fleet mortgages over 57 vessels which are flagged in Panama and fixed charges over the remaining 30 vessels. In some jurisdictions such as Panama, fixed and floating charges are not sufficient to create valid security interests. In certain other jurisdictions, it is unclear whether such fixed and floating charges would be effective to create legally valid and binding security interests over such vessels, and such collateral may be subject to exceptions, defects, encumbrances, liens and other imperfections that may exist in addition to those inherent in perfected mortgages.

Additionally, the liens on the collateral securing the Bonds may not be perfected with respect to the claims of the Bondholders if we, or the Common Security Agent, fail or are unable to take the actions required to perfect any of these liens. Applicable law may further require that certain property and rights acquired after the grant of a general security interest, such as real property, equipment subject to a certificate and certain proceeds, can only be perfected at or promptly following the time such property and rights are acquired and identified.

***You may have difficulty enforcing judgments against the Issuer, the Guarantors or their officers and directors***

The Issuer is incorporated in Singapore and the Guarantors are incorporated under the laws of Australia, Bermuda, Indonesia, Malaysia and Singapore. Our principal assets, which are our vessels, are located in Australia, Brunei, Indonesia, Malaysia, Qatar, Saudi Arabia, Singapore, Thailand and United Arab Emirates. For this reason, you may encounter difficulties collecting in your jurisdiction on a judgment obtained in your jurisdiction against the Issuer, the Guarantors or any of their officers or directors, including with respect to the payments or defaults on the Bonds and the Guarantees.

It may also be difficult for investors to effect service of process within your jurisdiction upon the officers and directors of the Issuer and the Guarantors. Furthermore, the enforcement outside Singapore of a judgment obtained in Singapore would entail additional costs and could afford the Issuer, the Guarantors or any of their directors or officers with additional grounds for defence. In particular, investors should be aware that judgments of Singapore courts based upon the civil liability provisions of the laws of Singapore or any state thereof may not be enforceable in the courts of Australia, Brunei, Indonesia, Malaysia, Qatar, Saudi Arabia, Thailand and the United Arab Emirates, and such courts may not enter judgments in original actions brought in those courts based solely upon the civil liability provisions of the laws of Singapore.

***Enforcing your rights under the Bonds or the Guarantees across multiple jurisdictions may prove difficult***

The Issuer is incorporated in Singapore and the Guarantors are incorporated under the laws of multiple jurisdictions, including Australia, Bermuda, Hong Kong, Indonesia, Malaysia and Singapore. In addition, the Bonds, the Guarantees and the Trust Deed are governed by the laws of Singapore.

In the event of a bankruptcy, insolvency or similar event, proceedings could be initiated in Australia, Bermuda, Hong Kong, Indonesia, Malaysia, Qatar, Singapore, Saudi Arabia, Thailand, the United Arab Emirates and other jurisdictions. Any such multi-jurisdictional proceeding would be complex and costly for creditors and otherwise may result in greater uncertainty and delay regarding the enforcement of your rights. Your rights under the Bonds and the Guarantees will be subject to the insolvency and administrative laws of several jurisdictions, and you may not be able to effectively enforce your rights in any such complex multiple bankruptcy, insolvency or similar proceedings.

In addition, the bankruptcy, insolvency, administrative and other laws of other jurisdictions may be materially different from, or be in conflict with, each other and those with which you may be familiar, including in the areas of rights of creditors, priority of governmental and other creditors, ability to obtain post-petition interest and duration of the proceedings. The application of these laws, or any conflict among them, could call into question whether any particular jurisdiction's laws should apply, adversely affect your ability to enforce your rights under the Bonds and the Guarantees in the relevant jurisdictions or limit any amounts that you may receive. Furthermore, a third-party creditor could challenge any of the Guarantees and prevail in court.

***The legal systems of various jurisdictions where our subsidiaries are incorporated or operate are subject to considerable discretion and uncertainty and the Bondholders may not be able to pursue claims under the Bonds or the Guarantees***

In various jurisdictions where our subsidiaries are incorporated or operate, legal principles relating to the rights of debtors and creditors, or their practical implementation by courts, differ materially from those that would apply within Singapore.

In some of those jurisdictions, the rights of debtors and the rights of creditors are not clearly established or recognised as under legislation or judicial precedent in Singapore. In addition, debtors may have rights and defenses to actions filed by creditors that such debtors would not have in Singapore. Courts in those jurisdictions may be unfamiliar with sophisticated commercial or financial transactions, leading in practice to confusion in the interpretation and application of legal principles. Judges may have very broad fact-finding powers and a high level of discretion in relation to the manner in which those powers are exercised. As a result, the administration and enforcement of laws and regulations by courts and governmental agencies in those jurisdictions may be subject to considerable discretion and uncertainty. As



a result, it may be difficult for Bondholders to pursue a claim against us, which may adversely affect or eliminate entirely such holders' ability to obtain and enforce a judgment against us or increase such holders' costs of pursuing, and the time required to pursue, claims against us.

***The Guarantees may be challenged under applicable insolvency or fraudulent transfer of similar laws, which could impair the enforceability of the Guarantees***

The Issuer's obligations under the Bonds offered hereby will be guaranteed by the Guarantors. Various fraudulent conveyance or similar laws have been enacted for the protection of creditors and may be used by a court to subordinate or avoid any guarantee issued by one or more of the Guarantors. It is also possible that under certain circumstances a court could hold that the direct obligations of a Guarantor would be superior to the obligations under its guarantee of the Bonds. Under bankruptcy laws, fraudulent transfer laws, insolvency or unfair preference or similar laws in Australia, Bermuda, Brunei, Hong Kong, Indonesia, Malaysia, Qatar, Singapore and the United Arab Emirates and other jurisdictions where Future Guarantors may be established, a guarantee could be voided, or claims in respect of a guarantee could be subordinated to all other debts of that guarantor if, among other things, the guarantor, at the time it incurred the indebtedness evidenced by, or when it gives, its guarantee:

- incurred the debt with the intent to hinder, delay or defraud creditors or was influenced by a desire to put the beneficiary of the guarantee in a position which, in the event of the guarantor's insolvency, would be better than the position the beneficiary would have been in had the guarantee not been given;
- received less than reasonably equivalent value or fair consideration for the incurrence of such guarantee;
- was insolvent or rendered insolvent by reason of such incurrence;
- (other than in the case of a Bermuda company) was engaged in a business or transaction for which the guarantor's remaining assets constituted unreasonably small capital; or
- intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

The measure of insolvency for purposes of the foregoing will vary depending on the laws of the jurisdiction which are being applied. Generally, however, a guarantor would be considered insolvent at a particular time if it were unable to pay its debts as they fell due or if the sum of its debts was then greater than all of its property at a fair valuation or if the present fair saleable value of its assets was then less than the amount that would be required to pay its probable liabilities on its existing debt as they became absolute and matured. In addition, a guarantee may be subject to review under applicable insolvency or fraudulent transfer laws in certain jurisdictions or subject to a lawsuit by or on behalf of creditors of the guarantors. In such case, the analysis set forth above would generally apply, except that the guarantee could also be subject to the claim that, since the guarantee was not incurred for the benefit of the guarantor, the obligations of the guarantor thereunder were incurred for less than reasonably equivalent value or fair consideration. We can give no assurance regarding the standards a court would use to determine whether a Guarantor was solvent at the relevant time or whether a guarantee would be otherwise avoided or subordinated.

In an attempt to limit the applicability of insolvency and fraudulent transfer laws in certain jurisdictions, the obligations of the Guarantors under the Guarantees will be limited to the maximum amount that can be guaranteed by the applicable Guarantor without rendering the guarantee, as it relates to such Guarantor, voidable under such applicable insolvency or fraudulent transfer laws.

If a court were to void a Guarantee, subordinate such guarantee to other indebtedness of the Guarantor, or hold the Guarantee unenforceable for any other reason, Bondholders would cease to have a claim against that Guarantor based upon such guarantee, would be subject to the prior payment of all liabilities (including trade payables) of such Guarantor, and would solely be creditors of the Issuer or any Guarantor whose guarantee was not voided or held unenforceable. There can be no assurance that, after providing for all prior claims, there would be sufficient assets to satisfy the claims of the Bondholders.

***The Bonds will initially be held in book-entry form, and therefore, you must rely on the procedures of Euroclear and/or Clearstream, Luxembourg to exercise any rights and remedies***

The Bonds will initially only be issued in the form of the Global Certificate and held through the Euroclear or Clearstream, Luxembourg. Interests in the Global Certificate will trade in book-entry form only, and Bonds in definitive registered form, or definitive registered notes, will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book-entry interests will not be considered owners or holders of Bonds. Euroclear or Clearstream, Luxembourg will be the sole registered holder of the Global Certificate. Payments of principal, interest and other amounts owing on or in respect of the Global Certificate will be made to the paying agent, which will make payments to Euroclear or Clearstream, Luxembourg, for distribution to its accountholders. Thereafter, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of Euroclear or Clearstream, Luxembourg to exercise any rights and obligations of a Bondholder under the Trust Deed.

Unlike the Bondholders themselves, owners of book-entry interests will not have the direct right to act upon our solicitations for consents, requests for waivers or other actions from holders of the notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear or Clearstream, Luxembourg. The procedures implemented for the granting of such proxies may not be sufficient to enable you to vote on a timely basis.

Similarly, upon the occurrence of an Event of Default under the Trust Deed, unless and until Definitive Certificates are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through Euroclear or Clearstream, Luxembourg. The procedures to be implemented through Euroclear or Clearstream, Luxembourg may not be adequate to ensure the timely exercise of rights under the Bonds.

***Your investment in the Bonds may subject you to foreign exchange risks***

The Bonds are denominated and payable in U.S. Dollars. If you measure your investment returns by reference to a currency other than U.S. Dollars, an investment in the Bonds entails foreign exchange-related risks, including possible significant changes in the value of the U.S. Dollars relative to the currency by reference to which you measure your investment returns, due to, among other things, economic, political and other factors over which we have no control.

Depreciation of the U.S. Dollars against the currency by reference to which you measure your investment returns could cause a decrease in the effective yield of the Bonds below the stated coupon rate and could result in a loss to you when the return on the Bonds is translated into the currency by reference to which you measure your investment returns. In addition, there may be tax consequences for you as a result of any foreign exchange gains resulting from any investment in the Bonds.



### ***The Bonds may not be a suitable investment for all investors***

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds;
- understand thoroughly the terms of the Bonds; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks.

### ***Legal investment considerations may restrict certain investments***

The investment activities of certain investors are subject to investment laws and regulations, review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) it is permitted to invest in the Bonds, (ii) the Bonds can be used as collateral for various types of borrowing, and (iii) other restrictions apply to its purchase or the pledge of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

### ***Bondholders may be subject to risks relating to Singapore taxation***

The Bonds are, pursuant to the ITA and the MAS Circular FSD Cir 02/2013 entitled “Extension and Refinement of Tax Concessions for Promoting the Debt Market” issued by the MAS on 28 June 2013, intended to be qualifying debt securities (“**QDS**”) for the purposes of the ITA, subject to the fulfilment of certain conditions more particularly described in the section titled “Singapore Taxation”.

However, no assurance is given that the Bonds would continue to be QDS or that the tax concessions and exemptions in connection therewith would apply throughout the tenure of the Bonds should the relevant tax laws or MAS circulars be amended or revoked at any time.

Prospective Bondholders should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding and disposal of the Bonds.

### ***You may be unable to sell the Bonds because a trading market for the Bonds may not develop***

The Bonds are a new issue of securities for which there is currently no established trading market. Consequently, the market for the Bonds may be illiquid and you may be unable to sell your Bonds. Application will be made to the SGX-ST for the listing and quotation of the Bonds on the SGX-ST. We cannot assure you that we will be able to obtain or maintain a listing on the SGX-ST, or that, if listed, a liquid trading market will develop. We do not intend to apply for the listing of the Bonds on any securities exchange other than the SGX-ST.

If an active market does not develop or is not maintained, the market price and liquidity of the Bonds may be adversely affected. Lack of a liquid, active trading market for the Bonds may adversely affect the price of the Bonds or may otherwise impede a holder's ability to dispose of the Bonds. If an active trading market were to develop, the Bonds could trade at prices that may be lower than the initial offering price of the Bonds. We cannot assure you as to the liquidity of the market for the Bonds or the prices at which you may be able to sell the Bonds.

***The transfer of the Bonds and the Guarantees is restricted, which may adversely affect their liquidity and the price at which they may be sold***

The Bonds are being offered and sold pursuant to an exemption from registration of a prospectus in Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"). Therefore, you may transfer or resell the Bonds in Singapore only in a transaction registered under, or exempt from, the registration requirements under the SFA, and may be required to bear the risk of your investment for an indefinite period of time. Please refer to the section titled "Subscription and Sale" for more details.

The Bonds may not be publicly offered, sold, pledged or otherwise transferred in any jurisdiction where registration may be required. We have not agreed to or otherwise undertaken to register the Bonds and the Guarantees (including by way of an exchange offer) with the Monetary Authority of Singapore or the securities regulatory authority of any other jurisdiction, and we have no intention to do so.

***The liquidity and price of the Bonds may be volatile***

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in our revenues, earnings and cash flows and proposals of new investments, strategic alliances and/or acquisitions, prevailing interest rates and dividend rates of comparable securities, the market for similar securities and general economic conditions nationally or internationally could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the trading volume and price of the Bonds. The international credit markets have experienced periods of significant illiquidity and the prices of publicly traded securities have experienced substantial volatility and declines in response to the continuing global economic downturn and financial instability. We cannot assure you that these developments will not occur in the future.

***Certain statistics contained in this Offering Circular have been derived from publications not independently verified by us, the Sole Bookrunner or our respective advisers***

Certain facts and statistics in this Offering Circular relating to the oil and gas industry and the offshore vessel services industry, are derived from publicly available sources, including Douglas Westwood. While we have taken reasonable care to ensure that the facts and statistics presented are accurately reproduced from such sources, they have not been independently verified by us, the Sole Bookrunner or our respective advisers and therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside the jurisdictions specified. Due to possibly flawed or ineffective collection methods and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. In addition, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

***Security over the collateral securing the Bonds will not be granted directly to Bondholders***

Security over the collateral securing the Bonds for the obligations of the Issuer and the Guarantors under the Bonds and the Trust Deed will not be granted directly to Bondholders but will be granted only in favour of the Common Security Agent. As a consequence, Bondholders will not have direct security and will not be entitled to take enforcement action in respect of the security for the Bonds and the Guarantees of the Bonds, except through the Common Security Agent, which has agreed to apply any proceeds of enforcement on such security towards such obligations.

In addition, other than the Indonesian capital markets regulations, Indonesian law does not recognise the concept of trustee including, without limitation, the relationship of trustee and beneficiary or other fiduciary relationships. Accordingly, enforcement of the provisions granting security in favour of third party beneficiaries and otherwise relating to the nature of the relationship between a trustee (in its capacity as such) and the beneficiaries of a trust in Indonesia will be subject to an Indonesian court accepting the concept of trustee under Singapore law and accepting proof of the application of equitable principles under such security documents.

***It may not be possible for the Trustee and the Common Security Agent to take certain actions***

The Bonds, the Trust Deed and the Security Documents (as defined herein) provide for the Trustee and/or the Common Security Agent to take action on behalf of the Bondholders in certain circumstances, but only if the Trustee or the Common Security Agent (as the case may be) is indemnified, secured and/or prefunded to its satisfaction. It may not be possible for the Trustee or the Common Security Agent to take certain actions such as, supervising any vessel arrest, and accordingly in such circumstances the Trustee and the Common Security Agent (as the case may be) will be unable to take such actions, notwithstanding the provision of an indemnity to it, and it will be for the Bondholders to take such actions directly.

## TERMS AND CONDITIONS OF THE BONDS

The issue of the US\$150,000,000 aggregate principal amount of 8.75% Senior Secured Guaranteed Bonds due 2018 (the “**USD Bonds**”) of the Issuer was authorised by the board of directors of the Issuer pursuant to written resolutions passed on 29 October 2015. The USD Bonds are constituted by a trust deed (as amended or supplemented from time to time, the “**Trust Deed**”) dated on 25 November 2015 (the “**Issue Date**”) made between the Issuer and the Trustee, as trustee for the holders of the USD Bonds, the Common Security Agent, as common security agent. The term “**Trustee**” shall, where the context so permits, include all other persons or companies for the time being acting as trustee or trustees under the Trust Deed, and the term “**Common Security Agent**” shall, where the context so permits, include all other persons or companies for the time being acting as security agent or security agents under the Trust Deed. The USD Bonds are subject to the paying agency agreement dated on 25 November 2015 (the “**Agency Agreement**”) made between the Issuer, the Trustee, the Principal Paying Agent, as principal paying and transfer agent, the Registrar, as registrar and the other paying and transfer agents appointed under the Agent (each a “**Paying Agent**”, “**Transfer Agent**” and together with the Registrar and the Principal Paying Agent, the “**Agents**”) relating to the USD Bonds. References to the “**Principal Paying Agent**”, “**Registrar**” and “**Agents**” below are references to the principal paying agent, registrar and agents for the time being for the USD Bonds. These terms and conditions (these “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the USD Bonds. Unless otherwise defined, terms used in these Conditions have the meanings specified in the Trust Deed. Copies of the Trust Deed, the Agency Agreement, the Security Documents, the SGD Bond Trust Deed, the SGD Bond Agency Agreement, the Initial DBS Facilities Agreement and the Intercreditor Deed are available for inspection during usual business hours at the principal office for the time being of the Trustee (presently at One Raffles Quay, #16-00 South Tower, Singapore 048583) and at the specified offices for the time being of each of the Agents. The Bondholders are entitled to the benefit of and are bound by all the provisions of the Trust Deed, and are deemed to have notice of all the provisions of the Agency Agreement and the Intercreditor Deed applicable to them.

The Issuer is issuing the USD Bonds for the purpose of, amongst other things, refinancing S\$200,000,000 in aggregate principal amount of 8.5% Senior Secured Guaranteed Bonds due 2016 (the “**SGD Bonds**”), constituted by a trust deed dated 12 December 2013 as amended and supplemented by a first supplemental trust deed dated 28 February 2014 and a second supplemental trust deed dated 25 November 2015 (as amended and supplemented and as further amended or supplemented from time to time, the “**SGD Bond Trust Deed**”) made between, amongst others, the Issuer, certain guarantors party thereto and DB International Trust (Singapore) Limited, as trustee and common security agent.

In addition, on 27 November 2013, Miclyn Express Offshore Limited (“**MEOL**”) and certain of its subsidiaries entered into a facilities agreement (such agreement, as amended, supplemented, amended and restated or modified (however fundamentally) from time to time, the “**Initial DBS Facilities Agreement**”) with DBS Bank Ltd., as lender (the “**Lender**”), pursuant to which the Lender granted to MEOL and certain of its subsidiaries (the “**Original Borrowers**”) certain senior secured loan facilities (the “**Initial DBS Facilities**”). The Original Borrowers intend to enter into an amendment and restatement of the Initial DBS Facilities Agreement on or about the Issue Date to effect certain changes to the terms of such facilities (such amended and restated agreement, as further amended, supplemented, amended and restated or modified (however fundamentally) from time to time, the “**DBS Facilities Agreement**”). The senior secured loan facilities granted from time to time by the Lender pursuant to the DBS Facilities Agreement are herein referred to as the “**DBS Facilities**”. Notwithstanding anything else contained herein, in the event that the indebtedness under the DBS Facilities Agreement is refinanced in full with other Priority Debt (as defined below) prior to the redemption or maturity of the USD Bonds, all references in these Conditions to the “**DBS**

Facilities Agreement” shall be deemed to be references to the agreements evidencing such Priority Debt, and all references to the “DBS Facilities” and the “Lender” shall be deemed to be references to the Indebtedness constituting such Priority Debt and the lender(s) of such Priority Debt, respectively.

The USD Bonds have not been registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), or under any securities laws of any state or other jurisdiction of the United States. Any offer and sale of the USD Bonds to Bondholders is being made in reliance on an exemption from the registration requirements of the Securities Act, and the USD Bonds are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act. Each Bondholder agrees that for so long as the USD Bonds are “restricted securities”, the Bondholders will not offer, resell, pledge or otherwise transfer any USD Bonds, or any beneficial interests therein, except in an offshore transaction in accordance with Rule 904 of Regulation S under the Securities Act and in accordance with any applicable U.S. federal and state securities laws.

## **1. STATUS, SECURITY, INTERCREDITOR ARRANGEMENTS AND GUARANTEES**

### **(A) Status**

The USD Bonds constitute direct, unsubordinated and unconditional obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the USD Bonds shall, except as may be provided by mandatory provisions of applicable law and subject to each of Condition 4 and the Intercreditor Deed, at all times rank at least equally with the Issuer’s other present and future senior, unsecured and unsubordinated obligations.

### **(B) Existing Security**

The USD Bonds will be secured by the assets which are the subject of the following existing security documents (the “**Existing Security Documents**”):

- (a) second priority statutory mortgages under Singapore and Malaysian law (as applicable) over each of the Existing Designated Vessels which are flagged in Singapore and Malaysia;
- (b) a second priority composite deed of covenants in respect of the Malaysian-flagged Existing Designated Vessels;
- (c) a second priority vessel mortgage over each Indonesian-flagged Existing Designated Vessel, which shall be accompanied by (i) second priority Indonesian law-governed fiduciary security assignments in respect of the Charterparties, Earnings and Insurances of each such Indonesian-flagged Existing Designated Vessel (it being understood that (1) such assignment will exclude any Charterparties or Earnings the assignment of which requires the consent of third parties which have not been obtained, and (2) undated notices in relation to each contract of Earnings with a tenor of 12 months or more will be deposited by the relevant Security Provider with the Common Security Agent (or as the Common Security Agent may direct), but need not be delivered until an Event of Default occurs and is continuing), and (ii) second priority Indonesian law-governed account pledges in respect of each account in Indonesia into which Earnings from such Existing Designated Vessel are paid;
- (d) second priority Indonesian law-governed account pledges from each of PT Nusa Perkasa Permai and PT Sukses Graha Samudera of each bank account held by them which is held in Indonesia;

- (e) a second priority fleet mortgage over all Existing Designated Vessels and Existing Group Vessels which are flagged in Panama; and
- (f) second priority debentures given by the SGD Bond Guarantors (other than PT Nusa Perkasa Permai and PT Sukses Graha Samudera) and the Security Providers incorporating:
  - (i) fixed charges over the shares owned by that SGD Bond Guarantor or Security Provider (other than the shares in any of the Liquidating Subsidiaries, the JV Entities, the Brunei Project Company, PT Loh & Loh Construction Indonesia and any entity which is incorporated under the laws of the United Arab Emirates, Qatar or Abu Dhabi);
  - (ii) fixed charges over the Existing Group Vessels owned by that SGD Bond Guarantor or Security Provider, other than in respect of Existing Group Vessels which are flagged in Panama;
  - (iii) fixed charges over all of the bank accounts owned by such SGD Bond Guarantor or Security Provider;
  - (iv) an assignment of the Insurances in respect of the Existing Vessels;
  - (v) an assignment of all Charterparties and Earnings in respect of the relevant Existing Vessels owned by that SGD Bond Guarantor or Security Provider (it being understood that (1) such assignment will exclude any Charterparties or Earnings the assignment of which requires the consent of third parties which have not been obtained, and (2) undated notices of such assignment of Charterparties or Earnings which have a tenor of 12 months or more will be deposited by the relevant Initial Guarantor or Security Provider with the Common Security Agent (or as the Common Security Agent may direct), but need not be delivered until an Event of Default occurs and is continuing); and
  - (vi) floating charges over all of their respective present and future assets (other than the shares in any of the Liquidating Subsidiaries, the JV Entities, the Brunei Project Company, PT Loh & Loh Construction Indonesia and any entity which is incorporated under the laws of the United Arab Emirates, Qatar or Abu Dhabi); and
- (g) second priority Singapore law-governed fixed charge over accounts and/or Indonesian law-governed account pledges (as applicable) over bank accounts held by any SGD Bond Guarantor or Security Provider with DBS Bank Ltd or PT Bank DBS Indonesia which are opened after 12 December 2013.

The Existing Security Documents also operate to secure the SGD Bonds (to the extent that such SGD Bonds are not refinanced from the proceeds of the USD Bonds) and the DBS Facilities.

#### (C) **Subsequent Security**

In addition, the Issuer shall, and shall procure that the relevant Obligors, at the times and upon the occurrence of the respective events described below, enter into the following security documents within the time-frames set forth below (the “**Subsequent Security Documents**”):

- (a) contemporaneously with any grant of a Security Interest by a member of the MEOL Group in respect of any Vessel or other asset in connection with or pursuant to the terms of the 1st Priority Debt (as defined below), a second priority Security Interest over such Vessel or asset;



- (b) (to the extent not otherwise addressed under Conditions 1(B)(e) or 1(C)(a) above), on or prior to the date falling three months after a Material Subsidiary takes delivery of a Vessel which is flagged in Panama, a second priority mortgage over that Vessel, together with (to the extent not otherwise secured under another Security Document):
  - (i) a second priority assignment of all of the Charterparties, Insurances and Earnings relating to such Vessel (it being understood that (1) such assignment will exclude any Charterparties or Earnings the assignment of which requires the consent of third parties which have not been obtained, and (2) undated notices of such assignment of Charterparties or Earnings which have a tenor of 12 months or more will be deposited by the relevant Obligor with the Common Security Agent (or as the Common Security Agent may direct), but need not be delivered until an Event of Default occurs and is continuing); and
  - (ii) a second priority local law pledge of any accounts into which such Earnings are to be paid;
- (c) on or prior to the date falling three months after a member of the MEOL Group becomes a Material Subsidiary, a second priority debenture incorporating:
  - (i) fixed charges over the shares owned by that Material Subsidiary (other than the shares in any of the Liquidating Subsidiaries, the JV Entities, the Brunei Project Company, PT Loh & Loh Construction Indonesia and any entity which is incorporated under the laws of Indonesia, the United Arab Emirates, Qatar or Abu Dhabi);
  - (ii) fixed charges over any Vessels owned by that Material Subsidiary, other than in respect of Vessels which are flagged in Panama;
  - (iii) fixed charges over all the bank accounts which are held in its name;
  - (iv) an assignment of the Insurances in respect of any Vessels owned by it;
  - (v) an assignment of all Charterparties and Earnings in respect of any Vessels owned by it (it being understood that (1) such assignment will exclude any Charterparties or Earnings the assignment of which requires the consent of third parties which have not been obtained, and (2) undated notices of such assignment of Charterparties or Earnings which have a tenor of 12 months or more will be deposited by it with the Common Security Agent (or as the Common Security Agent may direct), but need not be delivered until an Event of Default occurs and is continuing); and
  - (vi) floating charges over all of that Material Subsidiary's present and future assets (other than the shares in any of the JV Entities, the Liquidating Subsidiaries, the Brunei Project Company, PT Loh & Loh Construction Indonesia and any entity which is incorporated under the laws of Indonesia, the United Arab Emirates, Qatar or Abu Dhabi);

*provided, however, that*

- (A) if such Material Subsidiary is incorporated in a jurisdiction the laws of which do not permit for the grant of a debenture or similar security over all of such Material Subsidiary's present and future assets (which prohibition shall have been confirmed by written advice from counsel acceptable to the Trustee), then such Material Subsidiary shall from time to time thereafter enter into (x) a

second priority mortgage over each Vessel owned by it and (y) an assignment of all of its Charterparties, Earnings, Insurances and accounts into which Earnings from such Vessel are paid (it being understood that (1) such assignment will exclude any Charterparties or Earnings the assignment of which requires the consent of third parties which have not been obtained, and (2) undated notices of such assignment of Charterparties and Earnings which have a tenor of 12 months or more will be deposited by the applicable Obligor with the Common Security Agent (or as the Common Security Agent may direct), but need not be delivered until an Event of Default occurs and is continuing); and

- (B) if such Material Subsidiary is otherwise prohibited from granting such security by applicable financial assistance laws in the jurisdiction of its incorporation, and such laws do not otherwise permit for a “whitewash” of such financial assistance (which prohibition shall have been confirmed by written advice from counsel acceptable to the Trustee), then such Material Subsidiary shall not be required to grant any security in respect of the USD Bonds;
- (d) on or prior to the date falling three months after the first date upon which a JV Entity becomes a member of the MEOL Group, a second priority fixed charge over the shares of that entity to the extent those shares are owned by an Obligor; and
- (e) on or prior to the date falling three months after any member of the MEOL Group which is incorporated under the laws of Indonesia, the United Arab Emirates, Qatar or Abu Dhabi acquires any Vessel, a second priority mortgage over such Vessel, an assignment of all of the Charterparties, Insurances and Earnings relating to such Vessel (it being understood that (1) such assignment will exclude any Charterparties or Earnings the assignment of which requires the consent of third parties which have not been obtained, and (2) undated notices of such assignment of Charterparties and Earnings which have a tenor of 12 months or more will be deposited by the applicable Obligor with the Common Security Agent (or as the Common Security Agent may direct), but need not be delivered until an Event of Default occurs and is continuing) and a local law pledge of any accounts into which such Earnings are to be paid.

The Issuer shall procure that each Subsequent Security Document shall be substantially in the form agreed between the Lender and MEOL for the purposes of the DBS Facilities Agreement with such modifications or amendments required by the Common Security Agent and the Trustee.

Pursuant to the terms of the Intercreditor Deed, the security to be granted under each Subsequent Security Document with respect to the USD Bond Debt will rank junior to the security to be granted under the corresponding subsequent security document with respect to the Priority Debt.

#### **(D) Security Replacement**

The Trustee shall permit any discharge and release of Security Interests:

- (a) over a Secured Vessel pursuant to the reflagging of such Secured Vessel from time to time from its existing flag jurisdiction to a different flag jurisdiction so long as:
  - (i) prior to any such reflagging, but in any event no less than five business days' prior to the proposed date of reflagging, the relevant Obligor delivers written notice to the Common Security Agent (with a copy to the Trustee), which shall include (i) a description of the Secured Vessel(s) that are intended to be

reflagged, (ii) the designated reflagging jurisdiction and the reasons for such reflagging, (iii) the proposed timeline for such reflagging, (iv) a confirmation (attaching a computation of the Security Coverage Ratio and the Loan Facility Security Coverage Ratio which the Trustee shall be entitled to rely on without enquiry) that as of the date of such notice, after giving effect to such proposed reflagging, MEOL is in full compliance with the financial covenants in Condition 9, and (v) a confirmation that no Notification Event or Event of Default has occurred and is continuing;

- (ii) as soon as reasonably practicable after any discharge of the Security Interest over the Secured Vessel that is being so reflagged, the Issuer procures that a Replacement Security Interest is created over such Secured Vessel and all of the Charterparties, Insurances and Earnings relating to such Vessel (excluding any Charterparties or Earnings the assignment of which requires the consent of third parties which have not been obtained), as well as any accounts into which such Earnings are to be paid; and
- (iii) the relevant Obligor shall procure that the permanent registration in the new flag jurisdiction of any Secured Vessel that is reflagged pursuant to this Condition 1(D)(a) shall be completed no later than the date falling six months (in the case of any Malaysian-flagged Secured Vessel) or three months (in the case of a Secured Vessel flagged in any other jurisdiction) after the provisional registration is issued for such Secured Vessel.

Following its receipt of a notice from the relevant Obligor of a proposed reflagging pursuant to this Condition 1(D)(a), the Common Security Agent shall enter into such documents and take such further actions as may be necessary to release the Security Interest over the relevant Secured Vessel in order to facilitate such reflagging. Any non-compliance with Condition 1(D)(a)(ii) and/or Condition 1(D)(a)(iii) in respect of any Secured Vessel shall not constitute an Event of Default or a Notification Event provided always that Condition 9(C)(a) and Condition 9(C)(b) are complied with on all subsequent Testing Dates following such non-compliance;

- (b) pursuant to the following disposals of assets which comprise the Shared Collateral:
  - (i) disposals to a person other than a member of the MEOL Group where the market value of all such disposals under this paragraph (i) does not exceed US\$5,000,000 in each Financial Year, provided that any Obligor which is seeking to dispose of any asset with a market value that is equal to or in excess of US\$500,000 pursuant to this paragraph (i) shall provide the Common Security Agent (with a copy to the Trustee) with no less than five business days' written notice of any such disposal, which notice shall (A) detail the assets which are being disposed of and the proposed date of such disposal, (B) set out the price upon which such disposal is being made, (C) confirm (attaching a computation of the Security Coverage Ratio and the Loan Facility Security Coverage Ratio which the Trustee shall be entitled to rely on without enquiry) that as of the date of such notice, after giving effect to such proposed disposal and (if applicable) any application of the proceeds thereof towards the prepayment of the amounts outstanding under the DBS Facilities, MEOL is in full compliance with the other financial covenants in Condition 9, and (D) confirm that as of the date of such notice and the date of such disposal, no Notification Event or Event of Default shall have occurred or be continuing;

- (ii) disposals of assets (other than Secured Vessels):
  - (A) by a member of the MEOL Group (which is an Obligor) to another member of the MEOL Group (which is an Obligor), provided that the disposing member which is seeking to dispose of that asset pursuant to this paragraph (ii) must ensure that if that asset is subject to a Security Interest under a Security Document, the acquiring member must ensure that a Replacement Security Interest is created over that asset immediately upon its acquisition thereof by the acquiring member;
  - (B) by a member of the MEOL Group (which is an Obligor) to another member of the MEOL Group (which is not an Obligor) provided that the disposing member which is seeking to dispose of that asset pursuant to this paragraph (ii)(B) must ensure that if that asset is subject to a Security Interest under a Security Document, the acquiring member must ensure that a Replacement Security Interest is created over that asset as soon as reasonably practicable after its acquisition thereof by the acquiring member; provided further that if such acquiring member is otherwise prohibited from granting such security by applicable financial assistance laws in the jurisdiction of its incorporation, and such laws do not otherwise permit for a “whitewash” of such financial assistance (which prohibition shall have been confirmed by written advice from counsel acceptable to the Trustee), then such acquiring member shall not be required to grant any security in respect of that acquired asset;
- (iii) disposals of a Secured Vessel by an Obligor to another member of the MEOL Group (whether or not an Obligor), provided that:
  - (A) any Obligor which is seeking to dispose of any Secured Vessel pursuant to this paragraph (iii) shall provide the Common Security Agent (with a copy to the Trustee) with no less than five business days’ written notice of any such disposal, which notice shall (a) name the Secured Vessel which are being disposed of and the proposed date of such disposal, (b) set out the terms upon which such disposal is being made, (c) confirm (attaching a computation of the Security Coverage Ratio and the Loan Facility Security Coverage Ratio which the Trustee shall be entitled to rely on without enquiry) that as of the date of such notice, after giving effect to such proposed disposal, MEOL is in full compliance with the financial covenants in Condition 9, and (d) confirm that as of the date of such notice and the date of such disposal, no Notification Event or Event of Default shall have occurred or be continuing; and
  - (B) any Obligor which is disposing of a Secured Vessel pursuant to this paragraph (iii) must procure that the member of the MEOL Group which acquires such Secured Vessel creates a Replacement Security Interest over that Secured Vessel as soon as reasonably practicable after its acquisition thereof, provided that if such member of the MEOL Group is otherwise prohibited from granting such security by applicable financial assistance laws in the jurisdiction of its incorporation, and such laws do not otherwise permit for a “whitewash” of such financial assistance (which prohibition shall have been confirmed by written advice from counsel acceptable to the Trustee), then such member of the MEOL Group shall not be required to grant any security in respect of such acquired Secured Vessel;

(iv) disposals of any asset in the ordinary course of its business to third parties at arm's length and on normal commercial terms, where the proceeds of such disposal are either:

- (A) applied (or committed to be applied) to acquire or purchase other assets comparable or superior as to type, value and quality ("**Replacement Assets**"), within six months of the date of the relevant disposal, provided that any such Replacement Assets will be subject to a Replacement Security Interest immediately upon the acquisition or purchase thereof, and provided, further, that any such proceeds that have not been applied or committed to be applied in the manner described above at the end of such 6-month period shall be applied by the Issuer to prepay the outstanding debt under the DBS Facilities; or
- (B) applied voluntarily to prepay principal amounts outstanding under the DBS Facilities,

provided in each case that the relevant Obligor shall provide the Common Security Agent (with a copy to the Trustee) with no less than five business days' written notice of any such disposal, which notice shall (a) detail the assets which are being disposed of and the proposed date of such disposal, (b) set out the price and terms upon which such disposal is being made, (c) attach a copy of the relevant memorandum of sale or other agreement governing such disposal, (d) confirm (attaching a computation of the Security Coverage Ratio and the Loan Facility Security Coverage Ratio which the Trustee shall be entitled to rely on without enquiry) that as of the date of such notice, after giving effect to such proposed disposal and (if applicable) any application of the proceeds thereof towards the prepayment of the amounts outstanding under the DBS Facilities, MEOL is in full compliance with the financial covenants in Condition 9, and (e) confirm that as of the date of such notice and the date of such disposal, no Notification Event or Event of Default shall have occurred or be continuing;

(v) disposals of obsolete or redundant assets (other than Secured Vessels) for cash.

Following its receipt of a notice from the relevant Obligor of a proposed Secured Vessel disposal pursuant to this Condition 1(D)(b), the Common Security Agent shall enter into such documents and take such further actions as may be necessary to release the Security Interest over the relevant Secured Vessel in order to facilitate such disposal. For the avoidance of doubt, save as otherwise provided in the Trust Deed, nothing in this Condition 1(D)(b) shall restrict the disposal of any properties or assets that are not subject to a Security Interest under a Security Document. Any non-compliance with Condition 1(D)(b)(iii)(B) and/or Condition 1(D)(b)(iv)(A) shall not constitute an Event of Default or a Notification Event provided always that Condition 9(C)(a) and Condition 9(C)(b) are complied with on all subsequent Testing Dates following such non-compliance.

For the purposes of these Conditions:

**"Replacement Security Interest"** means:

- (a) in relation to any Replacement Asset, a Security Interest that is at least equivalent in ranking, priority and perfection to the highest-ranking and most-perfected Security Interest to which the asset the sale proceeds of which (whether in part or in full) were applied to acquire such Replacement Asset was required under Condition 1 to be subject; and



- (b) in relation to any asset that is being disposed of or reflagged pursuant to the provisions of the Trust Deed, a Security Interest that is at least equivalent in ranking, priority and perfection to the highest-ranking and most-perfected Security Interest to which such asset was required under Condition 1 to be subject immediately prior to such disposition or reflagging;

provided that in the case of a Panama-flagged Existing Group Vessel or Replacement Asset of that Existing Group Vessel, the grant of a fixed charge over that Existing Vessel or Replacement Asset of that Existing Group Vessel following a reflagging or disposal thereof shall be deemed to constitute a "Replacement Security Interest" in relation thereto.

**(E) Intercreditor Deed**

In order to facilitate and regulate the sharing, administration and enforcement of the Shared Collateral between the Initial DBS Facilities, the SGD Bonds and other additional secured debt which may from time to time be secured by the Shared Collateral, the Issuer, the guarantors in respect of the SGD Bonds (the "**SGD Bond Guarantors**"), the guarantors under the Initial DBS Facilities Agreement (the "**DBS Facilities Guarantors**" and, together with the SGD Bond Guarantors and the USD Bond Guarantors (as defined below), the "**Obligors**"), the security providers in respect of the Shared Collateral, the Common Security Agent, the Lender as the 1st Priority Representative and the Trustee as the 2nd Priority Representative for the holders of the SGD Bonds entered into an intercreditor deed dated 12 December 2013 (as amended, supplemented, amended and restated or modified (however fundamentally) from time to time, the "**Intercreditor Deed**"). The Intercreditor Deed sets out, among other things, the terms and process by which the 1st Priority Representative and/or the 2nd Priority Representative may instruct the Common Security Agent to enforce the security interests over the Shared Collateral.

The Intercreditor Deed provides that any security interest held by the "1st Priority Debt" in the Shared Collateral will be senior in priority to any security interest securing the "2nd Priority Debt". The "**1st Priority Debt**" is defined in the Intercreditor Deed to include all liabilities of any Obligor to the Lender or any "Finance Party" (as such term is defined in the DBS Facilities Agreement) under the DBS Facilities Agreement, any liabilities in respect of additional senior secured debt which is incurred to refinance the obligations of the Obligors under the DBS Facilities and any other liabilities in respect of senior secured debt which is expressly designated as "1st Priority Debt" by the 1st Priority Representative, the 2nd Priority Representative and the Issuer in accordance with the provisions of the Intercreditor Deed. The "**2nd Priority Debt**" is defined in the Intercreditor Deed to include all liabilities of any Obligor to the holders of the SGD Bonds, any liabilities in respect of additional senior secured debt which is incurred to refinance the obligations of the Obligors under the SGD Bonds and any other liabilities in respect of senior secured debt which is expressly designated as "2nd Priority Debt" by the 1st Priority Representative, the 2nd Priority Representative and the Issuer in accordance with the provisions of the Intercreditor Deed.

The USD Bonds constitute 2nd Priority Debt for the purposes of the Intercreditor Deed, and holders of the USD Bonds shall be 2nd Priority Creditors for the purposes of the Intercreditor Deed, and will be bound by the provisions of the Intercreditor Deed for such purposes.

**(F) Intercreditor Arrangements with respect to Shared Collateral**

Pursuant to the terms of the Intercreditor Deed, any proceeds that are realized from any enforcement action taken against the Shared Collateral will be applied (a) first, in accordance with and subject to the terms of the Intercreditor Deed, to the repayment in



full of the 1st Priority Debt in the manner and priority set forth in the documents governing the 1st Priority Debt, and (b) then to repayment of the amounts outstanding in respect of the USD Bonds in the manner and priority set forth in the documents governing the 2nd Priority Debt.

Accordingly, with respect to the Shared Collateral, the rights of holders of the USD Bonds under the USD Bonds will rank *pari passu* with the rights of other creditors in respect of the 2nd Priority Debt, including holders of the SGD Bonds under the SGD Bonds (to the extent that the SGD Bonds or any portion thereof remains outstanding on or after the Issue Date), but junior to the rights of the creditors in respect of the 1st Priority Debt, which includes the rights of the Lender under the DBS Facilities.

Any proceeds that are realized from any enforcement action taken against the Shared Collateral and paid to the 2nd Priority Representative pursuant to clause 6.1(c) of the Intercreditor Deed shall be applied by the 2nd Priority Representative towards the repayment of the 2nd Priority Debt on a *pro rata* basis.

Pursuant to the Intercreditor Deed, holders of the USD Bonds will not be permitted to instruct the Common Security Agent to commence enforcement proceedings in relation to any of the Shared Collateral until and unless an Event of Default has occurred under both the USD Bonds and the DBS Facilities and either (i) if the Event of Default under the USD Bonds is a Fundamental Event of Default, no less than three months have elapsed since the occurrence of such Event of Default, or (ii) if the Event of Default under the USD Bonds is not a Fundamental Event of Default, no less than six months have elapsed since the occurrence of such Event of Default.

For the purposes of these Conditions:

**"1st Priority Representative"** means DBS Bank Ltd. acting in its capacity as 1st Priority Representative for the Lender under the Intercreditor Deed;

**"2nd Priority Representative"** means DB International Trust (Singapore) Limited acting in its capacity as 2nd Priority Representative for the Trustee under the Intercreditor Deed;

**"Fundamental Event of Default"** means an Event of Default which has occurred under paragraphs (a), (h), (i), (j), (k), (l), (m), (p) or (q) of Condition 10(A); and

#### (G) **Guarantees**

MEOL and certain of its Subsidiaries, including MEO Finance Company Limited, Miclyn Shipbuilding & Engineering Pte Ltd, Airmat Singapore Pte Ltd, Entrons (Singapore) Pte Ltd, Girino Enterprise Pte Ltd, Ken-Mok Engineering & Fabricators Pte Ltd, Koletth (S) Pte Ltd, Ticwink Pte Ltd, Offshore Charters Pte Ltd, Stardazz Pte Ltd, Express Offshore Solutions Pte Ltd, Miclyn Express Offshore (Australia) Holdings Pty Ltd (previously Samson Maritime Holdings Pty Ltd), Miclyn Express Offshore (L) Bhd, Mulia Samudera (L) Bhd, PT Sukses Graha Samudera and PT Nusa Perkasa Permai (the **"Initial USD Bond Guarantors"**) shall be guarantors under the USD Bonds. In addition, any wholly-owned Subsidiary of MEOL after the Issue Date which, as shown by the accounts of such Subsidiary, based upon which the latest audited consolidated accounts of the MEOL Group have been prepared, individually, on an unconsolidated basis, comprises at least 10% of the consolidated EBITDA or total assets of the MEOL Group as shown by such audited consolidated accounts (each, a **"Material Subsidiary"**) shall be required to become a guarantor (such Subsidiaries which become guarantors after the Issue Date, the **"Future USD Bond Guarantors"** and, together with the Initial Guarantors, the **"USD Bond Guarantors"**) by entering into a deed of accession to the Trust Deed and the Agency Agreement. However, if such Material Subsidiary is incorporated in a jurisdiction

the laws of which prohibit the giving of financial assistance, and such laws do not otherwise permit for a “whitewash” of such financial assistance (which prohibition shall have been confirmed by written advice from counsel acceptable to the Trustee), then such Material Subsidiary shall not be required to become a USD Bond Guarantor.

Each USD Bond Guarantor shall unconditionally and irrevocably guarantee the due and punctual repayment of all sums from time to time payable by the Issuer in respect of the USD Bonds. Each such guarantee (together “the USD Bond Guarantees”) constitute direct, general and unconditional obligations of the relevant USD Bond Guarantor, which shall, except as may be provided by mandatory provisions of applicable law and subject to Condition 4 and the Intercreditor Deed, at all times rank at least *pari passu* with all other present and future senior, unsecured and unsubordinated obligations of such USD Bond Guarantor.

## 2. FORM, DENOMINATION AND TITLE

### (A) Form and Denomination

The USD Bonds are issued in registered form in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof. Upon issue of the USD Bonds, the Global Certificate will be issued in respect of the aggregate principal amount of the USD Bonds and the Issuer shall procure the Registrar to make such entries of USD Bonds in the register of Bondholders as appropriate. The Global Certificate will be registered in the name of a common depository for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking, S.A. (“**Clearstream, Luxembourg**”).

### (B) Title

Title to the USD Bonds passes only by transfer and registration in the Register as described in Condition 3. The holder of any USD Bond will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder.

*For so long as any of the USD Bonds is represented by a Global Certificate, and such Global Certificate is held by a common depository for Euroclear and Clearstream, Luxembourg, each person who is for the time being shown in the records of Euroclear and Clearstream, Luxembourg as the holder of a particular principal amount of such USD Bonds (in which regard any certificate or other document issued by Euroclear and Clearstream, Luxembourg as to the principal amount of such USD Bonds standing to the account of any person shall be conclusive and binding for all purposes save for manifest or proven error) shall be treated by the Issuer, the Agents and all other agents of the Issuer and the Trustee as the holder of such principal amount of USD Bonds other than with respect to the payment of principal, premium, interest, and/or any other amounts in respect of the USD Bonds, for which purpose the bearer of the Global Certificate shall be treated by the Issuer, the Agents and all other agents of the Issuer and the Trustee as the holder of such USD Bonds in accordance with and subject to the terms of the Global Certificate (and the expressions “**Bondholder**” and “**holder of USD Bonds**” and related expressions shall be construed accordingly). USD Bonds which are represented by the Global Certificate will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg.*

### 3. TRANSFERS OF BONDS; ISSUE OF CERTIFICATES

#### (A) Register

The Issuer will cause the Register to be kept at the specified office of the Registrar and in accordance with the terms of the Agency Agreement on which shall be entered the names and addresses of the holders of the USD Bonds and the particulars of the USD Bonds held by them and of all transfers and redemptions of the USD Bonds. Each Bondholder shall be entitled to receive only one Certificate in respect of its entire holding of USD Bonds.

#### (B) Transfer

Subject to Conditions 3(F) and 3(G) and the terms of the Agency Agreement, a USD Bond may be transferred by delivery of the Certificate issued in respect of that USD Bond, with the form of transfer on the back duly completed and signed by the holder or his attorney duly authorised in writing, to the specified office of either the Registrar or any of the Agents. No transfer of a USD Bond will be valid unless and until entered on the Register.

So long as USD Bonds are represented by the Global Certificate and the Global Certificate is held by the Depository, transfers of beneficial interests in the Global Certificate will be effected only through records maintained by the Depository.

#### (C) Exercise of Options or Partial Redemption in Respect of Bonds

In the case of an exercise of an Issuer's or Bondholders' option in respect of, or a partial redemption of, a holding of USD Bonds represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent.

#### (D) Delivery of New Certificates

Each new Certificate to be issued upon a transfer of USD Bonds will, within seven business days of receipt by the Registrar (at its specified office) or, as the case may be, any other relevant Agent of the original certificate and the form of transfer duly completed and signed, be made available for collection at the specified office of the Registrar or such other Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder entitled to the USD Bonds (but free of charge to the holder and at the Issuer's expense) to the address specified in the form of transfer.

If only part of a principal amount of the USD Bonds in respect of which a Certificate is issued is to be transferred, a new Certificate in respect of the USD Bonds not so transferred will, within three business days of delivery of the original Certificate to the Registrar or other relevant Agent, be made available for collection at the specified office of the Registrar or such other relevant Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder of the USD Bonds not so transferred (but free of charge to the holder and at the Issuer's expense) to the address of such holder appearing on the Register.

For the purposes of Condition 3, "**business day**" shall mean a day other than a Saturday, Sunday or public holiday on which banks are open for business in New York City, London, Singapore, Hong Kong, Sydney and the city in which the specified office of the Registrar or the Agent with whom a Certificate is deposited in connection with a transfer is located.

(E) **Formalities Free of Charge**

Registration of a transfer of USD Bonds and issuance of new Certificates will be effected without charge to the holder or transferee thereof, but (a) upon payment (or the giving of such indemnity as the Issuer or any of the Agents may require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer, and (b) subject to Condition 3(F).

(F) **Closed Periods**

No Bondholder may require the transfer of a USD Bond to be registered (a) during the period of 15 days ending on (and including) the dates for payment of any principal pursuant to these Conditions; or (b) in the period of seven days ending on (and including) any Record Date (as defined in Condition 6(E)).

(G) **Regulations**

All transfers of USD Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer and registration of Bonds scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Bondholder who so requests and can confirm that it is a holder to the satisfaction of the Registrar.

**4. NEGATIVE PLEDGE**

So long as any of the USD Bonds remains outstanding (as defined in the Trust Deed), the Issuer shall not, and shall procure that MEOL and its Subsidiaries will not, create or permit to arise or subsist any Security Interest upon or in respect of the Collateral to secure any Indebtedness except for (a) liens or rights of set-off arising solely by operation of law in respect of Indebtedness which has been due for less than 21 days, (b) any Security Interest created or guarantee or indemnity granted in respect of the 1st Priority Debt, (c) any Security Interest created or guarantee or indemnity granted in respect of Relevant Debt the incurrence of which, when taken together with all other outstanding Indebtedness of MEOL and its Subsidiaries, will not cause MEOL to breach any of the financial covenants in Condition 9 and (d) any Security Interest or guarantee or indemnity granted in respect of Permitted Refinancing Indebtedness. For the purposes of this Condition 4, computation of the financial ratios pursuant to subparagraph (c) above shall give pro forma effect to the incurrence of the new Indebtedness and the application of the proceeds therefrom as if such Indebtedness had been incurred and the proceeds so applied on the first day of the applicable Relevant Period.

For the purposes of these Conditions:

**"Indebtedness"** means any obligation (whether present or future, actual or contingent, secured or unsecured, as principal, surety or otherwise) for the payment or repayment of money;

**"Relevant Debt"** means any present or future Indebtedness of the Issuer and/or the Subsidiaries of the Issuer in the form of, or represented by, bonds, notes, debentures, loan stock or other securities, which are for the time being, or are capable of being quoted, listed and ordinarily dealt in on any stock exchange, over-the-counter or other securities market and have an ordinary maturity that is no earlier than the Maturity Date;

**"Permitted Refinancing Indebtedness"** means any Indebtedness of MEOL or any of its Subsidiaries which is issued in exchange for, or the net proceeds of which are used to

extend, refinance, renew, replace, defease or refund, whether in whole or in part, the USD Bonds, provided that the following additional requirements shall apply in the case of any Indebtedness which refinances the USD Bonds in part but not in whole:

- (1) the aggregate principal amount (or accreted value, if applicable) of such Indebtedness does not exceed the aggregate principal amount (or accreted value, if applicable) of the Indebtedness extended, refinanced, renewed, replaced, defeased or refunded (plus all accrued interest on the Indebtedness and the amount of all expenses, swap termination costs and premiums Incurred in connection therewith);
- (2) such Indebtedness has a final maturity date later than six months after the final maturity date of the USD Bonds and a Weighted Average Life to Maturity equal to or greater than six months after the maturity date of the USD Bonds; and
- (3) the proceeds of such Indebtedness are applied towards the proposed refinancing of existing Indebtedness of MEOL and/or its Subsidiaries no later than the 30th calendar day after the date on which such Indebtedness is incurred.

**“Security Interest”** means any mortgage, charge (whether fixed or floating), pledge, lien, hypothecation, assignment, trust arrangement or any other security interest or encumbrance of any kind securing any obligation of any person, or any type of preferential or priority arrangement or title transfer or retention arrangement having a similar effect, or any other agreement or arrangement having the effect of conferring security; and

**“Weighted Average Life to Maturity”** means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

- (1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by
- (2) the then outstanding aggregate principal amount of such Indebtedness.

## 5. INTEREST

The USD Bonds bear interest from and including the Issue Date at the rate of 8.75% per annum. Interest on each Bond is payable semi-annually in arrear on 25 May and 25 November in each year (each, an **“Interest Payment Date”**). Each USD Bond will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing the USD Bond, payment of principal is improperly withheld or refused or default is otherwise made in respect of any such payment.

If payment of any amount due is improperly withheld or refused or default is otherwise made in respect of such payment, interest will continue to accrue at 2.0% above the applicable Rate of Interest (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such USD Bond up to that day are received by or on behalf of the relevant holder, and (b) the day seven days after the Trustee or the Principal Paying Agent has notified Bondholders of receipt of all sums due in respect of all the USD Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders). If interest is required to be calculated for a period of less than a full year, it will be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed.

## 6. PAYMENTS

### (A) Payments

Payments in respect of the USD Bonds shall be made by transfer to a United States Dollar bank account maintained by the payee and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the specified office of any Paying Agent.

### (B) Fiscal Laws

All payments in respect of the USD Bonds are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7. No commissions or expenses shall be charged to the Bondholders in respect of such payments.

### (C) Payments on Business Days

If payment is to be made by transfer to a United States Dollar bank account, payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated (a) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Certificate is surrendered (or, in the case of part payment only, endorsed) at the specified office of a Paying Agent, and (b) (in the case of payments of interest payable other than on redemption) on the due date for payment. A holder of a Bond shall not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for a payment not being a business day. For the purposes of Condition 6, “**business day**” means any day on which banks are open for general business (including dealings in foreign currencies) in New York, Singapore and the city in which the Register is kept and, in the case of surrender (or, in the case of part payment only, endorsement) of a Certificate, in the place in which the Certificate is surrendered (or, as the case may be, endorsed).

### (D) Partial Payments

If a Paying Agent makes a partial payment in respect of any USD Bond, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Certificate.

### (E) Record Date

Each payment in respect of a USD Bond will be made to the person shown as the holder in the Register at the opening of business in the place of the Registrar’s specified office on the fifth business day before the due date for such payment (the “**Record Date**”).

*All payments made in respect of USD Bonds represented by a Global Certificate held on behalf of Euroclear and Clearstream, Luxembourg will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where “Clearing System Business Day” means Monday to Friday inclusive except December 25 and January 1.*



## 7. TAXATION

All payments of principal and interest in respect of the USD Bonds by the Issuer and the USD Bond Guarantors will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed or levied by or on behalf of the Relevant Jurisdiction unless such withholding or deduction for or on account of Taxes is required by law. In such event, the Issuer or, as the case may be, the relevant USD Bond Guarantor, will pay such additional amounts as necessary in order that the net amounts received by the holders of the USD Bonds after such withholding or deduction shall be equal to the respective amounts which would have been receivable in respect of the USD Bonds in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any USD Bond:

- (a) if a holder is liable for the Taxes in respect of such USD Bond by reason of his having or having had some connection with the Relevant Jurisdiction other than the mere holding of or receiving payments or enforcing rights under such USD Bond; or
- (b) to, or to a third party on behalf of, a holder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying or procuring that any third party complies with any statutory requirements concerning the nationality, residence, identity or other attributes of the holder or beneficial owner or by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the place where the Certificate is surrendered for payment; or
- (c) in respect of which the Certificate representing it is surrendered for payment (where surrender is required) more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on surrendering the Certificate representing such USD Bond for payment on the last day of such period of 30 days; or
- (d) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, any such Directive.

For the purposes of Condition 7:

**"Relevant Jurisdiction"** means Singapore or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax, or any other jurisdiction in which any of the Issuer and the USD Bond Guarantors is organised or is otherwise resident for tax purposes or any other jurisdiction through which any payment is made on behalf of the Issuer under the USD Bonds;

**"Relevant Date"** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Trustee or the Principal Paying Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Bondholders in accordance with Condition 13.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any USD Bond, such mention shall be deemed to include payment of additional amounts to the extent that, in such context, additional amounts are, were or would be payable in respect thereof.

## 8. REDEMPTION AND PURCHASE

### (A) Redemption at Maturity

Unless previously redeemed or purchased and cancelled as specified below, the Issuer will redeem each USD Bond at 100% of its principal amount on 25 November 2018 (the “**Maturity Date**”). The Issuer may not redeem the USD Bonds prior to that date except as provided in Conditions 8(B), (C), (D) and E) below.

### (B) Bondholder Redemption Rights

Upon the occurrence of a Change of Control, each Bondholder shall have the right to require that the Issuer repurchase such Bondholder's USD Bonds at a purchase price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest up to the date of purchase (subject to the right of Bondholders of record on the relevant Record Date to receive interest due on the relevant purchase date).

Upon the occurrence of a Substantial Asset Disposition Event, each Bondholder shall have the right to require that the Issuer apply an amount equal to the Substantial Asset Disposition Event Proceeds to repurchase such Bondholder's USD Bonds at a purchase price in cash equal to 100% of the principal amount thereof, plus accrued and unpaid interest up to the date of purchase (subject to the right of Bondholders of record on the relevant Record Date to receive interest due on the relevant purchase date). If the aggregate principal amount of USD Bonds tendered for purchase exceeds the amount of the Substantial Asset Disposition Event Proceeds, the Trustee will select the USD Bonds to be purchased on a *pro rata* basis. If any Substantial Asset Disposition Event Proceeds remain after the consummation of a repurchase pursuant to a Substantial Asset Disposition Event, the Issuer may use those excess proceeds for any purpose not otherwise prohibited under the Trust Deed.

Within 10 days following any Change of Control or Substantial Asset Disposition Event, the Issuer will give notice to the Bondholders in accordance with Condition 13, with a copy to the Trustee (the “**Redemption Offer Notice**”), stating:

- (a) that a Change of Control or Substantial Asset Disposition Event (as the case may be) has occurred and that each Bondholder has the right to require the Issuer to purchase such Bondholder's USD Bonds at the applicable purchase price;
- (b) (in the case of a Substantial Asset Disposition Event) the amount of the Substantial Asset Disposition Event Proceeds which will be applied towards such repurchase;
- (c) the circumstances and relevant facts regarding such Change of Control or Substantial Asset Disposition Event;
- (d) the purchase date (which shall be no earlier than 30 days nor later than 60 days from the date such Redemption Offer Notice is delivered); and
- (e) the instructions, as determined by the Issuer, consistent with this Condition 8(D), that a Bondholder must follow in order to have its USD Bonds purchased.

The Issuer will not be required to repurchase the USD Bonds upon a Change of Control or a Substantial Asset Disposition Event if a third party makes an offer and purchases the USD Bonds in the manner, at the times and otherwise in compliance with the requirements set forth in the Trust Deed and these Conditions applicable to such an offer

and purchases all USD Bonds validly tendered and not withdrawn under such offer. The Trustee shall not be required to take any steps to ascertain whether a Change of Control or a Substantial Asset Disposition Event (or any event which could lead to a Change of Control or a Substantial Asset Disposition Event) has occurred.

**(C) Optional Redemption**

At any time on or after 25 November 2017, the Issuer may redeem the USD Bonds, in whole or in part, at a redemption price equal to the 104.375% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date.

At any time prior to 25 November 2017, the Issuer may redeem the USD Bonds, at a redemption price equal to the sum of (i) 100% of the principal amount thereof, plus (ii) the Applicable Premium, plus (iii) accrued and unpaid interest, if any, to, the redemption date.

Prior to any such redemption, the Issuer shall give not less than 30 and not more than 60 days' of notice to the Trustee and the Bondholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the USD Bonds on the redemption rate at such price).

For the purposes of these Conditions:

**"acting in concert"** means, a group of persons who, pursuant to an agreement or understanding (whether formal or informal), actively cooperate, through the acquisition directly or indirectly of shares in the Issuer by any of them, either directly or indirectly, to obtain or consolidate control of MEOL;

**"Applicable Premium"** means, with respect to a USD Bond at any redemption date, the excess of the present value at such redemption date of (i) the redemption price of such USD Bond at 25 November 2017 plus (ii) all required interest payments due on the USD Bond through 25 November 2017 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Treasury Rate as of such redemption date plus 75 basis points, over the principal amount of such USD Bond on such redemption date;

**"CHAMP"** means , collectively, CHAMP Buyout III Pte Ltd, CHAMP Miclyn GP Limited as general partner of the CHAMP Miclyn L.P., Perpetual Corporate Trust Limited ACN 000 341 533 as trustee of the Champ Buyout III (SWF) Trust, Perpetual Trustee Company Limited ACN 000 001 007 as trustee of the Champ Buyout III Trust, P.T. Limited ACN 004 454 666 as trustee of the CHAMP BUYOUT III (WW) Trust and CHAMP Marine Holdings Limited, and any custodian, nominee or other entity Controlling voting rights of the issued share capital of MEOL or the Issuer for and on behalf of any of the aforementioned entities;

**"Change of Control"** means the occurrence of any of the following:

- (a) prior to an initial public offering of MEOL after the Issue Date: (i) CHAMP and Headland (acting in concert) ceasing to Control more than 50% of the voting rights of the issued share capital of MEOL or the Issuer, or (ii) MEOL or the Issuer falling under the Control of a single Person or a group of Persons or Persons acting in concert (other than a Person or a group of Persons which are controlled by CHAMP and Headland acting in concert); or
- (b) following an initial public offering of MEOL after the Issue Date, any Person or Persons (acting in concert), Controlling a percentage of the voting rights of the issued share capital of MEOL or the Issuer that exceeds the percentage of the voting rights of the issued share capital of MEOL or the Issuer which is Controlled by the Permitted Holders (acting in concert or individually);

**"Control"** means (a) the ownership or control, directly or indirectly, of more than 50 per cent. of the voting rights of the issued share capital of MEOL or the Issuer, (b) the right

to appoint and/or remove all or the majority of the members of MEOL's or the Issuer's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise, or (c) the possession, directly, or indirectly, of the power to direct or cause the direction of the management or policies of MEOL or the Issuer; and the terms **"Controlling"** and **"Controlled"** shall have meanings correlative to the foregoing;

**"Headland"** means collectively, The Headland Private Equity Fund 6 L.P. (**"HPEF6"**), HPEF6 Parallel L.P. (**"HPEF6 Parallel"**), Headland Private Equity GP 6 L.P. as general partner of each of HPEF6 and HPEF6 Parallel, and/or any custodian, nominee or other entity Controlling voting rights of the issued share capital of MEOL or the Issuer for and on behalf of any of the aforementioned entities;

**"Permitted Business"** means any business conducted by MEOL and its Subsidiaries on the date of the Trust Deed and any other business reasonably related, incidental, ancillary or complementary to any such business

**"Permitted Holders"** means CHAMP and its Related Parties, and Headland and its Related Parties;

**"Related Parties"** means has the meaning ascribed to "related corporation" under the Companies Act (Chapter 50);

**"Substantial Asset Disposition Event"** means a sale or other disposition of all or substantially all the assets of MEOL and its Subsidiaries, taken as a whole, where MEOL or its relevant Subsidiary has not, on or prior to the date falling six months after such disposition, either (a) applied (or entered into a binding agreement to apply) the proceeds of such disposition to purchase assets which are intended to replace the assets so disposed and which when purchased will be deployed for use in the Permitted Business, or (b) applied the proceeds of such disposition towards the repayment or prepayment of senior Indebtedness of MEOL and its Subsidiaries; and

**"Substantial Asset Disposition Event Proceeds"** means, as of the date of the occurrence of a Substantial Asset Disposition Event, the amount of the aggregate proceeds of such sale or other disposition which remain after taking into account the applications described in paragraphs (a) and (b) of the definition of "Substantial Asset Disposition Event".

**"Treasury Rate"** means, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the redemption date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to 25 November 2017.

#### (D) **Redemption for Taxation Reasons**

The USD Bonds may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date by giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable), at a price equal to 100% of their principal amount (together with interest accrued to (but excluding) the date fixed for redemption), if (a) the Issuer or any USD Bond Guarantor has or will become obliged to pay additional amounts as provided or referred to in Condition 7, or increase the payment of such additional amounts, as a result of any change in, or amendment to, the laws (or any regulations, rulings or other administrative pronouncements promulgated thereunder) of

a Relevant Jurisdiction or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws, regulations, rulings or other administrative pronouncements, which change or amendment is made public on or after the Issue Date, and (b) such obligations cannot be avoided by the Issuer or such USD Bond Guarantor taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the USD Bonds then due. Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee a certificate signed by a duly authorised officer of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal or tax advisers of recognised international standing to the effect that the Issuer or such USD Bond Guarantor has or is likely to become obliged to pay such additional amounts as a result of such change or amendment and the Trustee shall be entitled to accept (without further inquiry) such certificate and opinion as sufficient and conclusive evidence thereof in which event it shall be conclusive and binding on the Bondholders.

**(E) Purchases**

The Issuer, the USD Bond Guarantors or any other Subsidiary or any Affiliate of MEOL may at any time purchase USD Bonds in any manner and at any price. Such USD Bonds may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent for cancellation. USD Bonds held by the Issuer, MEOL, the USD Bond Guarantors, any other of its or their respective Subsidiaries, Affiliates or associated companies are not “**outstanding**” for the purpose of Condition 14.

**(F) Cancellation**

All USD Bonds that are redeemed and surrendered for cancellation will forthwith be cancelled and accordingly cannot be reissued or resold.

**9. FINANCIAL COVENANTS**

**(A) Minimum Consolidated Tangible Network**

The Issuer shall procure that MEOL maintains a minimum Consolidated Network of at least US\$250,000,000.

**(B) Leverage Ratio**

The Issuer shall procure that MEOL’s Leverage Ratio in respect of any Relevant Period specified in column 1 below shall not exceed the ratio set out in column 2 below opposite that Relevant Period.

<b>Column 1</b>	<b>Column 2</b>
<b>Relevant Period</b>	<b>Ratio</b>
On all Testing Dates from the Issue Date to the Maturity Date	2:1

(C) **Security Coverage Ratio**

- (a) The Issuer shall procure that MEOL's Security Coverage Ratio in respect of any Relevant Period specified in column 1 below shall not be less than the ratio set out in column 2 below opposite that Relevant Period.

<b>Column 1 Relevant Period</b>	<b>Column 2 Ratio</b>
On all Testing Dates from the Issue Date to the Maturity Date	1:1

- (b) The Issuer shall procure that MEOL's Loan Facility Security Coverage Ratio in respect of any Relevant Period specified in column 1 below shall not be less than the ratio set out in column 2 below opposite that Relevant Period.

<b>Column 1 Relevant Period</b>	<b>Column 2 Ratio</b>
On each Testing Date up to 31 December 2016	1.43:1
On all Testing Dates from 1 January 2017 to the Final Repayment Date	1.54:1

Notwithstanding the foregoing, any failure on the part of the Issuer to comply with the ratios set forth above as at a given Testing Date shall not be deemed to be a breach of this Condition 9(C)(b) if, on or prior to the date falling 60 days after the most recent Testing Date, MEOL has obtained a written waiver from the Lender under the DBS Facilities in respect of any breach by the Issuer of the corresponding financial covenant in the DBS Facilities Agreement for the Relevant Period ending on the most recent Testing Date. The Issuer shall forthwith deliver to the Trustee a copy of any written waiver that it receives in respect of such covenant under the DBS Facilities Agreement.

- (c) In the event that either the Security Coverage Ratio or the Loan Facility Security Coverage Ratio is not met, MEOL shall, within 30 days of the earlier of (i) the Trustee giving notice to MEOL of the non-compliance, and (ii) MEOL or an Obligor becoming aware of the non-compliance, provide additional cash collateral or any other non-cash collateral acceptable to the Trustee ("**Additional Collateral**") or reduce the outstanding amounts under the Priority Debt, the USD Bond Debt and/or the SGD Bond Debt such that the Security Coverage Ratio and/or the Loan Facility Security Coverage Ratio (as the case may be) is not less than the ratio set out in paragraph (a) or (b) above, as the case may be. In such an event, the value of such Additional Collateral shall be (a) in the case of cash collateral, the value of such cash, or (b) in the case of non-cash collateral, the value of such collateral as determined by an internationally-reputable third-party appraiser, accounting firm or investment bank and evidenced by a valuation report which shall be delivered to the Trustee prior to the provision of such collateral. The Issuer shall also execute and deliver a certificate addressed to the Trustee and signed by two Authorised Officers of the Issuer on behalf of the Issuer setting out the calculation for the revised Security Coverage Ratio and/or the Loan Facility Security Coverage Ratio (as the case may be) after such provision of Additional Collateral or reduction of outstanding amounts under the Priority Debt, the USD Bond Debt and/or the SGD Bond Debt, as the case may be, and certifying that MEOL is after such provision or reduction in compliance with the Security Coverage Ratio and/or the Loan Facility Security Coverage Ratio (as the case may be) specified in Condition 9(C).



(D) **Interest Cover**

The Issuer shall procure that MEOL's Interest Cover in respect of any Relevant Period specified in column 1 below shall not be less than the ratio set out in column 2 below opposite that Relevant Period.

<b>Column 1</b>	<b>Column 2</b>
<b>Relevant Period</b>	<b>Ratio</b>
On all Testing Dates from the Issue Date to the Maturity Date	2.25:1

(E) **Debt Service Cover**

The Issuer shall procure that MEOL's Debt Service Cover in respect of any Relevant Period specified in column 1 below shall not be less than the ratio set out in column 2 below opposite that Relevant Period.

<b>Column 1</b>	<b>Column 2</b>
<b>Relevant Period</b>	<b>Ratio</b>
On all Testing Dates from the Issue Date to the Final Repayment Date	1.15:1

(F) **Financial Testing**

The financial covenants set out in this Condition 9 shall be calculated in accordance with GAAP and tested semi-annually (each a "**Testing Date**") by reference to each of the financial statements delivered pursuant to Condition 16.

(G) **Equity Cure**

MEOL may cure any non-compliance with the financial covenants set out in Conditions 9(A), (B), (D) or (E) in respect of any Relevant Period within 30 days of the date on which the certificate of compliance to which that Relevant Period relates is delivered pursuant to Clause 13.7 of the Trust Deed by raising Equity Cure Funding (each an "**Equity Cure**"), so that:

- (a) (For the purposes of Condition 9(A) and 9(B)) Consolidated Networth as of the last day of that Relevant Period shall be deemed to have been increased by an amount equal to the amount of that Equity Cure Funding; and
- (b) (For the purpose of Condition 9(D) and 9(E)) EBITDA as at the last day of that Relevant Period shall be deemed to have been increased by an amount equal to the amount of that Equity Cure Funding.

Notwithstanding the foregoing:

- (i) MEOL may only use an Equity Cure to cure any non-compliance with any particular financial covenant set out in Condition 9(A), 9(B), 9(D) or 9(E) once in any Financial Year (it being understood that nothing in this paragraph (i) shall prevent an Equity Cure Funding from simultaneously effecting an Equity Cure on one or more financial covenants set out in Condition 9(A), 9(B), 9(D) or 9(E);
- (ii) the amount of the Equity Cure will not affect the calculation of Total Debt as at the last day of the Relevant Period in respect of which the Equity Cure is applied; and
- (iii) no dividend payments will be made by MEOL in the Financial Year in which the Equity Cure is applied.

MEOL may apply the proceeds of any Equity Cure Funding either by retaining such cash proceeds for the duration of the term of such Equity Cure Funding or by prepaying the DBS Facilities, provided that MEOL may repay or return the proceeds of such Equity Cure Funding (either by way of a repayment of a shareholder loan or through a payment of a dividend, as applicable) so long as it has been able to demonstrate that it has complied on at least one Testing Date (without taking into account the application of the Equity Cure) with the financial covenants set forth in this Condition 9 for the Relevant Period to which such Testing Date relates, and provided that it delivers a Compliance Certificate as of such Testing Date confirming that no Potential Event of Default or Event of Default is continuing.

For the purposes of this Condition 9:

**“Approved Classification Society”** means any of the American Bureau of Shipping, Bureau Veritas, Det Norske Veritas, Germanischer Lloyd, Lloyd’s Register, Nippon Kaiji Kyokai or Biro Klasifikasi Indonesia.

**“Cash”** means, at any time, cash in hand or at bank and (in the latter case) credited to an account in the name of a member of the Group and to which a member of the Group is alone (or together with other members of the Group) beneficially entitled (and in relation to a Minority Entity, the proportionate entitlement of the Group in respect of that Minority Entity) and for so long as:

- (a) that cash is repayable on demand after the relevant date of calculation;
- (b) repayment of that cash is not contingent on the prior discharge of any other Indebtedness of any member of the Group or of any other person whatsoever or on the satisfaction of any other condition;
- (c) there is no Security Interest over that cash except for Security Interests created under a Security Document or Security Interests constituted by a netting or set-off arrangement entered into by members of the Group in the ordinary course of their banking arrangements; and
- (d) the cash is freely and immediately available to be applied in repayment or prepayment of the DBS Facilities.

**“Cash Equivalent Investments”** means at any time:

- (a) certificates of deposit maturing within one year after the relevant date of calculation;
- (b) any investment in marketable debt obligations issued or guaranteed by the government of Singapore, Thailand or any member state of the Organisation for Economic Co-operation and Development or by an instrumentality or agency of any of them having an equivalent credit rating, maturing within one year after the relevant date of calculation and not convertible or exchangeable to any other security;
- (c) commercial paper not convertible or exchangeable to any other security:
  - (i) for which a recognised trading market exists;
  - (ii) issued by an issuer incorporated in Singapore, Thailand or any member state of the Organisation for Economic Co-operation and Development;
  - (iii) which matures within one year after the relevant date of calculation; and

- (iv) which is rated at least investment grade by Standard & Poor's Rating Services or Fitch Ratings Ltd or Moody's Investor Services Limited, or, if no rating is available in respect of the commercial paper, the issuer of which has, in respect of its long-term unsecured and non-credit enhanced debt obligations, an equivalent rating;
- (d) any investment in money market funds which (i) are rated at least investment grade by Standard & Poor's Rating Services or Fitch Ratings Ltd or Moody's Investor Services Limited, (ii) which invest substantially all their assets in securities of the types described in paragraphs (a) to (c) above, and (iii) can be turned into cash on not more than 30 days' notice; or
- (e) any other debt security approved by the Lender,

in each case, to which any member of the Group is alone (or together with other members of the Group) beneficially entitled at that time (and in relation to a Minority Entity, the proportionate entitlement of the Group in respect of that Minority Entity) and which is not issued or guaranteed by any member of the Group or subject to any Security Interest other than Security Interests arising under the Security Documents.

**"Consolidated Networth"** means, in relation to MEOL (on a consolidated basis), the aggregate of:

- (a) amounts paid up on MEOL's issued shares;
- (b) reserves (including any share premium reserve);
- (c) retained earnings (whether or not converted to reserves) but excluding any amount attributable to minority interests; and
- (d) shareholders loans (including, for the avoidance of doubt, any shareholder loans constituting Equity Cure Debt Funding), if any, and capitalised interest in respect thereof;

but **excluding** an amount equal to any distribution by any member of the Group out of profits earned prior to the date of the latest audited financial statements of the Group and which have been declared, recommended or made since that date except so far as provided for in such financial statements and/or paid or due to be paid to MEOL or any other member of the Group.

**"Debt Service"** means, in respect of any Relevant Period, the aggregate of:

- (a) Finance Charges for that Relevant Period;
- (b) the aggregate of all scheduled repayments of Financial Indebtedness of the Group falling due made during that Relevant Period but excluding:
  - (i) any amounts falling due under any overdraft or revolving facility (including, without limitation, the revolving facilities under the DBS Facilities Agreement) and which were available for simultaneous redrawing according to the terms of such facility; and
  - (ii) any such obligations owed by any member of the Group (which is a USD Bond Guarantor) to another member of the Group (which is a USD Bond Guarantor);

- (iii) any such obligations owed by any member of the Group (which is not a USD Bond Guarantor) to another member of the Group (which is not a USD Bond Guarantor);
  - (iv) any such obligations owed by any member of the Group (which is not a USD Bond Guarantor) to any member of the Group (which is a USD Bond Guarantor); and
  - (v) any such obligations owed by any member of the Group (which is a USD Bond Guarantor) to any member of the Group (which is not a USD Bond Guarantor) or any direct or indirect shareholder of MEOL and which are unsecured and are fully subordinated in right of payment to all amounts payable under the Bond Transaction Documents; and
- (c) the amount of the capital element of any payments in respect of that Relevant Period payable under any Finance Lease entered into by any member of the Group,

and so that no amount shall be included more than once.

**“Debt Service Cover”** means, in respect of any Relevant Period, the ratio of (a) EBITDA to (b) Debt Service in respect of that Relevant Period.

**“Disqualified Secured Vessel”** means:

- (a) any Secured Vessel that is reflagged pursuant to Condition 1(D)(a) where a Replacement Security Interest is not created in relation to such Vessel within:
  - (i) (in the case of any Secured Vessel which is reflagged in Indonesia) three months or such longer period as the Trustee may agree; or
  - (ii) (in the case of any Secured Vessel which is reflagged in any other jurisdiction) 10 business days or such longer period as the Trustee may agree,

of the date which is the later of: (A) the date on which the Security Interest over such Secured Vessel prior to the reflagging is being discharged, and (B) the date on which such Secured Vessel is provisionally registered under the flag of the new jurisdiction, provided that no Secured Vessel shall be deemed to be a Disqualified Secured Vessel under this paragraph (a) for purposes of a given Testing Date if on such Testing Date a Replacement Security Interest exists over that Secured Vessel;

- (b) any Secured Vessel that is disposed of pursuant to paragraph (i) of Condition 1(D)(b);
- (c) any Secured Vessel that is disposed of pursuant to paragraph (iv) of Condition 1(D)(b) where a Replacement Security Interest is not created in relation to the Replacement Asset that is a Vessel within:
  - (i) (in the case of any Replacement Asset which is flagged in Indonesia) three months or such longer period as the Trustee may agree; and
  - (ii) (in the case of any Replacement Asset which is flagged in any other jurisdiction) 10 business days or such longer period as the Trustee may agree,

of the date of acquisition of that Replacement Asset, provided that no Secured Vessel shall be deemed to be a Disqualified Secured Vessel under this paragraph (c) for purposes of a given Testing Date if on such Testing Date a Replacement Security Interest exists over that Secured Vessel;

(d) any Secured Vessel that is disposed of pursuant to paragraph (iii) of Condition 1(D)(b) where a Replacement Security Interest is not created in relation to such Secured Vessel within:

- (i) (in the case of any Secured Vessel which is flagged in Indonesia) three months or such longer period as the Trustee may agree; and
- (ii) (in the case of any Secured Vessel which is flagged in any other jurisdiction) 10 business days or such longer period as the Trustee may agree,

of the date of such disposal, provided that any Secured Vessel that is disposed of pursuant to paragraph (iii) of Condition 1(D)(b) where the laws of the jurisdiction of the acquiring member of the Group prohibits it from granting such security by reason of applicable financial assistance laws, and such laws do not otherwise permit for a “whitewash” of such financial assistance (which prohibition shall have been confirmed by written advice from counsel acceptable to the Trustee), such Secured Vessel shall be deemed to be a “Disqualified Secured Vessel” immediately upon its disposal, and provided, further, that no Secured Vessel shall be deemed to be a Disqualified Secured Vessel under this paragraph (d) for purposes of a given Testing Date if on such Testing Date a Replacement Security Interest exists over that Secured Vessel;

- (e) any Secured Vessel that has had its registration terminated (other than a termination arising from a transfer or reflagging permitted by the terms of the Trust Deed) for a period of 30 consecutive days (or such longer period as the Trustee may agree);
- (f) any Secured Vessel that has had its classification withdrawn or suspended, or which is classified with a classification society other than an Approved Classification Society (other than a withdrawal or suspension arising from a transfer or reflagging permitted by the terms of Trust Deed) for a period of 30 consecutive days (or such longer period as the Trustee may agree);
- (g) any Secured Vessel that is arrested, detained, levied upon or taken into custody by virtue of any attachment or execution, or which has been seized or requisitioned by any statutory body or any governmental or other authority for a period of 30 consecutive days (or such longer period as the Trustee may agree);
- (h) any Secured Vessel which is Laid-up for a period of 90 consecutive days (or such longer period as the Trustee may agree);
- (i) any Secured Vessel which is a Total Loss and the insurance proceeds of which have not been applied towards the repayment or prepayment of the DBS Facilities within six months (or such longer period as the Trustee may agree) from the date on which such Total Loss occurs; and
- (j) any Secured Vessel that has been abandoned for a period of 30 consecutive days (or such longer period as the Trustee may agree).

“**EBIT**” means, in respect of any Relevant Period, the aggregate of the consolidated net profits before tax of the Group after adding back any Finance Charges for such Relevant Period:

- (a) before taking into account any Exceptional Items;
- (b) before taking into account any gains or losses (whether realised or unrealised) on fluctuations in currency values or any derivative instruments other than foreign exchange derivative instruments which are for hedging purposes;

- (c) after adding back any upfront fees or costs (and for the avoidance of doubt, any amortised portion of such fees or costs); and
- (d) after adding back any interest rate hedging settlement payments or receipts,

but so that no amount shall be added (or deducted) more than once.

**“EBITDA”** means, in respect of any Relevant Period, EBIT after adding back any depreciation expense and non-cash amortisation expense for such Relevant Period.

**“Equity Cure Debt Funding”** means Financial Indebtedness incurred by MEOL to one or more of its shareholders which:

- (a) is fully subordinated in right of payment to (i) all amounts payable under the DBS Facilities and (ii) the USD Bonds pursuant to a subordination deed; and
- (b) has a final maturity date which extends beyond the date falling 6 months after the Maturity Date; and
- (c) save as permitted by the Trustee, does not allow any payment, repayment or prepayment of any principal, interest or other amount or any distribution, on or in respect of, that Financial Indebtedness at any time during which any amounts are outstanding under the DBS Facilities or the USD Bonds (provided nothing herein shall prevent any interest capitalization).

**“Equity Cure Funding”** means any Equity Cure Debt Funding or any amount of equity raised by paid up ordinary share capital (including any share premium paid in relation thereto).

**“Exceptional Items”** means any exceptional, one off, non-recurring or extraordinary items.

**“Existing Designated Vessels”** means collectively, the Vessels owned by MEOL or any Obligor listed in Part I of the Fourth Schedule to the Trust Deed and **“Existing Designated Vessel”** means each or any one of them as the context requires.

**“Existing Group Vessels”** means collectively, the Vessels owned by MEOL or any Obligor listed in Part II of the Fourth Schedule to the Trust Deed and **“Existing Group Vessel”** means each or any one of them as the context requires.

**“Existing Vessels”** means collectively, the Existing Designated Vessels and the Existing Group Vessels and **“Existing Vessel”** means each or any one of them as the context requires.

**“Finance Charges”** means, for any Relevant Period, the aggregate amount of the accrued interest, commission, fees, discounts, prepayment fees, premiums or charges in respect of Financial Indebtedness whether paid, payable or capitalised by any member of the Group (calculated on a consolidated basis) in respect of that Relevant Period:

- (a) excluding any upfront fees or costs (and, for the avoidance of doubt, any amortized portion of such fees or costs);
- (b) including the interest (but not the capital) element of payments in respect of Finance Leases;



- (c) including any commission, discounts and other finance payments payable by (and deducting any such amounts payable to) any member of the Group under any interest rate hedging arrangement;
- (d) If a Joint Venture is accounted for on a proportionate consolidation basis, after adding the Group's share of the finance costs or interest receivable of such Joint Venture;
- (e) taking no account of any unrealised gains or losses on any derivative instruments other than any derivative instruments which are accounted for on a hedge accounting basis; and
- (f) excluding any interest rate hedging settlement payments or receipts,

and so that no amount shall be added (or deducted) more than once.

**"Finance Lease"** means any lease or hire purchase contract which would, in accordance with GAAP, be treated as a finance or capital lease.

**"Financial Indebtedness"** means any Indebtedness for or in respect of:

- (a) monies borrowed, including any principal, interest or any sum payable in respect thereof;
- (b) any amount raised by acceptance under any acceptance credit facility;
- (c) any guarantee or letter of credit facility made available by a bank or financial institution;
- (d) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (e) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with the relevant GAAP, be treated as a finance or capital lease;
- (f) receivables sold or discounted (other than any receivables sold or discounted on a non-recourse basis);
- (g) any amount raised under any other transaction (including any forward sale or purchase agreement, whether or not involving a deferred purchase consideration arrangement) having the commercial effect of a borrowing;
- (h) any derivative transaction entered into in connection with protection against or obtaining benefit from fluctuation in any rate or price;
- (i) any counter-indemnity obligation in respect of a guarantee, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; or
- (j) the amount of any liability in respect of any guarantee entered into in respect of a liability falling within paragraphs (a) to (i) above of another person.

**"Financial Half Year"** means the six month period ending on the second Quarter Date in each year.

**“Financial Quarter”** means the period commencing on the day after one Quarter Date and ending on the next Quarter Date.

**“Financial Year”** means the annual accounting period of the Group ending on or about 30 June in each year.

**“GAAP”** means, in relation to each Obligor, the generally accepted accounting principles applicable in its jurisdiction of incorporation.

**“Group”** means, for the purposes of this Condition 9 only, MEOL and each of its Subsidiaries (including, for the avoidance of doubt, Subsidiaries held through a nominee) from time to time, the Minority Entities (but in relation to Minority Entities, the proportionate entitlement of the Group in respect of that Minority Entity). For the avoidance of doubt, this definition shall apply notwithstanding any changes to GAAP.

**“Interest Cover”** means the ratio of EBITDA to Finance Charges in respect of any Relevant Period.

**“Joint Venture”** means any joint venture entity, whether a company, unincorporated firm, undertaking, association, joint venture or partnership or any other entity.

**“Laid-up”** in relation to any Secured Vessel, means that such a Secured Vessel is not under repair and not actively employed.

**“Leverage Ratio”** means, in respect of any Relevant Period, the ratio of Total Debt on the last day of that Relevant Period to Consolidated Networth on the last day of that Relevant Period.

**“LG Facility”** means the letters of guarantee and long-term letters of guarantee facilities under the DBS Facilities Agreement.

**“Loan Facility Security Coverage Ratio”** means, the ratio of:

- (a) Value (Facility Debt); to
- (b) the sum of:
  - (i) all aggregate principal amounts outstanding under any term loan and/or bank guarantee facilities; and
  - (ii) the aggregate principal amounts committed under any revolving credit facility, under or pursuant to the DBS Facilities Agreement.

**“Minority Entity”** means any entity in which:

- (i) MEOL; or
- (ii) any of MEOL’s Subsidiaries from time to time;

has, directly or indirectly, an ownership interest of 50% or less of the issued equity share capital of such entity.

**“New Vessel”** means any Vessel acquired (or to be acquired) by any member of the Group after the Issue Date the purchase price or construction costs of which are funded from the proceeds of the Committed Capex Facility.

**“Priority Debt”** means the Indebtedness of the Issuer and the other Obligors under each of (i) the “Facility Documents”, as such term is defined in the DBS Facilities Agreement, as such Indebtedness may be extended, increased, refinanced or replaced from time to time, and (ii) any additional Indebtedness that MEOL and the other Obligors may from time to time incur from the Lender (but excluding any Relevant Debt of MEOL or the Obligors which is held by the Lender), as the same may be extended, increased, refinanced or replaced from time to time;

**“Quarter Date”** means each of 31 March, 30 June, 30 September and 31 December.

**“Relevant Period”** means each period of twelve months ending on or about the last day of the Financial Year and each period of twelve months ending on or about the last day of each Financial Quarter ending 31 December.

**“Secured Vessels”** means the Existing Vessels, any New Vessels and any other Vessel owned by a member of the Group over which a Security Interest has been given in connection with the Bond Transaction Documents.

**“Security Coverage Ratio”** means, the ratio of:

- (a) Value (Senior Debt); to
- (b) the sum of the aggregate principal amounts outstanding under (i) the Priority Debt, (ii) the USD Bond Debt and (iii) the SGD Bond Debt (if any).

**“SGD Bond Debt”** means the Indebtedness of the Issuer and the other Obligors under the “Bond Transaction Documents” (as such term is defined in the SGD Bond Trust Deed), as the same may be extended, increased, refinanced or replaced from time to time.

**“Term Loan”** means the term loan facility under the DBS Facilities Agreement.

**“Testing Date”** has the meaning given to it in Condition 9(F).

**“Total Debt”** means, at any time, the aggregate amount of all obligations of members of the Group for or in respect of Financial Indebtedness at that time but:

- (a) excluding any such obligations owed by any member of the Group (which is a USD Bond Guarantor) to another member of the Group (which is a USD Bond Guarantor);
- (b) excluding any such obligations owed by any member of the Group (which is not a USD Bond Guarantor) to another member of the Group (which is not a USD Bond Guarantor);
- (c) excluding any such obligations owed by any member of the Group (which is not a USD Bond Guarantor) to any member of the Group (which is a USD Bond Guarantor); and
- (d) excluding any such obligations owed by any member of the Group (which is a USD Bond Guarantor) to any member of the Group (which is not a USD Bond Guarantor) or any direct or indirect shareholder of MEOL and which are unsecured and are fully subordinated in right of payment to all amounts payable under (i) the DBS Facilities, and (ii) the USD Bonds;
- (e) excluding any guarantees permitted to be given under the DBS Facilities, and the USD Bonds;

- (f) excluding any derivative transactions which are entered into solely to protect against fluctuations in interest rates or currency movements;
  - (g) excluding any Equity Cure Debt Funding; and
  - (h) including, in the case of Finance Leases only, their capitalised value;
- and so that no amount shall be included or excluded more than once.

**“Total Loss”** means:

- (a) the actual, constructive, compromised, agreed or arranged total loss of a Secured Vessel;
- (b) any expropriation, confiscation, requisition or compulsory acquisition of a Secured Vessel, whether lawful or not, and whether for full consideration, a consideration less than its Market Value, a nominal consideration or without any consideration, which is effected by any government or official authority or by any person claiming to be or to represent a government or official authority (excluding a requisition for hire for a fixed period not exceeding one year without any right to an extension), provided that any such event shall not constitute a Total Loss if that Secured Vessel is redelivered to the full control of MEOL within one month; or
- (c) any arrest, capture, seizure, detention, condemnation, hijacking or theft of a Secured Vessel, provided that any such event shall not constitute a Total Loss if that Secured Vessel is redelivered to the full control of MEOL within one month.

**“Total Net Debt”** means, at any time, the Total Debt of the Group but deducting the aggregate amount of Cash and Cash Equivalent Investments held by any member of the Group at that time.

**“USD Bond Debt”** means the Indebtedness of the Issuer and the other Obligors under the “Bond Transaction Documents” (as such term is defined in the Trust Deed), as the same may be extended, increased, refinanced or replaced from time to time.

**“Valuation”** means the annual valuation of the Secured Vessels prepared by an independent ship valuer which is appointed by MEOL and approved by the Trustee.

**“Valuation Date”** means the date of the then most recent Valuation.

**“Value (Senior Debt)”** means the aggregate of:

- (a) the Market Value of all the delivered and completed Secured Vessels owned by the relevant Obligor as determined in accordance with the then most recent Valuation ;
- (b) the value of Additional Collateral (as defined in Condition 9(C)) as determined in accordance with Condition 9(C); and
- (c) the Group’s share (on a proportionate basis) of Vessels owned by a Minority Entity or JV Entity after deducting any Indebtedness secured over such Vessels.

**“Value (Facility Debt)”** means the aggregate of:

- (a) the Market Value of all the delivered and completed Secured Vessels owned by the relevant Obligor as determined in accordance with the then most recent Valuation, but excluding the aggregate Market Value of the then Disqualified Secured Vessels (as determined in accordance with the then most recent Valuation); and

- (b) the value of Additional Collateral (as defined in Condition 9(C)) as determined in accordance with Condition 9(C).

**“Vessels”** means the vessels owned by the Group designed to support, inter alia, the offshore oil and gas sector and the civil and construction industries, including but not limited to accommodation work barges and workboats, anchor handling tug supply vessels, anchor handling tugs, flat top barges, crew/utility vessels, multi-purpose vessels, platform supply vessels, seismic vessels, seismic support vessels, subsea support vessels, towing tugs, multicat tugs, construction support vessels, utility vessels, supply vessels, multipurpose offshore terminal tugs or specialty vessels and barges.

**“JV Entities”** means Uniwise Offshore Ltd, Uniwise Holdings Ltd, Express Offshore Solutions Pte Ltd, Alliance Offshore Services Pte Ltd, UniWise Marine Services Holdings Ltd and UniWise Towage Ltd and any other joint ventures owned by any member of the Group from time to time, provided that if at any time MEOL acquires ownership of 100% of the issued share capital of any such entity, such entity shall cease to be a JV Entity with immediate effect.

## **10. EVENTS OF DEFAULT AND ENFORCEMENT**

### **(A) Events of Default**

The Trustee at its sole discretion may, and if so requested in writing by the holders of not less than 33% in principal amount of the USD Bonds then outstanding or if so directed by an Extraordinary Resolution shall (subject in either case to being indemnified and/or secured and/or prefunded by the holders to its satisfaction), give notice in writing to the Issuer that the USD Bonds are immediately due and payable if an Event of Default (as defined below) has occurred. Upon any such notice being given to the Issuer, the USD Bonds shall immediately become due and payable at 100% of their principal amount together with accrued interest (calculated up to but excluding the date of redemption).

An **“Event of Default”** occurs if:

#### **(a) *Non-Payment***

The Issuer and the USD Bond Guarantors fail to pay the principal or interest due on any of the USD Bonds on the due date for such payment and such failure continues for a period of two business days in the case of principal and five business days in the case of interest.

#### **(b) *Representations and Warranties Untrue***

Any representation, warranty or statement made by any Obligor in any USD Bond Transaction Document or in any document, certificate or statement delivered to the Trustee pursuant to any USD Bond Transaction Document is not complied with or is or proves to have been incorrect or untrue when made or when deemed repeated and, where such misrepresentation, breach of warranty or misstatement is capable of remedy, it is not remedied within 30 days of the Trustee giving written notice of such non-compliance or incorrectness to the Issuer.

#### **(c) *Breach of Other Obligations***

Any Obligor commits or threatens to commit a breach of or does not perform or comply with any of the terms and conditions contained in any USD Bond Transaction Documents

to which it is a party (other than such breach specified in Condition 10(A)(a) above), and where such breach is capable of remedy, which is not remedied within 30 days of the earlier of (i) the Trustee giving notice to the Issuer and/or the relevant Obligor, and (ii) such Obligor becoming aware of its failure to comply.

**(d) Authorisations Withdrawn**

Any authorisation which is required in connection with any USD Bond Transaction Document or which is necessary for any Obligor to comply with any provision of any USD Bond Transaction Document is not granted, expires without being renewed, is revoked or restricted in any material manner and such circumstances are not remedied to the satisfaction of the Trustee within 30 days.

**(e) Failure to Perform:**

At any time any act, condition or thing required to be done, fulfilled or performed by the Issuer in order:

- (i) to enable it to lawfully issue the USD Bonds, exercise its rights and perform its obligations under the USD Bonds and the USD Bond Transaction Documents;
- (ii) to ensure that the obligations assumed by it under the USD Bonds and the USD Bond Transaction Documents are legal, valid and binding; and
- (iii) to make any document relating to the USD Bonds and the USD Bond Transaction Documents admissible in evidence in Singapore,

is not done, fulfilled or performed and, where the circumstances resulting in such failure to act, fulfil or perform any condition or thing is capable of remedy, it is not remedied within 30 days of the Trustee giving written notice of such non-compliance to the Issuer.

**(f) Financial Covenants**

Any requirement under Condition 9 (subject to any applicable remedy or grace period specified therein) is not satisfied at any time.

**(g) Vitiating of USD Bond Transaction Documents**

All or any part of any USD Bond Transaction Document is terminated or is or becomes void, illegal, invalid, unenforceable under any relevant laws or regulations or any decision of any authoritative court.

**(h) Cross Default**

- (i) Any Financial Indebtedness of any Obligor is not paid at its stated maturity or on its due date or, if payable on demand, is not paid upon demand being made;
- (ii) any Financial Indebtedness of any Obligor becomes due and payable or is declared due and payable prior to its stated maturity date or original due date as a consequence of an event of default (howsoever described);
- (iii) any Obligor fails to discharge its payment obligations under any guarantee given by it with respect to any Financial Indebtedness by its due date or, if payable on demand, is not paid upon demand being made;



- (iv) any agreement relating to the Financial Indebtedness of any Obligor is properly terminated by the relevant Obligor's or counterparty thereto or becomes capable of being properly terminated by such counterparty, in each case, as a consequence of any event of default (howsoever described); or
- (v) any advances, loans, credit, overdraft, acceptance credit, letter of credit, guarantee, foreign exchange or other facilities, or any swap or other derivative contract or transaction relating to any Financial Indebtedness of any Obligor ceases to be available or becomes capable of being properly terminated as a result of any event of default (howsoever described),

provided that no Event of Default shall occur under this Condition 10(A)(h) if the aggregate amount of Financial Indebtedness or commitment for Financial Indebtedness is less than US\$10,000,000 (or its equivalent in any other currency).

(i) ***Insolvency and Moratorium***

If:

- (i) any Obligor is or becomes unable to pay its debts as they fall due;
- (ii) the value of the assets of any Obligor is less than its liabilities (taking into account contingent and prospective liabilities). For the purpose of determining the liabilities of an Obligor, under this paragraph, any Indebtedness owing by that Obligor to another member of the MEOL Group shall not be taken into account;
- (iii) any Obligor stops, suspends or threatens to stop or suspend payment of all or a material part or a particular type of its Indebtedness;
- (iv) any Obligor begins negotiations or takes any other step with a view to the deferral, rescheduling or other adjustment of all or a material part or a particular type of its Indebtedness or of any part of its Indebtedness which it will or might otherwise be unable to pay when due;
- (v) any Obligor proposes or enters into a general assignment or an arrangement or scheme of arrangement or composition with or for the benefit of all or a substantial proportion (whether by number or value) of its creditors; or
- (vi) any Obligor agrees to a moratorium or has a moratorium declared in respect of or affecting all or a material part or of a particular type of its Indebtedness,

(whether the above be effected by court order, agreement or otherwise).

(j) ***Winding-up***

Any corporate action, legal proceedings or other procedure or step (other than those which are frivolous or vexatious, and which are discharged within 60 days of their commencement) is taken by any person (including the making of an application or order, the commencement of proceedings, the calling of a meeting, the making of a proposal in a notice of meeting or the passing of a resolution) with a view to the winding-up of any Obligor or for the appointment of a liquidator (including a provisional liquidator), receiver and/or manager, judicial manager, trustee, administrator, agent or similar officer in respect of any Obligor or any part of their assets, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms

approved by the Trustee or by an Extraordinary Resolution of the Bondholders, or (ii) in the case of a Subsidiary of the Issuer, whereby the undertaking and assets of such Subsidiary are transferred to or otherwise vested in the Issuer or a USD Bond Guarantor (as the case may be).

(k) **Analogous Events:**

If anything analogous to the events referred to in Conditions 10(A)(i) or (j) or which has a substantially similar effect, occurs with respect to any Obligor under the laws of any jurisdiction in which that person is incorporated, domiciled, resident, carries on business or has assets.

(l) **Enforcement Proceedings**

Distress, attachment, writ of seizure and sale, any form of execution or other legal process is levied or enforced upon or issued against all or a material part of the assets of any Obligor and are not discharged within 30 days of their commencement.

(m) **Security Enforceable**

Any Security Interest granted by any Obligor over the Collateral becomes enforceable by any person and any step is taken to enforce it.

(n) **Legal Proceedings**

Legal proceedings of any nature (including arbitral or administrative proceedings) is instituted against any Obligor which if adversely determined would have a Material Adverse Effect and such proceedings are not withdrawn or discontinued or the claim thereunder satisfied within one month.

(o) **Compulsory Acquisition**

Any governmental or other authority takes any step to expropriate, nationalise or compulsorily acquire all or a substantial part of the assets of the MEOL Group, taken as a whole.

(p) **Loss of Priority**

If any Security Interest created pursuant to a Security Document proves to have ranked after, or loses its priority to, another Security Interest created in favour of a person other than the Secured Parties or any other third party claim or interest, save for any Security Interest securing the Priority Debt.

(q) **Invalidity and Illegality**

Any provision of any USD Bond Transaction Documents is or becomes, or is claimed by any Obligor to be, for any reason invalid or unenforceable, or it is or will become unlawful for any Obligor to perform or comply with any of its duties, obligations and liabilities under any USD Bond Transaction Documents to which it is a party.

For the purposes of Condition 10(A), something having a “**Material Adverse Effect**” on an Obligor is to it having a material adverse effect (a) on the financial condition of the Issuer or MEOL and its Subsidiaries taken as a whole which would materially and adversely affect the ability of the Issuer and/or MEOL to perform and comply with any of its payment or other material obligations under any USD Bond Transaction Document, or (b) on the legality, validity or enforceability of any of the USD Bond Transaction Documents.

## **(B) Enforcement**

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer as it may think fit to enforce the provisions of the Trust Deed and the USD Bonds, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed and the USD Bonds unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least 33% in principal amount of the USD Bonds then outstanding, and (b) it shall have been indemnified, secured and/or prefunded to its satisfaction.

No Bondholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure is continuing.

## **11. REPLACEMENT OF CERTIFICATES**

Should any Certificate be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

## **12. PAYING AGENTS**

The names of the initial Agents and the Registrar and their specified offices are set out below. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Agent or the Registrar and to appoint additional or other Agents or a replacement Registrar. The Issuer will at all times maintain (a) a Principal Paying Agent, and (b) a Registrar which will maintain the Register outside the United Kingdom. Notice of any such termination or appointment, of any changes in the specified offices of any Agent or the Registrar and of any change in the identity of the Registrar or the Principal Paying Agent will be given promptly by the Issuer to the Bondholders and in any event not less than 30 nor more than 45 days' notice will be given.

So long as the USD Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where the USD Bonds may be presented or surrendered for payment or redemption.

## **13. NOTICES**

All notices to Bondholders shall be validly given if mailed to them at their respective addresses in the Register maintained by the Registrar or published in a leading English language newspaper having general circulation in Asia (which is expected to be the *Business Times* in Singapore). Any such notice shall be deemed to have been given on the date(s) of such publication(s) or the seventh day after being so mailed, as the case may be.

So long as the USD Bonds are represented by a Global Certificate that is held on behalf of Euroclear and Clearstream, Luxembourg, notices to Bondholders shall be given by delivery of the relevant notice to Euroclear or Clearstream, Luxembourg, for communication by it to entitled accountholders in substitution for notification as required by the Conditions.

## **14. MEETINGS OF BONDHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION**

### **(A) Meetings**

The Trust Deed contains provisions for convening meetings of the Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary

Resolution of a modification of the USD Bonds or the provisions of the Trust Deed or any other USD Bond Transaction Document. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50% in principal amount of the USD Bonds for the time being outstanding, or at any adjourned meeting one or more persons being or representing Bondholders whatever the principal amount of the USD Bonds so held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (a) to modify the due date for any payment in respect of the USD Bonds, (b) to reduce or cancel the amount of principal, premium or interest payable in respect of the USD Bonds, (c) to change the currency of payment of the USD Bonds, (d) to modify the provisions concerning the quorum required at any meeting of the Bondholders or the majority required to pass an Extraordinary Resolution, (e) to change the governing law of the USD Bonds or any other USD Bond Transaction Document or (f) to modify or release any USD Bond Transaction Document (except for the USD Bonds) (other than a modification which is not, in the opinion of the Trustee, materially prejudicial to the interest of the Bondholders or which, in the opinion of the Trustee, is of a formal, minor or technical nature or to correct a manifest error), in which case the quorum for the consideration of such business shall be one or more persons holding or representing not less than 75% in principal amount of the USD Bonds for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than 25% in principal amount of the USD Bonds for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Bondholders shall be binding on all the Bondholders, whether or not they are present at the meeting.

**(B) Modification and waiver**

Without the consent of the Bondholders, the Trustee may agree with the Issuer to (a) any modification (except as mentioned in Condition 14(A) above) to, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the USD Bonds, the Trust Deed or any other USD Bond Transaction Document which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Bondholders, or (b) any modification of any of the provisions which is of a formal, minor or technical nature or which is made to correct a manifest error or to comply with mandatory provisions of law. Any such modification shall be binding on the Bondholders and any such modification shall be notified to the Bondholders in accordance with Condition 13 as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Bondholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Bondholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Bondholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Bondholders except to the extent already provided for in Condition 7 and/or any undertaking or covenant given in addition to, or in substitution for, Condition 7 pursuant to the Trust Deed.

**(C) Certificates/Reports**

Any certificate or report of any expert or other person called for by or provided to the Trustee (whether or not addressed to the Trustee) in accordance with or for the purposes of these Conditions or the Trust Deed may be relied upon by the Trustee as sufficient evidence of the facts therein (and shall, in absence of manifest error, be conclusive and binding on all parties) notwithstanding that such certificate or report and/or engagement letter or other document entered into by the Trustee and/or the Issuer in connection therewith contains a monetary or other limit on the liability of the relevant expert or person in respect thereof.

**15. INDEMNIFICATION OF THE TRUSTEE AND TRUSTEE CONTRACTING WITH THE ISSUER AND/OR THE COMPANY OR ANY OF ITS SUBSIDIARIES**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified, secured and/or prefunded to its satisfaction.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or MEOL or any of its Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or MEOL or any of its Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Bondholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

The Trustee shall not be responsible for the performance by any other person appointed by the Issuer in relation to the USD Bonds and, unless it has actual knowledge to the contrary, shall assume that the same are being duly performed.

Other than as expressly set out in the Trust Deed, neither the Trustee nor the Common Security Agent shall have any responsibility for the administration, management or operation of the Collateral including any request to release any of the assets comprising the Collateral pursuant to the terms of the USD Bond Transaction Documents, from time to time. Neither the Trustee nor the Common Security Agent shall have any responsibility for the value of the Collateral or any liability for the validity, sufficiency or enforceability thereof. Neither the Trustee nor the Common Security Agent shall be liable to any Bondholder or any other person for any action taken by the Bondholders, the Trustee or the Common Security Agent in accordance with the instructions of the Bondholders. Each of the Trustee and the Common Security Agent shall be entitled to rely on any direction, request or resolution of Bondholders which has been duly given by holders of the requisite principal amount of USD Bonds outstanding or duly passed at a meeting of Bondholders duly convened and held in accordance with the Trust Deed.

**16. FINANCIAL REPORTING**

Each of the Issuer and the USD Bond Guarantors has jointly and severally covenanted with the Trustee and the Common Security Agent in the Trust Deed that it will:

- (a) send to the Trustee (i) as soon as available and in any event within 120 days after the end of each of the Issuer's financial years, a copy of MEOL's audited consolidated accounts (which may be in an electronic format) as at the end of and for that financial year, together with copies of the related reports, and (ii) as soon as

available and in any event within 60 days after the end of the first six months of each of MEOL's financial years, a copy of MEOL's unaudited and reviewed consolidated accounts (which may be in an electronic format) as at the end of and for that six-month period

- (b) send to the Trustee (in addition to any copies to which it may be entitled as a holder of any USD Bonds of the Issuer) one copy or translation, in each case in the English language, of all notices, circulars, reports, statements (including, but without limiting the generality of the foregoing, the Issuer's financial statements), documents and other written information which are issued to the holders of its shares and other securities and which contain information having a material bearing on the interests of the Bondholders as soon as reasonably practicable after their date of issue and make available to the Principal Paying Agent as many further copies or translations, in each case in the English language, as they may reasonably request in order to satisfy requests from Bondholders for them;
- (c) deliver to the Trustee, with each set of accounts delivered under paragraph (a) above and within 14 days after any request made by the Trustee from time to time, a certificate signed by two Authorised Officers of the Issuer:
  - (i) confirming compliance with Condition 9 as at the end of the relevant period (or, as the case may be, as at the date specified in the Trustee's request, which date must be not less than seven nor more than 14 days before the date of the request);
  - (ii) setting out in reasonable detail the computations necessary to demonstrate such compliance; and
  - (iii) setting out a list of all Subsidiaries of the Issuer that are at such time Material Subsidiaries; and
- (d) give to the Trustee (i) within 14 days after demand by the Trustee therefor, and (ii) (without the necessity for any such demand) within 14 days with each set of accounts delivered under paragraph (a) above, a certificate signed by one Authorised Officer to the effect that, having made all reasonable enquiries, to the best of the knowledge, information and belief of the persons so certifying as at a date not more than seven days before delivering such certificate (the "certification date") there did not exist and had not existed since the certification date of the previous certificate (or in the case of the first such certificate the date hereof) any Event of Default or any Notification Event (or if such exists or existed specifying the same) and that during the period from and including the certification date of the last such certificate (or in the case of the first such certificate the date hereof) to and including the certification date of such certificate the Issuer has complied with all its obligations contained in the Trust Deed or (if such is not the case) specifying the respects in which it has not complied.

## **17. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT (CHAPTER 53B)**

Unless expressly provided to the contrary, a person who is not a party hereto may not enforce or enjoy the benefit of any of the terms herein under the Contracts (Rights of Third Parties) Act (Chapter 53B) and notwithstanding any of the terms of any USD Bond Transaction Documents, the consent of any third party is not required for any amendment, rescission or termination of the Trust Deed or the USD Bonds or any release or compromise of any liability hereunder.



## **18. GOVERNING LAW AND SUBMISSION TO JURISDICTION**

### **(A) Governing law**

The Trust Deed and the USD Bonds are governed by, and shall be construed in accordance with, the laws of Singapore.

### **(B) Submission to Jurisdiction**

The Issuer and each of the USD Bond Guarantors have irrevocably agreed in the Trust Deed, for the benefit of the Trustee and the Bondholders, that any legal action or proceedings arising out of or in connection with any USD Bond Transaction Document and/or the USD Bonds ("**Proceedings**") against it or any of its assets may be brought or commenced in the courts of Singapore and irrevocably submits to the non-exclusive jurisdiction of such courts. The Issuer and each of the USD Bond Guarantors irrevocably and unconditionally waives any objection it may at any time have to the commencement or conduct of Proceedings in any such courts and any claim it may at any time have that such Proceedings have been brought in an inappropriate or inconvenient forum.

The submission to jurisdiction by the Issuer and each of the USD Bond Guarantors as aforesaid shall not (and shall not be construed so as to) limit the right of the Trustee and/or the Bondholders to take Proceedings against the Issuer or any USD Bond Guarantor or any of its assets in whatsoever jurisdictions the Trustee and/or the Bondholders deem appropriate, nor shall the taking of Proceedings in any one or more jurisdictions preclude the commencement or conduct of Proceedings in any number of jurisdictions, whether concurrently or not.

### **(C) Appointment of Process Agent**

Each Obligor has irrevocably appointed Miclyn Express Offshore Pte. Ltd. as its agent for service of process in any Proceedings in Singapore. If for any reason, an Obligor, as the case may be, does not have such an agent in Singapore, it shall promptly appoint a substitute process agent and notify the Bondholders of such appointment. Without prejudice to the foregoing, the service of any legal process in any Proceedings anywhere may be effected on any Obligor by forwarding a copy of the relevant documents issued pursuant to or in connection with such Proceedings by hand or by registered post to such process agent and such service shall be deemed to be good and effectual service on such Obligor, even if any document may be returned by the post office undelivered. Nothing herein shall affect the right of the Trustee to serve process in any other manner permitted by any relevant law.

## **SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM**

The Global Certificate contains provisions which apply to the Bonds while they are in global form, some of which modify the effect of the Conditions of the Bonds set out in this Offering Circular. The following is a summary of certain of those provisions:

### **GLOBAL CERTIFICATE**

Upon the issuance of the Global Certificate, Euroclear or Clearstream, Luxembourg, as the case may be, will credit, on their internal system, the respective principal amounts of the individual beneficial interests represented by such Global Certificate to the respective accounts of persons who have accounts with them. Such accounts will be designated by the Sole Bookrunner. Ownership of beneficial interests in the Global Certificate will be shown on, and the transfer of such ownership interests will be effected only through records maintained by Euroclear and Clearstream, Luxembourg (with respect to interests of participants) and on the records of participants (with respect to interests of persons holding through participants).

Investors may hold their interest in the Global Certificate directly through Euroclear or Clearstream, Luxembourg, as the case may be, if they are participants in such systems, or indirectly through organizations that are participants in such systems. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. Such limits and such laws may impair the ability to own, transfer or pledge beneficial interests in the Global Certificate.

Payments of principal of, and interest on, Bonds represented by the Global Certificate will be made to Euroclear or Clearstream, Luxembourg or the nominee for their common depository, as the case may be, as the registered owner of such Global Certificate. None of the Issuer, the Trustee, the Registrar, the Agents or any agent of any of them will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Global Certificate or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Issuer expects that Euroclear, Clearstream, Luxembourg or the nominee of their common depository, upon receipt of any payment of principal or interest in respect of the Global Certificate, will immediately credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in such Global Certificate as shown on the records of Euroclear, Clearstream, Luxembourg or such nominees, as the case may be. The Issuer also expects that payments by participants to owners of beneficial interests in such Global Certificate held through such participants will be governed by standing customer instructions and customary practices, as is now the case with securities held for the accounts of customers registered in "street name," and will be the responsibility of such participants.

Euroclear and Clearstream, Luxembourg will take any action permitted to be taken by a Bondholder only at the direction of one or more participants to whose accounts the Euroclear or Clearstream, Luxembourg, as the case may be, interests in the Global Certificate are credited and only in respect of such portion of the aggregate principal amount of Bonds as to which such participant or participants has or have given such direction.

Although the Issuer and each of the Guarantors understand that Euroclear and Clearstream, Luxembourg will comply with the foregoing procedures in order to facilitate transfers in interests in the Global Certificate among participants of Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Guarantors, the

Trustee, the Registrar, the Agents or any agent of any of them will have any responsibility for the performance by Euroclear or Clearstream, Luxembourg or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

In addition, the Global Certificate will contain the following provisions which modify the Conditions of the Bonds as they apply to the Bonds evidenced by a Global Certificate.

### **Trustee's Powers**

In considering the interests of Bondholders, while the Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg, the Trustee may have regard to any information provided to it by such clearing system(s) or its operator as to the identity of its accountholders with entitlement to the Global Certificate and may consider such interests as if such accountholders were the Bondholders represented by the Global Certificate.

### **Purchase and Cancellation**

Cancellation of any Bond represented by the Global Certificate will be effected by reduction in the principal amount of the Global Certificate and in the Register.

### **Payments**

Payments of principal, premium (if any) and interest in respect of the Bonds in respect of which the Global Certificate is issued will be made without presentation or, if further payment fails to be made in respect of the Bonds, against presentation and surrender of the Global Certificate, to or to the order of the Principal Paying Agent at its specified office or such other agent as shall have been notified to the Bondholders for such purpose.

### **Notices**

For so long as all of the Bonds are represented by this Global Certificate and this Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Bondholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relevant accountholders rather than by publication as required by Condition 13.

### **Definitive Certificates**

Owners of interest in the Bonds in respect of which the Global Certificate is issued will be entitled to have title to such Bonds registered in their names, and to receive Definitive Certificates in respect of their entitlement, in either of the following circumstances: Euroclear and/or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holiday) or announces an intention permanently to cease business or does in fact do so; or if the Bonds become due and payable pursuant to Condition 10.

Whenever the Global Certificate is to be exchanged for Definitive Certificates, such Definitive Certificates shall be issued in an aggregate principal amount equal to the principal amount of this Global Certificate within five business days of the delivery, by or on behalf of the Bondholder, Euroclear and/or Clearstream, Luxembourg to the Registrar of such information as is required to complete and deliver such Definitive Certificates (including, without limitation, the names and addresses of the persons in whose names the Definitive Certificates are to be registered and the principal amount of each such person's holding) against the surrender of this Global Certificate at the specified office of the Registrar. Such exchange shall be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the

transfer and registration of Bonds scheduled thereto and, in particular, shall be effected without charge to any Bondholder or the Trustee, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange. In this paragraph, "business day" means a day on which commercial banks are open for business (including, without limitation, dealings in foreign currencies) in the city in which the Registrar has its specified office.

On exchange in full of the Global Certificate, the Registrar shall cancel it.

## **USE OF PROCEEDS**

The net proceeds of the Bonds after deducting fees, expenses and commissions payable in relation to the offering of the Bonds, are intended to allow the MEOL Group to finance (i) the purchase of the aggregate purchase price for the SGD Bonds validly tendered and accepted for purchase by MEOL, (ii) the redemption of the remaining SGD Bonds and (iii) the aggregate consent fees payable to eligible holders of the SGD Bonds who vote in favour of the extraordinary resolutions at the respective meetings of the holders of the SGD Bonds.

## DESCRIPTION OF OUR BUSINESS

### 1. OVERVIEW

The Issuer of the Bonds, Miclyn Express Offshore Pte Ltd (formerly known as Express Offshore Transport Pte. Ltd. (“**EOT**”)), was incorporated on 15 December 1992 under the laws of Singapore. The registered and head office of the Issuer is located at 3 HarbourFront Place, #11-01/04 HarbourFront Tower 2, Singapore 099254. The Issuer is a wholly-owned subsidiary of MEOL.

We are a leading provider of service vessels to customers operating in the shallow water offshore oil and gas industry and the marine civil construction industry. We operate a diverse portfolio of vessels, including 41 OSVs, 74 crew/utility vessels, 32 tugs and barges and 3 CSVs across Southeast Asia, the Middle East and Australia. We have worked, directly and indirectly, for international oil companies (“**IOCs**”) and national oil companies (“**NOCs**”), including Chevron, Saudi Aramco and the PTT Group or members of their groups for approximately 15 to 30 years and, more recently, Brunei Shell Petroleum. We have also served other customers such as contractors to oil and gas companies including Heerema, Technip, Subsea7 and McDermott or members of their groups. Our other businesses include our offshore transportation support businesses, third-party vessel and coastal survey vessels.

Vessel chartering is our primary business and accounted for 77.1% of our revenues for the financial year ended 30 June 2015. We charter our vessels primarily on a daily rate basis for periods typically ranging from a few months up to ten years, with a majority of our charters focused on longer term periods of over one year. As of 30 June 2015, our average charter term was 2.9 years for OSVs, 3.5 years for crew/utility vessels and less than 12 months for tugs and barges. Almost all of our charters are time charters under which we operate, maintain and provide crews for the vessels, and the customer is typically only responsible for fuel costs. As of 30 September 2015, we had contracted charter revenues of approximately US\$459.0 million, assuming the completion of charter terms and exercise of option periods. Our fleet is younger than the industry average, with an average fleet age as of 30 June 2015, of 7.8 years. The quality of our fleet, combined with our focus on safe, reliable and efficient operations, has enabled us to maintain a high average utilisation rate for our vessels, which was 84.9% for OSVs, 87.1% for crew/utility vessels and 55.0% for tugs and barges for the financial year ended 30 June 2015.

We also have other businesses that complement our vessel chartering business. We offer offshore transportation support services, providing integrated project cargo transportation services and marine equipment solutions through our subsidiary, EOS, which is 100% owned by us. In addition to leasing our own vessels to customers, when we are unable to meet customer needs with our own vessels, we charter in vessels from third parties for charter out to our customers.

For the financial year ended 30 June 2015, our revenue was US\$283.8 million (equity method US\$261.8 million), our loss for the year was US\$11.2 million (equity method US\$11.2 million), and our Adjusted EBITDA on a proportionate basis was US\$94.4 million (equity method US\$79.4 million).

Historically, the MEOL Group recognised its interests in joint ventures using the proportionate method of accounting. However, for the financial year ended 30 June 2014, the MEOL Group adopted the new IFRS 11 Joint Arrangements, which became mandatory as of 1 July 2013. As a result, for the years ended 30 June 2014 and 2015, the MEOL



Group recognised its interests in joint ventures using the equity method of accounting. Throughout this Offering Circular, we present unaudited financial information prepared using the proportionate method of accounting, with the corresponding audited financial information for which the equity method of accounting is used, alongside.

As used in this Section:

**“EBITDA”** means profit before (i) tax expense, (ii) finance costs and (iii) depreciation and amortisation. This term, as we define it, may not be comparable to similarly titled measures employed by other companies and is not a measure of performance calculated in accordance with IFRS; and

**“Adjusted EBITDA”** means EBITDA adjusted to treat certain vessels as if they entered the fleet and they had been chartered as of 1 July 2014 or left the fleet as of 1 July 2014, as more fully described below. Adjusted EBITDA also excludes the impact of any one-off impairment adjustments. The reconciliation of EBITDA to Adjusted EBITDA is as follows:

(in thousands of U.S. dollars)	For the year ended 30 June 2015 (Equity) (Unaudited)	For the year ended 30 June 2015 (Proportionate) (Unaudited)
EBITDA	\$42,504	\$57,304
Impairment adjustments <sup>(1)</sup>	<u>27,155</u>	<u>27,155</u>
Normalised EBITDA	69,659	84,459
Vessel additions adjustments <sup>(2)</sup>	13,956	14,726
Vessel disposals adjustments <sup>(2)</sup>	(24)	31
Charter rate adjustment <sup>(3)</sup>	(4,236)	(4,790)
Adjusted EBITDA	\$79,355	\$94,426

**Notes:**

- (1) This relates to a one-off impairment adjustment for Australia Business.
- (2) These adjustments (i) treat certain vessels that entered the fleet during the course of the year ended 30 June 2015 as if they entered the fleet and their initial long term charters commenced on 1 July 2014 with earnings annualised for the period, and (ii) treat vessels that were disposed of in the year ended 30 June 2015, as if they left the fleet on 30 June 2014.
- (3) This relates to annualised charter rate adjustments on contracts with key customers

Our management uses EBITDA and Adjusted EBITDA:

- (i) as a measure of operating performance because it assists us in comparing our performance on a consistent basis as it removes the impact of our capital structure and asset base from our operating results;
- (ii) in presentations to our board of directors to enable them to have the same consistent measurement basis of operating performance used by management;
- (iii) as a measure for planning and forecasting overall expectations and for evaluating actual results against such expectations;
- (iv) as a basis for incentive cash bonuses paid to our executive and other shore-based employees; and
- (v) in communications with stockholders, lenders, bondholders, rating agencies and others, concerning our financial performance.

## 2. OUR HISTORY

We have been operating through our predecessor companies since the 1970s. The current business was established in November 2007 through the combination of the OSV, barge and shipyard business of Miclyn Offshore and its subsidiaries and the crew and/utility business of the Issuer and its subsidiaries. Certain milestones in our history and development are as follows:

- We were established in Singapore in 1976, providing OSVs and tugs and barges to the offshore oil and gas industry in Southeast Asia.
- In 1981, we established a key crewboat relationship with Chevron (Thailand) Limited through our predecessor, Wijismuller Marine (S) Pte. Ltd., subsequently known as Svitzer.
- In 1997, we achieved ISM Code compliance.
- In 1999, Svitzer entered into a joint venture with Unithai to service Thai territorial waters and we achieved ISM Code compliance.
- We acquired our shipyard in Batam, Indonesia in 2005.
- EOT was established in 2006, by a merger of the crewboat segment of Wilhelmsen Holding ASA with Svitzer.
- In 2007, Macquarie Group acquired the shares of Miclyn Offshore and EOT, and subsequently merged the two entities to form the Issuer. MEOL was subsequently incorporated as the holding company of the Issuer.
- In 2010, MEOL listed on the ASX and acquired a 50% interest in the share capital of MEOA.
- In 2011, MEOL established a new business, EOS, to service the project and pipeline transportation segment in Asia, the Middle East and Australia. MEOL held a 70% interest in the share capital of EOS. In November 2011, MEOL also acquired the remaining 50% interest in the share capital of MEOA. In addition, in August 2011, Headland acquired a 26.45% interest in the share capital of MEOL.
- In 2012, CHAMP acquired Macquarie Group's interest in MEOL.
- In October 2013, MEOL acquired a 50% direct and indirect interest in UWT. With the acquisition of its interest in UWT, MEOL owns 50% direct and indirect interest in both UWO and UWT.
- In December 2013, MEOL amalgamated with Manta 2 (a wholly-owned subsidiary of Manta Holdings Limited, an entity jointly owned by Headland and CHAMP) and delisted its shares from the ASX. MEOL delisted its shares from the ASX.
- In 2014, EOS became a wholly-owned subsidiary of MEOL.
- In 2014, MEOL and its wholly-owned subsidiary PT. Loh & Loh Construction Indonesia sold its shipyard in Batam to ASL Marine Holdings Ltd. and its wholly-owned subsidiary, PT. Sukses Shipyard Indonesia.
- In March 2014, we established a joint venture entity in Brunei, in which we hold a 70% interest.

### **3. COMPETITIVE STRENGTHS**

We believe our principal competitive strengths include the following:

#### **Young and diversified fleet of vessels**

We have a young and versatile fleet which we believe leads to increased demand for our vessels and higher utilisation rates. The average age of our OSVs, crew/utility vessels, tugs and barges was 6.3 years, 7.8 years, 9.3 years and 7.0 years, respectively, as of 30 June 2015. We believe it is important to maintain a relatively young fleet, as newer vessels generally have better fuel efficiency, experience less downtime, require less maintenance, have lower operating costs and have better safety performance compared to older vessels, all of which makes them more attractive to customers, therefore commanding a higher DCR. In addition, our newer vessels are mostly specialised OSVs which adds to our wide spread of vessels to serve the oil and gas cycle, including seismic survey vessels, subsea support vessels and accommodation workboats. In addition, environmental standards and regulatory requirements, and our customers' increased awareness of, and emphasis on, safety standards add to the demand for newer vessels. We also believe that younger vessels command higher margins when demand is strong and have higher utilisation when demand is weak, as compared to older vessels.

Our core chartering fleet, excluding non-core vessels, had 41 OSVs, 74 crew/utility vessels and 32 tugs and barges, which accounted for 42.1%, 24.4% and 7.5%, respectively, of our revenues for the financial year ended 30 June 2015. Our vessels operate in Southeast Asia, the Middle East and Australia across all phases of the offshore oil and gas cycle, namely exploration, development and production, as well as the marine civil construction industry. We have a spread of vessels and are able to offer customers utility/supply, AHT, AHTS, seismic survey and support vessels, work barges and workboats, subsea support vessels and multi-purpose tugs, among others.

We believe that operating a young and diversified fleet gives us a competitive advantage in maximising charter terms for our vessels, which, in combination with other factors, supports our relatively high utilisation rates. For the financial years ended 30 June 2015, 2014 and 2013, our average utilisation rate was 84.9% for OSVs and 87.1% for crew/utility vessels, 87.3% for OSVs and 92.8% for crew/utility vessels, and 84.2% for OSVs and 92.6% for crew/utility vessels respectively.

#### **Significant contracted revenues provide earnings visibility**

Our charter contracts provide us with high earnings visibility for future periods. We believe our contracted revenues and the tenor of our charters reflect our customers' perception of the quality and utility of our fleet and their experience with our long track record of delivering safe, reliable and efficient operations for them. As of 30 September 2015, we had contracted charter revenues, assuming the completion of charter terms and exercise of option periods, of approximately US\$459 million (including US\$222 million for OSVs, US\$229 million for crew/utility vessels and US\$7 million for tugs and barges) with our customers. As of 30 June 2015, approximately 69% of our charters had a tenor of greater than one year and approximately 55% had a tenor of greater than three years. The average term for our vessel charter contracts was 2.9 years for OSVs, 3.5 years for crew/utility vessels and less than 12 months for tugs and barges as of 30 June 2015. In particular, our crew/ utility vessel fleet benefits from long term contracts with high rates of renewal driven by the focus of such vessels on the production phase of the oil and gas lifecycle, which allows us to maintain higher levels of utilisation for these vessels.

## **Long term customer relationships and high quality customer base**

We commenced operations in 1976 and have developed and continue to maintain relationships with high quality customers, which include IOCs, NOCs and other companies that support the oil and gas industry, such as engineering, procurement and construction and seismic companies. We have worked, directly and indirectly, for IOCs and NOCs, such as Chevron, Saudi Aramco and the PTT Group for approximately 15 to 30 years. For the financial year ended 30 June 2015, Chevron represented 20.8% of our revenue, and no other customer accounted for more than 10.0% of our revenue. A number of our long term customers regularly renew their charters. For example, we have vessels that have been chartered to Chevron for two to five year terms and have been with them continuously for over 25 years. Our track record of safe, reliable and efficient operations has also allowed us to build customer relationships over time. We have also invested in regional support infrastructure which better allows us to maintain fleet uptime and quick maintenance turnaround for our vessels, which further enhances our customer relationships. We believe the history that our vessels and employees have with our customers gives us credibility and distinguishes us from many of our competitors.

## **Our business is geographically diversified and we operate in segments of the market that are relatively less prone to volatility**

We operate our vessels in geographically diverse regions and countries, including 94 vessels in Southeast Asia, 46 vessels in the Middle East and 10 vessels in Australia as of 30 June 2015. We are a leading provider of crewboats in Southeast Asia and the Middle East. We currently operate vessels in nine different countries, with no more than 29% of our total fleet operating in any single country as of 30 June 2015. Our fleet is also flexible with the ability to move vessels between countries. For the financial year ended 30 June 2015, we derived 45%, 20% and 18% of our revenues from customers in Southeast Asia, the Middle East and Australia, respectively, and the remaining 17% of our revenue comes from other regions. We believe that the broad geographic scope of our operations reduces the volatility of our cash flows, as we are less vulnerable to fluctuations in any particular market. Many of our competitors do not have the same diversity of geographic operations. We are also looking to have a greater business presence in Mexico, Congo and India in the near future.

We focus on serving shallow water projects, which are historically relatively less susceptible to market volatility as compared to deep water projects. We also believe that it would be economically inefficient to redeploy any excess supply of deep water vessels to shallow water projects given, for example, that deep water vessels have high break-even costs, and that deep water vessels generally have large engines and consume higher amounts of fuel. Deep water projects also tend to be discontinued before shallow water projects during market downturns.

While we serve the entire life cycle of our customers' oil and gas projects from exploration to development to production, our core chartering business is most exposed to the development and production phases, which we believe are the longest and most stable portions of the oil and gas project life cycle with greater resilience in an economic downturn. Our exposure to exploration activity, represents less than 10% of our revenue for the financial year ended 30 June 2015, with the remaining 90% exposed to development or production activity. Once a project has completed exploration and commenced development or production, there is a greater likelihood that the project will continue and a lesser likelihood that the project will be shut down due to economic conditions, such as a drop in the price of oil. In addition, the development and production phase of a project can last anywhere from a period of a few years to decades, as opposed to the exploration phase which is substantially shorter.

We believe our geographically diversified business and focus on shallow water operations in the development and production phases subjects our business to less volatility than our competitors.

#### **Track record of safe, reliable and efficient operations**

Our employees and our fleet have a proven track record of operating our vessels safely, reliably and efficiently. Our fleet's utilisation over the last four years has averaged approximately 81.8%, which highlights the experience of our personnel and the overall excellent working condition of the fleet. We maintain our fleet to a high standard in compliance with class certifications. We attribute our operational success to our focus on sound shipboard operations practices, vessel maintenance, procurement and maintenance in inventory of spares and supplies and crew training, among others. For example, we provide initial and ongoing training to all employees at our training centres, which for seafaring employees includes use of a vessel simulator in Jakarta, Indonesia, and drills on situations such as passenger transfers and cargo listing, with a view to ensuring they are "fit for purpose" for vessels they operate. We have also implemented policies that promote safe, reliable and efficient operations, such as our policy that any employee, regardless of level, can stop a situation perceived as dangerous. We also have a culture that encourages reporting of incidents, safe and unsafe behaviour and hazards, which we monitor. We believe that the combination of our quality vessels and experienced and skilled employees allows us to provide customers with safe and effective operations, to establish, develop and maintain a position as a preferred provider of vessels for our customers and to facilitate the procurement of longer term charters.

#### **Experienced management team with proven track record**

Our management team has significant experience with vessels serving the shallow water offshore oil and gas industry and the marine civil construction industry, and expertise in all aspects of commercial, technical, operational and financial areas of our business. Our senior management team responsible for our operations has an average of approximately 20 years of domestic and international offshore services as well as marine transportation industry-related experience. We also have highly experienced personnel at the operational level, with vessel operations and vessel chartering managers with industry experience averaging approximately 19 years. Our key managers are incentivised to drive business success through a performance bonus and employee incentive plan. We believe that our team has successfully demonstrated our ability to grow our fleet through new construction and strategic acquisitions and to secure profitable contracts for our vessels in both favourable and unfavourable market conditions.

### **4. BUSINESS STRATEGY**

The main elements of our business strategy include the following:

#### **Continue our focus on shallow water production and development operations**

We believe that shallow water oil production will remain a critical contributor to total global output with a resulting continued demand for shallow water exploration, development and production operations. We also have a leading presence in Asia Pacific, which is primarily a shallow water environment. In addition, shallow water oil and gas fields generally benefit from lower break even levels than their deep water counterparts resulting in resiliency of exploration, development and production activities to oil price volatility. Accordingly, we believe that we are well positioned to benefit from any increase in exploration, development and production activities in shallow waters. We plan to remain a "pure-play" shallow water oil fields services company, as we believe such

dedicated focus and expertise will minimise the volatility of our business to conduct our operations and marketing more efficiently and effectively. We intend to maintain a fleet of vessels that are “fit for purpose” and will allow us to be an efficient, low-cost provider of vessels in shallow water markets. While our focus will remain on Southeast Asia, the Middle East and Australia, we may look to selectively enter into other shallow water markets adjacent to these markets, such as East Africa, should opportunities arise.

#### **Prudent financial discipline and continue cost control measures to maximise free cash flow**

Going forward, we will maintain strict internal discipline at all levels and in all functions. We will focus on maintaining high levels of utilisation for our vessels by efficiently allocating our assets in our strategic locations, reducing operating expenditure through cost efficiencies, and optimising our overhead cost. In addition, as at 30 September 2015 the Company had no committed capital expenditure in relation to the acquisition of new vessels, and instead will look to rationalise our fleet focusing on disposing older, lower specification non-core assets. These initiatives will maximise free cash flow available to the business to ensure we are well positioned for changes in market conditions. In addition, we will continue to actively manage our capital structure and improve free cash flow.

#### **Continue our emphasis on safety, reliability and operational excellence**

We emphasise training our personnel in operational best practices, as well as leading safety standards and procedures. We operate under a comprehensive programme to ensure compliance with government and customer requirements and operating standards. We also intend to continue the historical practice of keeping our fleet well maintained to meet the needs of our customers. We believe the overlap of these operating strategies has been fundamental to our success and will continue to play an increasingly vital role in our success going forward. We devote significant resources to safety, reliability and operational excellence, which we believe promote a culture of diligence and minimises organisational risk. We believe that excellence in our operations promotes stronger relationships with multiple important stakeholders - our employees, our customers and the local communities in which we operate - and also is a key driver for maximising utilisation of our vessels.

## **5. OUR BUSINESS**

We provide vessel chartering services primarily through our three core chartering businesses based on vessel type, namely OSVs, crew/utility vessels and tugs and barges. These businesses collectively accounted for 74.1%, 78.7% and 72.7% of our revenues, and 90.5%, 86.9% and 84.4% of our gross profit for the financial years ended 30 June 2015, 2014 and 2013, respectively. Our vessels are primarily engaged in serving customers in shallow water offshore oil and gas activities and marine civil construction activities. We also have three other businesses: EOS, third-party vessel and coastal survey vessels. These other segments collectively accounted for 25.9%, 20.3% and 27.8% of our revenues and 9.6%, 13.1% and 13.3% of our gross profit for the financial years ended 30 June 2015, 2014 and 2013, respectively.

OSVs are large steel hulled vessels that provide a variety of services across the exploration, development and production activities of the offshore oil and gas industry, including the transportation of cargo, mooring, pipe installation, well intervention, firefighting and oil spill recovery, among others. Our OSVs primarily service our



customers engaged in shallow water oil and gas activities and marine civil construction activities. Our OSVs are primarily focused on production and development work within the oil and gas life cycle. For the financial year ended 30 June 2015, 90.4% of our revenue from the OSV segment was derived from production and development work.

Crew/utility vessels are aluminium hulled vessels used principally for the fast transportation of personnel and critical supplies to, from and between oil and gas offshore platforms. Our crew/utility vessels operate primarily in the production phase of the offshore oil and gas cycle; however, they also support near shore seismic exploration and offshore development phases. Our crew/utility vessels are primarily focused on production and development work within the oil and gas life cycle. For the financial year ended 30 June 2015, 92.5% of our revenue from the crew/utility vessels segment was derived from production and development work.

Tugs are used primarily to tow barges to and from work locations and to support marine civil construction projects. Barges are mainly used in the development phase of the offshore oil and gas cycle for the transportation of oilfield equipment, pipes and other heavy steel structures on deck. Barges are also used in the transportation of materials for marine civil construction and land reclamation projects. Our tugs and barges are primarily focused on development work within the oil and gas life cycle. For the financial year ended 30 June 2015, 83.3% of our revenues from the tugs and barges segment were derived from development work.

To complement our three core segments, we provide offshore transportation logistics solutions through our subsidiary, EOS. EOS's primary business is the management of end-to-end logistics for the delivery of structures and materials for offshore projects and marine civil construction projects, utilising our fleet.

In addition, we charter in vessels from third parties and charter them out to our customers, typically on a back-to-back basis, when customers require vessels and building or acquiring the vessel does not fit with our strategic plans or meet our internal financial thresholds. We earn a margin on these vessels but without any capital expenditure.

In addition to chartering our core fleet of OSVs, crew/utility vessels and tugs and barges, we also charter coastal survey vessels, which are used primarily to support near shore civil construction projects such as port development and dredging.

## **Our fleet**

As of 30 June 2015 our fleet had 150 vessels. Our fleet is younger than industry averages, with an average fleet age of 7.8 years as of 30 June 2015. The quality of our fleet, combined with our focus on safe, reliable and efficient operations, has enabled us to maintain a high utilisation rate for our vessels, which was 84.9% for OSVs, 87.1% for crew/utility vessels and 55.0% for tugs and barges for the financial year ended 30 June 2015. As of 30 June 2015, we also had one third-party vessel.

## Our vessels

The following table provides certain information on our fleet by type of vessel as of and for the financial year ended 30 June 2015, except as otherwise indicated.

As of the financial year ended 30 June 2015					
Vessel type	Number of vessels	Average age (years)	Average charter term (years)	Charter types	Utilisation <sup>(1)(2)</sup>
OSVs	41	6.3	2.9	time/bareboat	84.9
Crew/utility vessels	74	7.8	3.5	time/bareboat	87.1
Tugs	5	9.3	<1	time/bareboat	55.0
Barges	27	7.2	<1	bareboat	
Coastal survey vessels <sup>(3)</sup>	3	16.8	<1	time	17.8
Total fleet	150	7.8	2.6	—	78.2

### Notes:

- (1) Utilisation rate is calculated by dividing the number of days in which a vessel earns a DCR by the number of days available of such vessel. A vessel is considered available for the total number of days the vessel was in our fleet in a period (which includes any dry dock days).
- (2) The utilisation rate, of tugs and barges are presented on a combined basis.
- (3) Coastal survey vessels are non-core legacy assets from the acquisition of MEOA, which we plan to divest over time.

### Offshore support vessels

We maintain a diverse spread of specialised and multi-purpose OSVs that are utilised for shallow water activities, which are typically smaller and require less capital expenditure than the larger deep water OSVs. Vessel sub-categories in our OSV fleet include AHTS, AHT, PSV, CSV, seismic survey vessel, utility and supply vessel, accommodation workboat, accommodation work barge, multi-purpose offshore terminal tug and subsea support vessel, and range from 120 to 330 feet in length. Depending on the type, size, function and age of an OSV, these vessels typically cost between US\$5 million and US\$55 million. For time charters, where we provide a crew, our OSVs typically have a crew of 12 to 18 seafarers, including a master.

For the financial year ended 30 June 2015, our fleet of 41 OSVs consisted of nine AHTSs, six AHTs, two seismic survey vessels, eight utility OSVs, five maintenance and support vessels, two accommodation workboats, one accommodation work barge, three PSVs and five MOTTs. During the financial year ended 30 June 2015, we took delivery of ten OSVs and disposed of one aged OSV.

Revenue from our OSV segment was US\$119.6 million (equity method US\$109.0 million) for the financial year ended 30 June 2015, which accounted for 42.1% (equity method 41.7%) of our total revenue. Gross profit from our OSV segment was US\$40.7 million (equity method US\$35.0 million) for the financial year ended 30 June 2015, which accounted for 47.6% of our gross profit (equity method 47.5%). For the financial year ended 30 June 2015, the utilisation rate of our OSVs was 84.9%. The average DCR of our OSVs was US\$10,979 for the financial year ended 30 June 2015.

The following table provides certain information on our 41 OSVs as of 30 June 2015 (not including third-party vessels):

As of 30 June 2015			
Vessel name	Vessel	Year built	BHP/DWT <sup>(1)</sup>
AOS PATTAYA <sup>(2)</sup>	MOTT	2006	4,930
AOS PHUKET <sup>(2)</sup>	Utility Vessel	2006	3,500
AOS RATCHABURI <sup>(2)</sup>	Utility Vessel	2004	3,500
CERDIK	Utility Vessel	2009	2,100
CERMAT	Utility Vessel	2009	2,100
ENDEAVOUR	DP2 Subsea Support Vessel	2007	—
MAGELLAN 1	AHT	2011	8,200
MAGELLAN 2	AHT	2011	8,200
MEO EMPEROR	AHTS	2008	5,150
MEO EMPRESS	AHTS	2008	5,150
MEO GALAXY	Accommodation Workboat	2011	3,500
MEO GUARDIAN	Accommodation Workboat	2014	4,400
MEO MONARCH 1	DP2 AHTS	2015	7,145
MEO MONARCH 2	DP2 AHTS	2015	7,145
MEO RANGER	DP2 PSV	2013	5,150
MEO SOVEREIGN 1	DP2 AHTS	2012	8,200
MEO SOVEREIGN 2	DP2 AHTS	2012	8,200
MEO VALIANT	MOTT	2011	4,750
MEO VIGILANT	MOTT	2011	4,750
MICLYN CONSTRUCTOR 1	Accommodation Work Barge	2010	—
MICLYN ENDURANCE	DP2 Subsea Support Vessel	2007	—
MICLYN ENERGY	MPSV	2008	5,200
MICLYN ENTERPRISE	DP2 Subsea Support Vessel	2007	—
MICLYN GRACE	Utility Vessel	2009	3,200
MICLYN GRAND	Utility Vessel	2009	3,200
MICLYN ONYX	Utility Vessel	2008	3,200
MICLYN OPAL	Utility Vessel	2008	3,200
MICLYN ORION	AHT	2007	3,800
MICLYN POWER	AHT	1999	4,000
MICLYN VENTURE	AHT	2009	5,000
MICLYN VICTORY	AHT	2009	5,000
RESOLUTION	DP2 Subsea Support Vessel	2013	—
SEISMIC SUPPORTER	Seismic Support Vessel	2006	3,500
UM ADVANCER <sup>(2)</sup>	AHTS	2003	5,490
UM ADVANTAGE <sup>(2)</sup>	DP2 AHTS	2014	7,150
UM ADVENTURE <sup>(2)</sup>	DP2 AHTS	2014	7,000
UM SUPPORTER <sup>(2)</sup>	DP2 PSV	2012	5,220
UNIWISE RAYONG <sup>(2)</sup>	MOTT	2005	4,436
UNIWISE SONGKHLA <sup>(2)</sup>	MOTT	2011	5,916
VOYAGER EXPLORER <sup>(3)</sup>	Seismic Survey	2005	4,000
MERMAID NUSANTARA	DP2 Diving Support Vessel	2010	—

**Notes:**

- (1) BHP stands for brake horsepower.  
 (2) Vessels owned through Uniwise Joint Venture  
 (3) Chartered on a bareboat basis.

***Crew/utility vessels***

We maintain a diverse spread of crew/utility vessels with varying sizes and speeds to support multiple functions for our customers engaged in shallow water oil and gas activities and marine civil construction activities. Our crew/utility vessels range in size from 60 to 200 feet and are capable of working in shallow waters as well as in open seas of more than 200 nautical miles offshore, performing inter-field cargo and passenger transfer. Our crew/utility vessels are high speed boats, traveling at an average speed of 16 to 27 knots. Depending on the type, size, function and age, a crew/utility vessel typically costs approximately US\$4.0 million to US\$5.0 million. For time charters, where we provide a crew, our crew/utility vessels typically have a crew of six to ten seafarers, including a master.

As of 30 June 2015, we had 74 crew/utility vessels, with three crew/utility boats under construction (from Penguin Shipyard International Pte Ltd, a Singapore shipyard). In the financial year ended 30 June 2015, we took delivery of eight crew/utility vessels. We disposed of three aged vessels in the financial year ended 30 June 2015. The average fleet age of our crew/utility vessels was 7.8 years as of 30 June 2015. For the financial year ended 30 June 2015, the crew/utility vessels segment revenue was US\$69.3 million (equity method US\$57.8 million), which accounted for 24.4% (equity method 22.1%) of our total revenue. Gross profit from our crew/utility vessel segment was US\$24.7 million (equity method US\$18.4 million) for the financial year ended 30 June 2015, which accounted for 28.8% (equity method 25.0%) of our gross profit. For the financial year ended 30 June 2015, the utilisation rate of our crew/utility vessels was 87.1%. The average DCR of our crew/utility vessels was US\$3,617 for the financial year ended 30 June 2015.

The following table provides certain information on our 74 crew/utility vessels as of 30 June 2015 (not including third-party vessels):

<b>As of 30 June 2015</b>				
<b>Vessel name</b>	<b>Year built</b>	<b>BHP<sup>(1)</sup></b>	<b>Speed (knots)</b>	<b>Seats</b>
AOS 1 <sup>(2)</sup>	1992	3,840	20	92
AOS 2 <sup>(2)</sup>	2002	3,000	24	50
AOS 8 <sup>(2)</sup>	2004	4,200	24	86
DNV EXPRESS 18	2009	860	24	10
EXPRESS 2	2004	1,140	27	12
EXPRESS 3	2004	1,140	27	12
EXPRESS 4	2005	1,140	27	12
EXPRESS 11	2011	1,400	27	10
EXPRESS 12	2011	1,400	27	12
EXPRESS 19	2008	1,400	24	12
EXPRESS 21	2001	2,775	24	50
EXPRESS 24	1997	2,040	16	50
EXPRESS 25	1997	2,040	16	50
EXPRESS 26	2001	2,800	25	20
EXPRESS 31	1984	2,040	16	65

As of 30 June 2015				
Vessel name	Year built	BHP <sup>(1)</sup>	Speed (knots)	Seats
EXPRESS 32	1985	2,040	16	65
EXPRESS 35	1990	1,530	16	56
EXPRESS 36	1998	2,550	21	94
EXPRESS 52	1991	2,040	16	60
EXPRESS 53	1990	2,720	17	80
EXPRESS 54	1998	4,000	20	71
EXPRESS 55	1993	3,840	20	100
EXPRESS 56	2007	4,050	24	20
EXPRESS 57	2007	4,050	24	20
EXPRESS 58	2007	4,050	25	92
EXPRESS 59	2007	4,050	25	92
EXPRESS 60	2008	4,050	25	92
EXPRESS 61	2008	4,050	25	92
EXPRESS 62	2010	4,050	26	70
EXPRESS 63	2010	4,050	26	50
EXPRESS 64	2011	4,050	25	70
EXPRESS 65	2011	4,050	25	70
EXPRESS 66	2011	4,050	25	70
EXPRESS 67	2011	4,050	25	70
EXPRESS 68	2012	4,050	25	70
EXPRESS 69	2012	4,050	25	70
EXPRESS 70	2012	4,050	25	70
EXPRESS 71	2012	4,050	25	70
EXPRESS 72	2012	4,050	27	78
EXPRESS 73	2012	4,050	27	90
EXPRESS 75	2013	3,300	25	70
EXPRESS 76	2013	3,300	25	70
EXPRESS 77	2013	4,050	27	90
EXPRESS 78	2014	4,050	27	90
EXPRESS 79	2014	4,050	27	90
EXPRESS 80	2014	3,600	25	90
EXPRESS 81	2014	3,600	25	90
EXPRESS 82	2014	4,050	27	90
EXPRESS 83	2014	3,600	27	90
EXPRESS 85	2014	4,050	27	90
EXPRESS 86	2014	4,050	27	90
EXPRESS 87	2011	4,050	25	70
EXPRESS 88	2014	4,500	28	100
EXPRESS 89	2015	4,500	28	100
EXPRESS 90	2015	4,500	28	100
EXPRESS 91	2015	4,500	28	100
SAMSON SUPPLIER	2009	4,500	22	18
SAMSON SUPPORTER	2009	4,500	29	18
UNI EXPRESS 9 <sup>(2)</sup>	2008	4,050	24	92
UNI EXPRESS 10 <sup>(2)</sup>	2008	4,050	24	92

As of 30 June 2015				
Vessel name	Year built	BHP <sup>(1)</sup>	Speed (knots)	Seats
UNI EXPRESS 11 <sup>(2)</sup>	2008	4,050	24	92
UNI EXPRESS 12 <sup>(2)</sup>	2008	4,050	24	92
UNI EXPRESS 13 <sup>(2)</sup>	2008	4,050	24	92
UNI EXPRESS 14 <sup>(2)</sup>	2008	4,050	25	92
UNI EXPRESS 15 <sup>(2)</sup>	2008	4,050	24	92
UNI EXPRESS 16 <sup>(2)</sup>	2008	4,050	24	92
UNI EXPRESS 17 <sup>(2)</sup>	2009	4,050	24	92
UNI EXPRESS 18 <sup>(2)</sup>	2011	4,050	25	70
UNI EXPRESS 19 <sup>(2)</sup>	2008	4,050	26	70
UNI EXPRESS 20 <sup>(2)</sup>	2009	4,050	26	70
UNI EXPRESS 21 <sup>(2)</sup>	2002	3,900	30	120
UNI EXPRESS 22 <sup>(2)</sup>	2013	3,300	25	70
UNI EXPRESS 23 <sup>(2)</sup>	2013	3,300	25	70
UNI EXPRESS 24 <sup>(2)</sup>	2013	3,300	25	70
UNI EXPRESS 25 <sup>(2)</sup>	2015	4,500	28	100

**Notes:**

(1) BHP stands for brake horsepower.

(2) Vessels owned through Uniwise Joint Venture

*Tugs and barges*

We own a fleet of versatile multicat tugs, which are multiple purpose shallow tugs used in a variety of support roles in near shore civil construction projects, marine civil construction, dredging operations and oil spill recovery. Our tugs range in length from 82 to 85 feet. All of our barges are flat-top deck cargo barges and range in length from 180 to 400 feet. Depending on the type, size, function and age, a tug typically costs between US\$5 million and US\$10 million and a barge typically costs between US\$3 million and US\$7 million. For time charters, where we provide a crew, our tugs typically have a crew of six to eight seafarers, including a master. Our barges are unmanned and towed by tugs.

As of 30 June 2015, our fleet of 32 tugs and barges consisted of five multicat tugs, one towing tug and 27 barges. During the financial year ended 30 June 2015, we took delivery of four barges and disposed of one aged tug and one aged barge. The average fleet age of our tugs and barges were 9.3 years and 7.0 years, respectively, as of 30 June 2015.

For the financial year ended 30 June 2015, the tugs and barges segment revenue was US\$21.4 million (equity method US\$21.4 million), which accounted for 7.5% (equity method 8.2%) of our total revenue. Gross profit from our tugs and barges segment was US\$9 million (equity method US\$9 million) for the financial year ended 30 June 2015, which accounted for 10.5% (equity method 12.3%) of our gross profit. For the financial year ended 30 June 2015, the utilisation rate of our tugs and barges was 55.0%. The average DCRs of our tugs and barges were US\$9,058 and US\$2,381, respectively, for the financial year ended 30 June 2015.



The following table provides certain information on our fleet of five tugs as of 30 June 2015 (not including third-party vessels):

As of 30 June 2015				
Vessel name	Type	Year built	BHP <sup>(2)</sup>	Bollard <sup>(3)</sup>
SAMSON 101	Multicat <sup>(1)</sup>	2005	1,442	10
SAMSON MARINER	Multicat <sup>(1)</sup>	1993	1,360	16
SAMSON VI	Multicat <sup>(1)</sup>	2008	2,448	30
SAMSON VII	Multicat <sup>(1)</sup>	2009	2,487	32
TARKA	Multicat <sup>(1)</sup>	2004	2,244	30

**Notes:**

- (1) Multicat tugs are multiple purpose shallow tugs used in a variety of support roles in near shore civil construction projects, marine civil construction, dredging operations and oil spill recovery.
- (2) BHP stands for brake horsepower.
- (3) Bollard pull is the measure which indicates the amount of force (full) that a tug can exert on a static objects.

The following table provides certain information on our fleet of 27 barges as of 30 June 2015 (not including third-party vessels):

As of 30 June 2015				
Vessel name	Year built	DWT <sup>(1)</sup>	Deck Strength (tons) <sup>(2)</sup>	Dimensions (LxWxH in meters)
M3319	2008	11,380	20	97.0 x 30.0 x 6.0
M3320	2008	11,475	20	100.0 x 30.0 x 60.0
MICLYN 181	2005	2,330	10	54.0 x 18.0 x 3.6
MICLYN 230	2005	3,500	10	70.0 x 19.5 x 4.2
MICLYN 2510	2008	5,500	15	76.0 x 24.0 x 4.8
MICLYN 253	2006	5,500	15	76.0 x 24.0 x 4.8
MICLYN 257	2006	5,500	15	76.0 x 24.0 x 4.8
MICLYN 258	2007	5,500	15	76.0 x 24.0 x 4.8
MICLYN 259	2007	5,500	15	76.0 x 24.0 x 4.8
MICLYN 283	2005	8,000	15	84.0 x 27.0 x 5.4
MICLYN 285	2005	8,000	15	84.0 x 27.0 x 5.4
MICLYN 286	2005	8,000	15	82.0 x 27.0 x 5.4
MICLYN 287	2006	8,000	15	84.0 x 27.0 x 5.4
MICLYN 288	2006	8,000	15	84.0 x 27.0 x 5.4
MICLYN 301	2006	9,100	15	91.0 x 27.0 x 6.0
MICLYN 303	2006	9,100	15	91.0 x 27.0 x 6.0
MICLYN 305	2007	9,100	15	91.0 x 27.0 x 6.0
MICLYN 3316	2006	11,475	15	100.0 x 30.0 x 6.0
MICLYN 3317	2007	11,475	15	100.0 x 30.0 x 6.0
MICLYN 3318	2006	11,475	15	100.0 x 30.0 x 6.0
M3301	2013	18,500	25	100.0 x 36.6 x 6.0
EOS 4001	2013	18,500	25	117.12 x 36.6 x 7.63
EOS 4002	2013	18,500	25	117.12 x 36.6 x 7.63
EOS 281	2014	7800	20	280.0 x 90.0 x 18.0
EOS 282	2014	7800	20	280.0 x 90.0 x 18.0
EOS 283	2014	7800	20	280.0 x 90.0 x 18.0
EOS 285	2014	7800	20	280.0 x 90.0 x 18.0

**Notes:**

- (1) DWT stands for deadweight tonnage, which is a measure of how much a barge can safely carry.
- (2) Deck strength represents the amount of weight a barge can carry on its deck.

**Charters**

Our OSVs, crew/utility vessels and tugs are generally chartered on a time charter basis. Our barges are generally chartered on a bareboat basis.

*Time charters*

Time charters are charters where a vessel is chartered for an agreed period of time with full crew and maintenance support provided by the shipowner. In such an arrangement, while the time charterer is typically only liable for fuel costs and other items such as lubricants, water, port charges, custom duties and permit/import duties, the shipowner remains responsible for the operation and maintenance of its own vessel and bears all costs relating to operating the vessels, including crew-related expenses, insurance and repair and maintenance costs. The shipowner is typically subject to various potential risks that may add to overall vessel management costs, such as loss of revenue if the vessel does not meet performance standards or is out of service for maintenance or repairs.

Our time charters are for initial periods ranging from a few months to ten years at a fixed DCR, typically denominated in U.S. dollars. Most commonly, though not always, the DCR is billed monthly in arrears with payment due within 15-60 days. The charterer usually has an option to extend the charter for a period set forth in the charter contract, which can range from a few days up to a few years, or they can negotiate with us to renew the charter for longer periods. The DCR can be fixed for the initial and option term or can include escalation, which is typically intended to cover inflation. In some instances, our time charters also include pass-through provisions for lubricant costs, vessel mobilisation and demobilisation costs, which are costs incurred to deliver a vessel to and from the customer's desired work area, and crew related expenses, which include meal and lodging expenses. Our time charters are typically based either on standard contracts provided by each oil majors, or are based on the BIMCO supply time forms of charter contracts. Majority of our time charters under the oil majors' standard contracts can typically be terminated by our customers at any time on 30 days' notice without any penalties, while time charter hires under BIMCO supply time are payable for the remaining charter term should the customer seek to terminate the charter contract before the expiration date. Depending on the profile of our customer, we may require cash deposits, advance payments and bank guarantees under our charters. Our charters also include performance standards and uptime requirements.

As of 30 June 2015, 2014 and 2013, the average charter term for our OSVs charters was 2.9 years, 2.5 years and 2.6 years, respectively. As of 30 June 2015, 2014 and 2013, the average charter term for our crew/utility vessels was 3.5 years, 3.7 years and 3.8 years. Crew/utility vessels are conducive to long term charter contracts, given their suitability for supporting the long dated production phase of the offshore oil and gas cycle. Our tugs are typically chartered on short term charter contracts generally varying from 30 days to six months.

*Bareboat charters*

Bareboat charters are charters whereby a vessel is chartered to the charterer for a pre-agreed period of time at a daily rate without crew or maintenance support. The charterer is responsible for all expenses relating to the operating and maintaining of the vessel, including repair and maintenance costs. Insurance is typically borne by us although the insurance premium will be passed through to the charterer by increased

charter rates. Under our bareboat charters, which are typically based on Bargehire 94/08 form charter contracts for barges and Barecon 89 or Barecon 2001 form charter contracts for non-barge vessels, barges are also contracted under the Barecon 2001 form charter contracts in certain cases. While the charter hire remains payable irrespective of the vessels undergoing repair, maintenance, off-hire, drydocking and generally, irrespective of any claims or rights the relevant lessee may have against the relevant shipowner, in certain instances, when we agree to maintain the class certification during the charter period, off-hire and drydocking expenses as well as renewal expenses will be borne by us.

All of our barges were chartered on a bareboat basis under short term charter contracts. Bareboat charters for our barges are at a fixed DCR, typically denominated in U.S. dollars. Most commonly, though not always, the DCR is billed monthly in arrears with payment due within 15 to 60 days. The charterer usually has an option to extend the charter for a period set forth in the charter contract, which can range from a few days up to a few months, or they can negotiate with us to renew the charter for longer periods. The DCR is typically fixed for the initial and option term. Our bareboat charters are typically “take or pay” charters, where the charter contract remains payable irrespective of the vessels undergoing repair, maintenance, off-hire, drydocking and generally, irrespective of any claims or rights the charterer may have against us.

### **Other businesses**

In addition to the three core vessel chartering segments, we also have three other businesses segments: EOS, third-party vessels and coastal survey vessels.

#### *Express Offshore Solutions*

EOS was established in July 2011 and is 100% owned by us. Within a relatively short time period, we have executed multiple transportation projects and have provided multiple project marine equipment solutions. EOS is synergistic with the core vessel segments, as EOS charters our vessels, including our tugs and barges, which improves the utilisation rate of our fleet. EOS has an experienced management team in place, consisting of members with a deep understanding of the business as well as industry expertise. In addition, members of EOS’s management team have pre-existing customer relationships as a result of their many years of service and experience in the offshore transportation logistics industry.

For the financial year ended 30 June 2015, the EOS segment revenue was US\$72.2 million (equity method US\$72.2 million), which accounted for 25.4% (equity method 27.6%) of our total revenue.

#### *Third-party vessels*

When customers require vessels and building or acquiring the vessel does not fit with our strategic plans or meet our internal financial thresholds, we charter in vessels from third-party vessel owners, which we charter out to our customers, typically on a back-to-back basis. Additionally, we provide customisation services for third-party vessels on a project basis. Third-party vessel chartering services are mainly provided for transportation and civil construction projects. Third-party vessels are typically chartered in either on a bareboat or time charter basis, depending on the charter type requested by the customer. These third-party charters and customisation services allow us to earn a margin without any capital expenditure.

For the financial year ended 30 June 2015, revenue from our third-party vessels management was US\$7.4 million (equity method US\$7.4 million), which accounted for 2.6% (equity method 2.8%) of our total revenue.

#### *Coastal survey vessels*

CSVs provide support to nearshore civil constructions. We acquired these vessels as part of our acquisition of MEOA and plan to divest these vessels over time. Of the three vessels, one vessel is used predominantly to support our internal on-going projects. Our CSVs range in length from 49 feet to 72 feet and travel at an average speed of 20 knots. Our CSVs are non-core legacy assets from the acquisition of MEOA, our Australian subsidiary.

The following table provides certain information on our fleet of three CSVs as of 30 June 2015.

<b>As of 30 June 2015</b>		
<b>Vessel name</b>	<b>Year Built</b>	<b>Speed (knots)</b>
ALERT	2000	12
LADY CHRISTINE	2000	24
TOP CAT	1996	32

The CSVs operate under time charters, predominantly on project specific contracts. The terms of the contracts are based on BIMCO supply time form contracts. The initial charter term is aligned with the initial minimum project period, with extensions available to allow for project delays.

For the financial year ended 30 June 2015, revenue from our CSVs segment was US\$1.3 million (equity method US\$1.3 million), which accounted for 0.4% (equity method 0.5%) of our total revenue. The average DCR for our CSVs was US\$2,924 for the financial year ended 30 June 2015.

#### **Vessel acquisition and disposal**

For the financial years ended 30 June 2015, 2014 and 2013, we took delivery of 22 vessels (10 OSVs, eight crew/utility vessels, and four barges), 18 vessels (seven OSVs, eight crew/utility vessels, and three barges) and 10 vessels (four OSVs, five crew/utility vessels, one tug and one CSV), respectively.

We generally sell our vessels before they have reached their useful life of 25 years. We typically sell our vessels to third parties that are not competitors and conduct business outside our geographical areas. We may sell younger vessels, such as CSVs, that still have a number of years of useful life if they no longer fit within our fleet strategy. For the financial years ended 30 June 2015, we sold one OSV, three crew/utility vessels, two tugs and one barge.

#### **Our customers**

The majority of our customers consist of international oil and gas companies, national oil and gas companies, large independent oil and gas companies and companies that service the industry such as engineering, procurement and construction and seismic contractors. Our longstanding relationships with some of our key customers have resulted in a high

level of repeat business. We have worked for IOCs and NOCs such as Chevron, Saudi Aramco and the PTT Group, or members of their groups, for approximately 15 to 30 years. For the financial years ended 30 June 2015, 2014 and 2013, our largest customer accounted for 20.8%, 18.5% and 16.6% of our revenues.

#### *Tenor of customer charters*

Our contracts with customers are generally long term contracts with renewal options, which provide us with a stable and predictable source of future revenue stream. The average length of our customer contracts is 2.9 years for OSVs and 3.5 years for crewboats. We currently have 120 customer contracts for our fleet, of which approximately 69% have a tenor of one year or longer some of which have extension options.

We work closely with our customers to ensure compliance with the terms of our charter arrangements and are proactive in terms of identifying customer needs before they arise with a view to enhancing our long term relationships and continued chartering of our vessels. Our senior management team enjoys a strong working relationship with each of our key customers.

#### *Contracted revenues*

As of 30 September 2015, we had total contracted revenues of approximately US\$490 million assuming the performance of mutual obligations under the relevant contracts, including the completion of charter terms and the exercise of option periods which account for approximately US\$184 million. As of the same period, we had contracted charter revenues of approximately US\$459 million, including exercise of option periods which account for approximately US\$167 million.

#### *Top customers*

The following table presents information on our top ten customers by revenue for the financial year ended 30 June 2015. Please note that references to these corporations include references to members of their respective groups.

<b>For the financial year ended 30 June 2015</b>		
<b>Customer</b>	<b>Business description of customer</b>	<b>% of revenue</b>
Chevron	One of the largest international integrated energy companies in the world with operations across the energy value chain including exploration and production, refining, distribution, petrochemicals and power generation.  Largest oil producer in the Southeast Asia region  Chevron in Thailand is our largest customer.	20.8%
Heerema	A world leading marine contractor in the international offshore oil and gas industry, excelling at transporting, installing and removing offshore facilities.	9.7%
Saudi Aramco	National oil company of Saudi Arabia with operations across exploration and production, refining, shipping and marketing of crude oil and natural gas.  World's largest oil and gas producer.	8.9%

For the financial year ended 30 June 2015		
Customer	Business description of customer	% of revenue
Mermaid Marine Australia Ltd.	<p>One of the largest marine service providers in the Asia Pacific region.</p> <p>Owns and operates a fleet of over 60 modern offshore vessels, two Australian oil and gas supply bases and two international onshore facilities in Southeast Asia.</p>	6.9%
Brunei Shell Petroleum	One of the biggest energy companies in Asia with exploration and production of crude oil and natural gas from onshore and offshore fields as its primary activities.	6.7%
Seascope Surveys Pte. Ltd.	Subsea service provider, supplying air and saturation diving, ROV (remotely operated vehicle) inspection and construction, in conjunction with hydrographic survey and positioning to the offshore oil and gas industry.	5.2%
Petronas	<p>National oil company of Malaysia with operations spanning exploration and production, oil refining, marketing and distribution of petroleum products with operations in over 35 countries.</p> <p>Largest oil and gas producer in the Southeast Asia region.</p>	4.1%
Vallianz	Provider of offshore support vessels and integrated offshore marine solutions to the oil and gas industry, serving oil majors and national oil companies worldwide.	3.4%
Saipem	An Italian oil and gas industry contractor which is a subsidiary of Italian energy company Eni. They carry out oil & gas-related activities in remote areas and deep-waters, and excel in providing engineering, procurement, project management and construction services.	3.3%
HBK Contracting Company W.L.L.	A leading construction firm operating in the state of Qatar. Executed many civil construction projects in the state of Qatar for various private and public clients, including commercial and residential buildings, high rise towers, infrastructure works, bridge works, water and sewerage networks, treatment plants, hospital and university complexes, drilling and blasting works.	2.4%



Key customers, such as Chevron, Saudi Aramco, Petronas and Brunei Shell Petroleum, among others, subject us and our vessels to vetting inspections prior to allowing us to tender for contracts. The vetting process may include assessment and review of the quality of our safety and training manuals, our safety procedures, our training programmes and compliance with management policies and procedures generally. Our customers also conduct vetting inspections on us and our vessels on an ongoing basis, including unannounced inspections. In relation to the assessment of our vessels, our key customers typically apply the offshore vessel inspection database standard, which is developed by Oil Companies' International Marine Forum and mainly adopted by most oil majors for vessel suitability acceptance checks.

We believe that, in the event that any of our customers were to cancel its existing contracts with us, we would be able to re-deploy our vessels with other customers within a reasonable period of time. As a result, we do not believe that our business or profitability is materially dependent on any relationship with any individual customer. We believe that our customers choose our services over those of our competitors due to a combination of our industry-wide reputation for safety and reliability, our relatively young and diversified fleet, and our experience in the sectors in which they operate, particularly shallow water operations.

### **Customer Contracts**

As of 30 September 2015, we had total contracted revenues of approximately US\$490 million assuming the performance of mutual obligations under the relevant contracts, including the completion of charter terms and the exercise of option periods which account for approximately US\$184 million.

### **Sales, marketing and operations**

Our marketing activities are coordinated through our head office in Singapore and supported by each of our local support operations in Indonesia (Batam, Jakarta), the United Arab Emirates (Hamriyah Free Zone in Sharjah, Fujairah), Saudi Arabia (Ras Tanura), Qatar (Doha), Thailand (Songkhla, Sattahip), Brunei (Kuala Belait), Malaysia (Miri, Kemaman) and Australia (Fremantle, Point Samson).

Our main marketing strategy in securing business from customers includes supporting customers in the regions in which they operate and ensuring reliability of services as a point of differentiation. Our customers generally value the reliability of vessels and crew, the level of specification of the vessels and HSQE practices over price when selecting a vessel provider, as the breakdown of vessels or accidents caused by crew could cause disruptions to their operations and result in significant losses. We believe that the reliability of our vessels, the experience of our crew and our support services help us to meet customers' expectations and secure repeat business. As part of our marketing strategy, we maintain customer service representatives who focus on one or more major client accounts in order to address the needs of these clients. Through contact with our customers, we seek to anticipate the needs of our customers and deploy our fleet accordingly. Other initiatives to support customers include sourcing vessels with specifications tailored to meet the requirements of our customers and engaging with customers on an ongoing basis in order to understand their requirements. We are also seeking to have a greater marketing presence in non-core geographical markets such as Mexico, Congo and India.

We leverage off our long-standing reputation for quality, reliability and safety to win not only repeat business from our existing customers but also leverage these relationships into new vessel contract opportunities. In addition to our in-house marketing capability, our business also receives referrals from ship brokers who are important players in the

industry. Ship brokers are typically paid a commission of one to two per cent. of the value of the charter hire. When prospective customers are identified, our marketing team plays a key role in approaching those customers, identifying their needs and proposing solutions. Our marketing team is also responsible for the customer due diligence procedures we employ in respect of each new customer. This typically involves researching publicly available information about the potential customer and obtaining references from ship brokers or peers in the industry.

Our contracts with existing customers, such as renewals and new contracts, are obtained upon customer request and are typically negotiated based on pre-existing contracts. However, our contracts with new customers are generally obtained through a competitive tender process. Our marketing team is also involved in the bidding and negotiation of charter contracts with new and existing customers, prior to their ultimate review, sign-off and execution by management.

Once a charter commences, our operations team takes over and services all aspects of our operations, including onboard operations, crewing, maintenance, supply chain management and HSQE.

## **Employees**

As of 30 June 2015, we had 1,392 full time employees. Approximately 76.8% of our employees are seafarers, with the remaining staff involved in management, onshore support activities or shipbuilding.

As of 30 June 2015, 1,069 of our crew were employed on a contract basis. Employment on a contract basis gives us the flexibility to meet the needs of the market at any particular time. The type of contracts offered to our seafarers depends on the location and type of vessel on which they will serve. Our seafarers are retained on contracts of between three to five months, as well as long term contracts of three years, during which they typically work a schedule of three months on board and two months on leave.

Given the relatively short term nature of our seafarers' engagement, we face the risk of turnover of seafarers as a number of them can be expected to come "off contract" at various points in the year. We attempt to mitigate this risk by providing them with competitive salary and benefit levels and a work environment with a high level of safety, cleanliness and comfort. To the extent possible, we attempt to hire the same individuals that have worked for us on previous contracts. We provide in-house training for our seafarers, through regular training sessions, development programmes and retention plans. Contract employees who have spent a certain amount of time with us and have proven abilities in their jobs may be offered permanent positions. Our retention plans allow us to attract and retain qualified and skilled employees necessary to operate our business.

Some of our seafarers based in Australia are members of the Maritime Unions. Some Deck Ratings are members of the Maritime Union of Australia and Masters & Officers of the Australian Maritime Officers Union and Engineers of the Australia Institute of Marine & Power Engineers. Some of our seafarers are covered by enterprise agreements which are negotiated between employers and all three unions. Such enterprise agreements apply to our operations in Australia including inshore, dredging and offshore oil & gas project work. Terms of the agreements may vary depending on what employers and the unions agree upon, but in the past, typical agreement terms have been around three years in duration. Enterprise agreements provide the entire employment terms and conditions for the seafarers each agreement covers, including wages to be paid according to pre-determined schedules, annual wage increases and allowances. Some enterprise agreements also provide for minimum levels of compensation in the event of accident or

injury at work, such as income protection up to a certain limit provided for by the insurance fund utilised by the company due to loss of employment through injury or accident. This is usually up to a maximum of around ten weeks' pay in the first year of service and 12 weeks in each subsequent year of service.

We have not been subject to any strikes or other material labour disturbances that have interfered with our operations, and we believe that our relations with these unions and with our non-unionised employees are good. We believe we offer attractive remuneration for our employees to make their respective roles more attractive. We also pay a re-joining bonus to seafarers who return to us following the end of their two years' service with us.

## **Competition**

We operate in a highly fragmented industry and face competition from large global players as well as small to mid-sized regional players. Competition in the OSVs, crew/utility vessels and tug and barge segments of the offshore services and marine transportation industry primarily involves factors such as:

- quality, age and capability of the vessels;
- ability to meet the customer's needs;
- vessel operations and management expertise;
- quality of crews;
- safety record;
- reputation;
- price; and
- experience.

We are one of the largest regional vessel services providers in terms of fleet size in Southeast Asia and the Middle East, with the largest number of crew/utility vessels.

## **Repair and maintenance of vessels**

Our vessels are maintained to a high operational standard that meets the requirements of the relevant regulatory authorities and classification society under which each vessel operates. Our vessels are maintained in conformity with the provisions of classification society rules, flag state regulations and specific requirements of customers. Relevant maritime industry guidelines are also taken into account. Preventive maintenance is practiced to promote and maintain the reliability of our vessels' equipment and machinery.

Insurance underwriters generally make it a condition for insurance coverage that a vessel be maintained by a classification society. All of our vessels are classified by the BV with the exception of two vessels in Australia under GL, one vessel under DNV and three vessels under ABS.

A classification society certifying that a vessel is "in class" signifies that the vessel is safe and seaworthy in accordance with the rules of the classification society and complies with applicable rules and regulations of the vessel's country of registry and the international conventions of which that country is a party. The certificates that are essential for trading include but are not limited to international safety management, safety construction, safety

equipment and safety radio certificates. A vessel must undergo scheduled surveys such as annual surveys, intermediate surveys, drydocking surveys and special surveys and is sometimes subject to other surveys and inspections that are required pursuant to the regulations and requirements of the vessel's country of registry.

**Intermediate Surveys:** Extended annual surveys are referred to as intermediate surveys and are typically conducted in conjunction with the second or third annual survey after each special survey.

**Special Surveys:** Special Surveys, also known as Class Renewal Surveys, are carried out for the vessel's hull, machinery, safety and communication equipment and for any special equipment classed, at five-yearly intervals from the issuance of the Class Certificates. At the Special Survey, the vessel is thoroughly examined, including ultrasonic measurements to determine the thickness of the steel structures for sea worthiness. In lieu of a special survey, a vessel's machinery may be on a continuous survey cycle, under which the machinery would be surveyed periodically over a five-year period.

- Intermediate Surveys and Special Surveys require the relevant vessel to be dry-docked for a period of 7 to 21 days, subject to the complexity of the work.
- In addition, all our OSVs over 400 gross tonnage are subject to international safety management standards under the ISM Code and are certified by the BV accordingly.

### **Vessel flag state**

The flag state of a vessel, as defined by the United Nations Convention on the Law of the Sea, has overall responsibility for the implementation and enforcement of international maritime regulations for all ships granted the right to fly its flag. Our vessels are flagged in Australia, Indonesia, Malaysia, Panama, Singapore, Thailand and the United Arab Emirates.

Each flag state applies its own regulatory requirements (based on the guidelines developed by the IMO) and specific classification requirements for vessels. These include minimum safety construction and equipment standards and are subject to periodic survey and inspection requirements, pursuant to adoption and implementation of international conventions. Although the conventions only apply to vessels over a specified tonnage, individual flag states may also apply additional requirements over and above the specified conventions. Individual flag states in which a vessel operates may also apply laws as to local licensing (including rights of detention), sabotage, pollution and environmental requirements and other matters.

### **Health, safety, quality and environment**

We have a strong track record of best practice and operational excellence and understand that HSQE considerations are key concerns for customers. Our Safety Management System complies with the international standard for the safety management and operation of ships and for pollution prevention, and is certified by BV.

We also pride ourselves on our Operational Excellence Management System, which was developed as a result of our offshore experience and working relationships with Chevron, Saudi Aramco and other reputable oil majors. Staff training programmes ensure that crew and land-based staff perform their duties safely and in line with best practice guidelines. We also conduct regular shipboard visits and inspections.

In addition to our own HSQE policy, our customers also require us to meet their HSQE standards and subject us and our vessels to a comprehensive assessment prior to

chartering our vessels as well as on a spot check basis. The assessment includes a review of the quality of our safety and training manuals, our safety procedures, our training programmes, our methods of monitoring vessels and our compliance with management policies and procedures generally.

### **Training and development**

We are focused on continuous training and development to enhance the skills and knowledge of crew and staff.

In order to ensure that these high internal as well as external standards are maintained, we have a number of training programmes in place which focuses on the awareness of HSQE factors, specific risk situations (or behaviour-based safety and management of high risk interfaces), inexperience and similar issues. Further, these programmes are subject to regular customer and management reviews and audits.

We recognise that motivated and trained employees are essential to our safety, efficiency and effectiveness and in maintaining our competitive position. Our training policy is designed to ensure that all employees are equipped with the appropriate skills to perform their job requirements in a safe manner.

All new crew members are required to undergo an internal familiarisation programme when they join the vessel. This programme is conducted by one of the senior officers on board the vessel and includes a briefing on the guidelines set out by the ISM Code including internal policies and SMS that we have adopted. Training on rescue operations, safety procedures and ship security policies are also included in this programme.

### **Operating hazards and insurance**

The operation of our vessels is subject to various risks, such as catastrophic marine disaster, adverse weather conditions, mechanical failure, collision and navigation errors, all of which represent a threat to personnel safety and to our vessels and cargo. We maintain insurance coverage that we consider customary in the industry against certain of these risks, including, US\$1 billion in pollution insurance for our fleet as a member of The Shipowners' Mutual Protection and Indemnity Association (Luxembourg). We believe that our current level of insurance is adequate for our business and consistent with industry practice, and we have not experienced a loss in excess of our policy limits. We may not be able to obtain insurance coverage in the future to cover all risks inherent in our business, or insurance, if available, may be at rates that we do not consider to be commercially reasonable. The terms of our entry into a mutual protection and indemnity association covering our marine risks allows additional premiums to be called for from time to time, and paid by association members in respect of unanticipated reserve requirements of the association.

### **Properties**

Our corporate head office is located in Singapore. Our office lease covers 1,357 square meters and we have an initial term of three years, which commenced on 1 July 2014. We lease properties in Australia (Fremantle), Brunei (Kuala Belait), Indonesia (Jakarta), Malaysia (Miri, Kuala Lumpur), Qatar (Doha), Saudi Arabia (Ras Tanura) and Thailand (Bangkok) for our regional offices and training centres. We also hold leases on warehouses in Thailand (Songkhla, Sattahip), Indonesia (Batam), Saudi Arabia (Ras Tanura), United Arab Emirates (Hamriyah Free Zone, Fujairah), Brunei and Australia (Point Samson) to maintain spare parts inventory.

## Seasonality of business

Demand for offshore support vessels is generally directly affected by the levels of offshore drilling activity, which in turn is directly affected by the volatility in oil prices. Oil prices are vulnerable to seasonality, as unusually cold or warm winters affect demand for fuel globally. Although we are dependent on the oil and gas industry, we are specifically focused on the relatively stable production and development phases.

Budgets of many of our customers are based upon a calendar year, and demand for our services has historically been stronger in the third and fourth calendar quarters when allocated budgets are expended by our customers and weather conditions are more favourable for offshore activities. Many other factors, such as the expiration of drilling charters and the supply of and demand for oil and natural gas, may affect this general trend in any particular year.

Barge services are significantly affected by the strength of the global economy, changes in weather patterns and population growth that affect the consumption of and the demand for refined petroleum products and crude oil. The tug and barge market, in general, is marked by steady demand over time, although such demand is seasonal and often dependent on weather conditions. Unseasonably mild winters result in significantly lower demand for heating oil, which is a significant demand driver for our barge services. Conversely, the summer driving season can increase demand for automobile fuel and, accordingly, the demand for our services.

## Legal proceedings

We are not currently a party to any material legal proceedings, although we may from time to time initiate or otherwise be a party to various legal proceedings and claims that arise in the ordinary course of business.

## 6. AREAS OF OPERATION

We have global and geographically diversified operations throughout Southeast Asia, the Middle East and Australia, with regional offices, support centres as well as training centres strategically located in our key areas of operation to support our customers in the regions.

The following table provides information on the number of vessels and facilities by country and region as of 30 June 2015 as well as revenue by country and region as of and for the financial year ended 30 June 2015.

	Number of vessels				Revenue <sup>(3)</sup>	
	OSVs	Crew/ utility	Tugs and Barges	Total	US\$ (in millions)	%
Country/region						
Southeast Asia	30	46	18	94	128.5	45
Thailand	17	26	—	43	61.2	22
Malaysia	4	8	—	12	27.0	10
Indonesia	4	4	—	8	17.1	6
Other Asia <sup>(1)</sup>	5	8	18	31	23.2	8
Middle East	9	28	9	46	55.6	20
Qatar	4	—	—	4	7.4	3
Saudi Arabia	—	20	2	22	17.3	6



	Number of vessels				Revenue <sup>(3)</sup>	
	OSVs	Crew/ utility	Tugs and Barges	Total	US\$ (in millions)	%
United Arab Emirates	3	8	7	18	26.4	9
Other Middle East & Africa	2	—	—	2	4.5	2
Australia <sup>(2)</sup>	2	—	8	10	52.0	18
Other inter-regional	—	—	—	—	47.7	17
Total <sup>(3)</sup>	41	74	35	150	283.8	100

**Notes:**

- (1) Other Asia includes Singapore and Brunei. The regional office in Other Asia refers to our head office in Singapore.
- (2) Includes three coastal survey vessels in Australia.
- (3) For the financial year ended 30 June 2015.

## **Southeast Asia**

Our main area of operation is Southeast Asia, with our head office, multiple regional offices, training and support centres located within the region. We are a leading provider of crew/utility vessels in Southeast Asia. We have a strong presence in Brunei, Thailand, Malaysia and Indonesia, with local partners and joint ventures and locally flagged vessels.

We established a joint venture with Unithai in 1999, where we each own 50% of the joint venture company, UWO, which is incorporated in Thailand. Since the establishment of the joint venture, we have steadily grown our exposure in Thailand, and as of 30 June 2015, we had 28 vessels owned by the joint venture. As is common in the industry, some of our vessels in certain Southeast Asian jurisdictions are held through trusts or other contractual arrangement in order to address regulatory considerations.

For the financial year ended 30 June 2015, revenue from our operations in Southeast Asia was US\$128.5 million (equity method US\$106.4 million), which accounted for 45.3% (equity method 40.6%) of our total revenue.

## **The Middle East**

The Middle East has traditionally been an important region for oil and gas production, with large offshore production operations developed in Qatar, Saudi Arabia and the United Arab Emirates (Dubai and Abu Dhabi). We have strong positions in most of these countries, with a long history of customer relationships. The majority of these offshore facilities are in shallow water, with customers being principally production and development players. We are a leading provider of crew/utility vessels in the Middle East.

As of 30 June 2015, we had 30.7% of our operating vessels chartered in the Middle East and Africa. For the financial year ended 30 June 2015, revenue from our operations in the Middle East was US\$55.6 million (equity method US\$55.6 million), which accounted for 19.6% (equity method 21.2%) of our total revenue.

We have in the past operated and chartered our vessels for projects in Iran, which we ceased in 31 December 2012. As a result of our withdrawal from Iran, a one-time provision of US\$4.5 million was made for uncollected receivables for the financial year ended 30 June 2013. See “Risk factors — Our historical operations in Iran could potentially result in sanctions on us”.

## **Australia**

We expanded our presence in Australia through the acquisition of MEOA in 2012. The MEOA acquisition facilitated our operations in the Australian market given the stringent Australian regulations, including crewing, union and environmental requirements. Our global fleet of vessels deployed in Australia are all Australian crewed, as required by local regulations, and our coastal survey vessels acquired through MEOA are deployed primarily in Australia. Our regional office and support centre in Australia provide local support to our customers as well as our vessels. We have supported LNG projects such as Gorgon, Wheatstone and Ichthys. Given the high cost nature of the Australian market, we move our vessels in and out of the Australian market depending on the contracts we have.

For the financial year ended 30 June 2015, revenue from our operations in Australia was US\$52.0 million (equity method US\$52.0 million), which accounted for 18.3% (equity method 19.9%) of our total revenue.

## **Others**

Our vessels occasionally operate in Singapore, Vietnam, Myanmar and India.

## **Regional infrastructure**

### *Regional offices*

In addition to our headquarters in Singapore, we have nine regional offices, with five regional offices in Southeast Asia (one in Brunei (Kuala Belait), one in Thailand (Bangkok), one in Indonesia (Jakarta) and two in Malaysia (Miri, Kuala Lumpur)), one in Australia (Fremantle) and three in the Middle East (one in United Arab Emirates (Hamriyah Free Zone), one in Saudi Arabia (Ras Tanura) and one in Qatar (Doha)). Our regional offices serve as the administrative centre for our local operations. The regional offices manage the day-to-day business of the local operations and customer relationships and also facilitate communications between our Singapore headquarters and our customers operating locally. We provide professional and specialised training to our employees in our training centres located in Songkhla, Thailand and Jakarta, Indonesia. All of our crew receive comprehensive training prior to boarding a vessel, which includes classroom instruction, practical training and operation simulation, among others. Our crew also receive continuing training facilitated by our HSQE and technical supervisors and masters, as well as leadership talks from senior management. Our technicians receive a wide range of professional training in-house as well as specialised training by our customers’ engineers. Our primary training focus is on achieving safety and reliability for our employees and our customers, and as a result of our extensive and effective training programme, we have progressively developed a strong safety culture among our employees.

### *Support centres*

Our six support centres, strategically located in Thailand (Songkhla, Sattahip), Malaysia (Miri), Indonesia (Batam) and the United Arab Emirates (Hamriyah Free Zone and Fujairah), enable us to provide enhanced support for our vessels and customers. Our support centres are equipped with technicians and spare parts, and are able to efficiently address mechanical problems within a short time period due to the close proximity of the local operating sites.

## **7. Awards**

As of 30 June 2015, the following awards and accolades have been awarded to the MEOL Group:

- Brunei Shell Petroleum 2014 Q4 Best Performing Vessel Award (MV CERMAT).
- Chevron:
  - Multiple awards for incident and injury free operations.
  - Multiple awards for outstanding Stop Work Authority.
  - Multiple awards for Best Behaviour Based Safety.
  - Multiple awards for Best Hazard Observation.
  - 2011-2014 Outstanding Safety Performance Recognition Award (for captain and crew of ALERT of the Wheatstone project).
  - 2011-2014 Outstanding Safety Performance Recognition Award (for captain and crew of SAMSON 7 of the Wheatstone project).
- PTTEP Thailand 2014 SSHE Role Model Vessel (UNIEXPRESS 19).
- SPRC 2014 Supplier Performance Evaluation "A" Rating (Uniwise Towage Limited).

## **8. Recent Developments**

On 30 October 2015, MEOL announced that it had commenced a tender offer inviting holders of the SGD Bonds to offer to sell for cash to MEOL, any and all of the outstanding SGD Bonds held by such holders by submission of a tender application form. MEOL also announced that it intended to convene two separate meetings of the holders of the SGD Bonds to seek their approval (by way of an extraordinary resolution at each meeting) to, among other things, (i) amend the negative pledge and financial covenants in the terms and conditions of the SGD Bonds and (ii) amend the call option in the terms and conditions of the SGD Bonds to enable MEOL to redeem all or some of the SGD Bonds then outstanding on the date specified at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to, the redemption date.

MEOL announced that, as at 5.00 p.m. (Singapore time) on 9 November 2015, S\$196,000,000 in aggregate principal amount of the SGD Bonds had been validly offered for sale (and not validly withdrawn). Based on the voting instructions received to that date, it is expected that the quorums required for the aforementioned meetings of the holders of the SGD Bonds will be met and that the extraordinary resolutions proposed at such meetings will be passed.

## OUR MANAGEMENT

### Directors of the Issuer

The members of the Board of Directors of the Issuer are appointed by MEOL. Set forth below are the names, ages and positions of the members of the Board of Directors of the Issuer:

Name	Age	Position
Venkatraman Sheshashayee	53	Executive Director & Chief Executive Officer
Derek Koh	49	Executive Director & Chief Financial Officer

### Directors of MEOL

The members of the Board of Directors of MEOL are appointed by the shareholders. Set forth below are the names, ages and positions of the members of the Board of Directors of MEOL:

Name	Age	Position
Nathaniel Childres	48	Co-chairman & Non-executive Director
Marcus Thompson	54	Co-chairman & Non-executive Director
Dr Chew Kia Ngee	69	Independent Director
Richard Lorentz	59	Independent Director
Venkatraman Sheshashayee	53	Executive Director & Chief Executive Officer
Diederik de Boer	62	Non-Executive Director
Shane Gong	38	Non-Executive Director
Jessica Lau	39	Non-Executive Director

### Key executive officers of the Issuer and MEOL

The executive officers of the Issuer and MEOL are appointed by the respective Board of Directors. Set forth below are the names, ages and positions of the executive officers of the Issuer and MEOL:

Name	Age	Position
Venkatraman Sheshashayee	53	Chief Executive Officer
Darren Ang	44	Chief Operating Officer
Derek Koh	49	Chief Financial Officer

Certain biographical information for each of the directors and executive officers of MEOL and the Issuer is set forth below.

**Venkatraman Sheshashayee (also known as Shesh)** is our Director and Chief Executive Officer. He was appointed to the position of Deputy Chief Executive Officer in October 2014, and subsequently appointed to the position of Chief Executive Officer in July 2015. He is responsible for the overall strategic planning, business development and organisational initiatives of the MEOL Group. He brings close to 30 years of experience in the maritime, manufacturing and offshore services industry. Prior to joining the Issuer, Shesh held the roles of Chief Executive Officer, Chief Operating Officer, and Executive Director of Jaya Holdings Limited. Before that, he was General Manager and Chief Operating Officer of The Great Eastern Shipping Co Ltd and its subsidiaries from 2004 to 2011. He also served as Managing Director of Greatship Global Energy Services Pte. Ltd. and Greatship Global Offshore Services

Pte. Ltd., Singapore and Chief Operating Officer at Greatship (India) Limited. Shesh has a wealth of experience in Shipping, Finance, Operations, Marketing, Sales, HR and General Management. Shesh holds a Bachelor of Engineering (Marine) degree from the Directorate of Marine Engineering Training in Calcutta and has an MBA from the Indian Institute of Management, Bangalore. He is also a member of The Society of Naval Architects & Marine Engineers, Singapore, The Institute of Engineers and The Institute of Marine Engineers. He was awarded the Narottam Morarji Gold Medal for Academic Excellence in 1980, 1981 and 1982 and the prestigious Naval Architecture Gold Medal in 1982.

**Derek Koh** was appointed to the role of Chief Financial Officer in June 2011. Mr. Koh is a UK Fellow Chartered Accountant with over 27 years of broad experience in professional practice and industry. Before the Issuer, he held the position of CFO for an SGX-listed, Asian oil and gas engineering, procurement and construction multi-national. Prior to this Mr. Koh headed up various functions for multi-national and Asian companies including Finance, Internal Controls, Corporate Affairs, and Information Technology. He also has Audit, Corporate Finance & Recovery and Risk Management experience from professional practice. He holds an Economics - Accounting & Finance degree from The London School of Economics.

**Darren Ang** is our Chief Operating Officer. Mr. Ang joined the Issuer in 1999 and has 24 years of experience in the industry. Prior to joining EOT in 2005, Mr. Ang was employed as an assistant engineer at A.P. Moller from May 1991 to February 1992, a petroleum surveyor at Det Norske Veritas from November 1994 to August 1995 and a marine-related consultant at BV from October 1997 to May 1999. He also worked at Svitser Wijismuller from May 1999 until joining EOT. During his tenure at Svitser Wijismuller, he held various positions in the company, including operations manager, deputy general manager and general manager. Between September 1995 and September 1997, he attended the University of Newcastle upon Tyne, where he graduated with a bachelor's degree (first class) in marine engineering. Mr. Ang is also a member of the Institute of Marine Engineers, the Society of Naval Architects and Marine Engineers and the Singapore Institute of Management.

**Nathaniel Childres** is a Managing Director of CHAMP Private Equity and the head of CHAMP Private Equity's office in Singapore. Mr. Childres is a Director of Shelf Drilling and was the Chairman of the Board of Directors of the MEOL, a Director of the Blue Star Group, International Energy Services Ltd. and Bradken Resources Pty Ltd.. Mr Childres has worked in financial services since 1993, first as an attorney in mergers and acquisitions/direct investment with White & Case in New York, Singapore and Jakarta, and since 1998 in private equity. Prior to joining CHAMP Private Equity in 2001, Mr. Childres worked at Edgewater Capital, a U.S. private equity fund focused on middle market leveraged buy-outs. Mr. Childres holds a Graduate Degree in Law (J.D.) from Columbia University, and a Bachelor's Degree (B.A.) with High Honors from the University of California at Berkeley in History and International Development Studies.

**Marcus Thompson** is the Chief Executive Officer at Headland Capital Partners Limited and joined Headland in 1992. He has been a member of Headland's Investment Committees since 1993. Prior to joining Headland, Marcus worked in private equity in the UK with Prudential Venture Managers, a leading private equity manager which is now known as Silverfleet Capital. Before entering the private equity industry he worked for The Swire Group in Hong Kong, Thailand and Indonesia where he held several general management roles within Cathay Pacific Airways. Marcus has an MA Degree in Law from Cambridge University, England and is a member of the Bar of England and Wales. He is also a member of the Wharton Society of Fellows.

**Dr. Chew Kia Ngee** is a Chartered Accountant with about 40 years' experience in the public accounting profession. Dr. Chew is a Non-Executive Director of the Issuer. Dr. Chew was a Partner of Coopers & Lybrand Singapore from 1978 and was appointed Senior Partner and Executive Chairman of the firm in 1996. Following the merger of Price Waterhouse and Coopers & Lybrand on 1 July 1999, he was appointed Deputy Chairman of PricewaterhouseCoopers in Singapore and stepped down in 2004. He retired from the firm in 2005. Dr. Chew was Chairman of AusGroup Ltd, a company listed on the mainboard in Singapore. He is a Director of Haw Par Corporation Ltd and serves as chair of its audit committee. He also sits on the board of the Singapore Eye Foundation. On 1 January 2013, he was appointed a member of the audit Committee of Kong Meng San Phor Kark See Monastery. Dr. Chew has a Bachelor of Economics (Honours) from the University of Malaya, a Master of Commerce from the University of Melbourne and a PhD in business and management from the University of South Australia. Dr. Chew is Fellow of the Institute of Singapore Chartered Accountants and was Chairman of its auditing and assurance committee, and a member of the professional development committee for many years. He is also a fellow of the Institute of Chartered Accountants Australia and New Zealand as well as a Fellow of CPA Australia.

**Richard Lorentz** is a founding director of Singapore-listed KrisEnergy Ltd., for which he is also Director of Business Development responsible for the strategic development of the group's upstream oil and gas portfolio. Mr. Lorentz is a Non-Executive Director of MEOL. Prior to KrisEnergy, he was a co-founder of Pearl Energy, which listed in Singapore in 2005 and was acquired by an Abu-Dhabi investment group a year later. He is a petroleum geologist with more than 30 years of experience in the upstream oil and gas industry. Previous key positions include Manager of New Business Development for Elf Aquitaine in Singapore, New Ventures & Exploration Manager for Gulf Indonesia and Senior Production Geologist for Asamera (South Sumatra) Ltd.

**Diederik de Boer** is our Non-Executive Director and Senior Advisor. Mr. de Boer served since MEOL's inception as the Company's CEO, and was responsible for the overall execution of MEOL's corporate and business strategies and plans. He has 30 years of experience in the maritime industry. Mr. de Boer has worked with the Miclyn Express Offshore group of associated companies since 1991, when he was appointed the general manager of CW Marine Services (Singapore) and the regional director of Svitzer Wijsmuller Group, the predecessor companies of EOT. From 1979 to 1990, he worked for SMIT, in which his last position was as marketing manager for their Far East organisation, where he was involved in the marketing and operation of offshore vessels. He subsequently joined IMS in 1991 as a business development manager, handling project marketing of equipment for the airport and timber industries. Mr. de Boer obtained a bachelor's degree from the Erasmus University Rotterdam in August 1976 in law and subsequently completed a three year MBA course at the Graduate Institute of Management in Delft.

**Shane Gong** is a Director of CHAMP Private Equity and a member of CHAMP Private Equity's Singapore-based Asian investment team. Mr. Gong is a Non-Executive Director of the Issuer. Prior to joining CHAMP Private Equity in 2007, Mr. Gong spent eight years in investment banking (M&A) in Australia and across Asia with Macquarie Bank and N.M. Rothschild & Sons. At N.M Rothschild & Sons, Mr. Gong was Head of the Asian Consumer Products sector team and advised international and Asian clients such as Cadbury Schweppes, Associated British Foods, the Salim Group and Wipro Ltd on regional acquisitions. Mr. Gong holds a Bachelor of Commerce (Honors) from the University of Melbourne.



**Jessica Chuk Kay Lau** is a Partner of Headland Capital and is a member of Headland Capital's investment team. Ms. Lau is a Non-Executive Director of MEOL. Prior to joining Headland Capital in 2005, Ms. Lau worked for Citigroup in New York providing corporate finance and M&A advisory services in the media & telecom as well as paper and packaging sectors. Ms. Lau started her career with TD Securities Inc. in Toronto in investment banking. She holds a Bachelor of Commerce (Honors) degree in Finance from the University of British Columbia.

### **Board committees**

The Board of Directors of MEOL has established an Audit, Risk Management and Safety Committee as well as a Nomination and Remuneration Committee.

#### *Audit, Risk Management and Safety Committee*

The Audit, Risk Management and Safety Committee assists the Board of Directors:

- in relation to the reporting of financial information;
- in relation to the appropriate application and amendment of accounting policies;
- in relation to the appointment, independence and remuneration of the external auditor;
- by acting as a link between the external auditor, the Board of Directors and management of the Issuer; and
- by receiving reports from management, reviewing those reports, and subsequently making recommendations to the Board of Directors within the committee's areas of recommendatory responsibility and in accordance with any legal, accounting or other relevant requirements.

The Audit, Risk Management and Safety Committee also assists the Board of Directors with respect to formulating risk management strategies and monitoring compliance with those strategies to ensure that:

- the Issuer's ongoing risk management programme effectively identifies all areas of potential risk (including financial, business and operational risks);
- adequate policies and procedures have been designed and implemented to manage identified risks;
- a regular programme of audits is undertaken to test the adequacy of and compliance with prescribed policies, and remedial action is taken where necessary; and
- the procedures the Issuer has in place are compliant with laws and regulations (particularly in areas such as trade practices, corporate governance, occupational health and operational safety, including physical safety and accident prevention, and also the environment including pollution prevention), by receiving reports from management, reviewing these reports, and subsequently making recommendations to the Board of Directors within the committee's areas of recommendatory responsibility and in accordance with any legal or other relevant requirements.

The committee will meet as often as required and it is intended that it will normally meet three times a year, except where the committee chair determines otherwise. Meetings of the committee may be attended by non-committee members, including members of management, the internal auditor and the external auditor, at the invitation of the committee chair. The committee will provide reports to the Board of Directors on the matters within the committee's areas of recommendatory responsibility. The committee may take advice from external parties.

It is intended that the committee shall consist of only Non-Executive Directors and comprises at least three Non-Executive Directors, the majority of whom are independent, including the committee chair, who is not to be the chair of the Board of Directors. All members of the committee should be financially literate and have familiarity with financial management and at least one member should have relevant qualifications and experience (that is, be a qualified accountant or other finance professional with experience of financial and accounting matters).

The current members of the Audit Risk Management and Safety Committee of MEOL are Dr. Chew Kia Ngee, Marcus Thompson and Shane Gong. Dr. Chew Kia Ngee serves as the chairman of the Audit Risk Management and Safety Committee.

#### *Nomination and Remuneration Committee*

The purpose of the Nomination and Remuneration Committee is to assist the Board of Directors in the effective discharge of its responsibilities, including, but not limited to, matters relating to succession planning, recruitment and the appointment and remuneration of the Directors and CEO, selection and appointment practices and remuneration arrangements for the management and employees.

The committee may also assist the Board of Directors in relation to any corporate governance issues related to the Directors, as requested by the Board of Directors from time to time. The committee will assist the Board of Directors in relation to matters falling within its responsibilities by receiving reports from management, reviewing these reports, and subsequently making recommendations to the Board of Directors within the committee's areas of recommendatory responsibility and in accordance with any legal or other relevant requirements.

The committee will meet as often as required and it is intended that it will normally meet three times a year, except where the committee chair determines otherwise. Meetings of the committee may be attended by non-committee members, including members of management at the invitation of the committee chair. The committee will provide reports to the Board of Directors on matters within the committee's areas of recommendatory responsibility.

The current members of the Nomination and Remuneration Committee of MEOL are Nathaniel Childres and Jessica Lau. There are no independent members in the Nomination and Remuneration Committee of MEOL. Nathaniel Childres serves as the chairman of the Nomination and Remuneration Committee.

## SELECTED CONSOLIDATED FINANCIAL INFORMATION

*The following tables present the MEOL Group's consolidated financial information as at and for the years ended 30 June 2013 ("FY2013"), 2014 ("FY2014") and 2015 ("FY2015"). The selected consolidated financial data for FY2013, FY2014 and FY2015 in the tables below are derived from, and read in conjunction with, the historical financial statements of the MEOL Group, which have been audited by the independent auditors, Deloitte & Touche LLP. The audited financial statements of the MEOL Group have been prepared in accordance with the International Financial Reporting Standards.*

*Historically, the MEOL Group recognised its interests in joint ventures using the proportionate method of accounting. However, for the financial year ended 30 June 2014, the MEOL Group adopted the new IFRS 11 Joint Arrangements, which became mandatory as of 1 July 2013. As a result, for the years ended 30 June 2014 and 30 June 2015, the MEOL Group recognised its interests in joint ventures using the equity method of accounting. Throughout this document, we will be presenting unaudited financial information prepared using the proportionate method of accounting, with the corresponding audited financial information, for which the equity method of accounting is used, alongside. The below table includes unaudited financial information for the years ended 30 June 2014 and 30 June 2015 presented as if the MEOL Group had continued to recognise its interests in joint ventures using the proportionate method of accounting.*

## SUMMARY OF CONSOLIDATED FINANCIAL INFORMATION

	For the year ended 30 June					
	2015 (Equity) (Audited)	2015 (Proportionate) (Unaudited)	2014 (Equity) (Audited)	2014 (Proportionate) (Unaudited)	2013 (Equity) (Audited)	2013 (Proportionate) (Audited)*
<b>(in thousands of U.S. dollars)</b>						
<b>Statement of profit or loss and other comprehensive income:</b>						
<b>Revenue</b>	<b>\$261,788</b>	<b>\$283,841</b>	<b>\$244,497</b>	<b>\$265,165</b>	<b>\$231,897</b>	<b>\$245,338</b>
Cost of sales	(188,248)	(198,321)	(150,627)	(159,623)	(143,852)	(149,127)
Gross profit	73,540	85,520	93,870	105,542	88,045	96,211
Other gains and losses	2,860	3,972	10,549	10,589	2,000	2,208
Administration expenses	(39,173)	(41,633)	(36,433)	(38,418)	(36,594)	(38,262)
Finance costs	(26,544)	(26,993)	(22,416) <sup>(3)</sup>	(22,773)	(9,278)	(9,602)
Other expenses	(28,334) <sup>(1)</sup>	(28,334)	(56)	(56)	(34)	(103)
Share of profit from joint ventures	9,814	—	9,422	—	5,979	—
(Loss)/profit before tax	(7,837)	(7,468)	54,936	54,884	50,118	50,452
Income tax expense	(3,373)	(3,742)	(5,510)	(5,828)	(2,659)	(2,913)
<b>(Loss)/profit for the year</b>	<b>(\$11,210)<sup>(2)</sup></b>	<b>(\$11,210)</b>	<b>\$49,426</b>	<b>\$49,056</b>	<b>\$47,459</b>	<b>\$47,539</b>
<b>Other comprehensive income:</b>						
Exchange differences arising on translation of foreign operations	(6,759)	(6,759)	(2,347)	(2,347)	(5,922)	(5,934)
Cash flow hedge	(896)	(896)	—	—	—	—
Other comprehensive income for the year, net of tax	(7,655)	(7,655)	(2,347)	(2,347)	(5,922)	(5,934)
<b>Total comprehensive (loss)/income for the year</b>	<b>(\$18,865)</b>	<b>(\$18,865)</b>	<b>\$47,079</b>	<b>\$46,709</b>	<b>\$41,537</b>	<b>\$41,605</b>
(Loss)/profit attributable to:						
Owners of the company	(\$12,648)	(\$12,648)	\$47,811	\$47,441	\$46,413	\$46,493
Non-controlling interests	1,438	1,438	1,615	1,615	1,046	1,046
	(\$11,210)	(\$11,210)	\$49,426	\$49,056	\$47,459	\$47,539
Total comprehensive (loss)/income attributable to:						
Owners of the company	(\$20,303)	(\$20,303)	\$45,464	\$45,094	\$40,491	\$40,559
Non-controlling interests	1,438	1,438	1,615	1,615	1,046	1,046
	(\$18,865)	(\$18,865)	\$47,079	\$46,709	\$41,537	\$41,605

\* Extracted or derived from the audited consolidated financial statements for the year ended 30 June 2013 as issued on 25 September 2013.

### Notes (unaudited):

- (1) Excluding the one-off loss on impairment of \$27.2 million, the MEOL Group would have recorded other expenses of \$1.1 million in FY2015.
- (2) Excluding the one-off loss on impairment of \$27.2 million, the MEOL Group would have recorded a profit of \$16.0 million in FY2015.
- (3) The MEOL Group issued a S\$200 million bond in December 2013, thereby incurring finance costs.

For the year ended 30 June

	2015 (Equity) (Audited)	2015 (Proportionate) (Unaudited)	2014 (Equity) (Audited)	2014 (Proportionate) (Unaudited)	2013 (Equity) (Audited)	2013 (Proportionate) (Audited)*
<b>Statement of Financial Position Data (at period end):</b>						
Cash and cash equivalents	\$16,237	\$21,477	\$19,259	\$23,464	\$14,567	\$17,053
Property, plant and equipment, net	621,332	695,894	490,014	552,803	451,890	499,000
Total assets	995,345	1,017,419	885,009	898,396	648,476	672,996
Total non-current liabilities	473,043	483,572	380,187	389,090	199,554	214,370
Total liabilities	590,532	613,523	460,755	475,612	265,115	289,571
Total debt	498,290	515,323	393,127	407,838	213,991	236,581
Total equity	404,813	403,896	424,254	422,784	383,361	383,425
<b>Statement of Cash Flow Data:</b>						
Net cash generated from operating activities	\$58,261	\$73,599	\$59,162	\$63,012	\$58,767	\$67,420
Net cash used in investing activities	(170,693)	(186,859)	(217,512)	(217,898)	(79,553)	(94,498)
Net cash generated from financing activities	110,409	112,398	162,871	161,416	20,969	26,369
<b>Other financial data (unaudited):</b>						
EBITDA <sup>(1)</sup>	\$42,504	\$57,304	\$95,141	\$108,296	\$76,038	\$84,698
Total interest expense <sup>(2)</sup>	21,178	21,628	16,238	16,596	6,245	6,569
Ratio of EBITDA to interest expense	2.0	2.6	5.9	6.5	12.2	12.9
Ratio of total debt to EBITDA	11.7	9.0	4.1	3.8	2.8	2.8
Adjusted EBITDA <sup>(1)(3)</sup>	79,355	94,426	—	—	—	—
Ratio of total debt to Adjusted EBITDA	6.3	5.5	—	—	—	—

The following table reconciles EBITDA with our profits for the year:

For the year ended 30 June

(in thousands of U.S. dollars)	2015 (Equity) (Audited)	2015 (Proportionate) (Unaudited)	2014 (Equity) (Audited)	2014 (Proportionate) (Unaudited)	2013 (Equity) (Audited)	2013 (Proportionate) (Audited)*
<b>(Loss)/profit for the year</b>	(\$11,210)	(\$11,210)	\$49,426	\$49,056	\$47,459	\$47,539
Finance costs	26,544	26,993	22,416	22,773	9,278	9,602
Income tax expense	3,373	3,742	5,510	5,828	2,659	2,913
Depreciation and amortisation	33,611	37,779	27,211	30,639	22,621	24,644
Share of profit from joint ventures	(9,814)	—	(9,422)	—	(5,979)	—
<b>EBITDA</b>	\$42,504	\$57,304	\$95,141	\$108,296	\$76,038	\$84,698

\* Extracted or derived from the audited consolidated financial statements for the year ended 30 June 2013 as issued on 25 September 2013.

**Notes:**

- (1) We define EBITDA as profit before (i) tax expense, (ii) finance costs and (iii) depreciation and amortisation (iv) share of profit from joint ventures. This term, as we define it, may not be comparable to similarly titled measures employed by other companies and is not a measure of performance calculated in accordance with IFRS. EBITDA should not be considered in isolation or as a substitute for operating income, net income or loss, cash flows provided by operating, investing and financing activities, or other income or cash flow statement data prepared in accordance with IFRS.

We believe EBITDA and Adjusted EBITDA is useful to an investor in evaluating our operating performance because:

- a) it is widely used by investors in our industry to measure a company's operating performance without regard to items such as interest expense, depreciation and amortisation, which can vary substantially from company to company depending upon accounting methods and book value of assets, capital structure and method by which assets were acquired; and
- b) it helps investors more meaningfully evaluate and compare the results of our operations from period to period by removing the impact of our capital structure (primarily interest charges from out outstanding debt) and asset base (primarily depreciation and amortisation of our vessels) from our operating results.

Our management uses EBITDA and Adjusted EBITDA:

- a) as a measure of operating performance because it assists us in comparing our performance on a consistent basis as it removes the impact of our capital structure and asset base from our operating results;
  - b) in presentations to our board of directors to enable them to have the same consistent measurement basis of operating performance used by management;
  - c) as a measure for planning and forecasting overall expectations and for evaluating actual results against such expectations;
  - d) as a basis for incentive cash bonuses paid to our executive and other shore-based employees; and
  - e) in communications with stockholders, lenders, bondholders, rating agencies and others, concerning our financial performance.
- (2) Total interest expense represents our total interest expense for each period, excluding unamortised upfront fees.
- (3) We define Adjusted EBITDA as EBITDA adjusted to exclude one-off impairment adjustments and to treat certain vessels as if they entered the fleet and they had been chartered as of 1 July 2014 or left the fleet as of 1 July 2014, as more fully described below. The reconciliation of EBITDA to Adjusted EBITDA is as follows:

(in thousands of U.S. dollars)	For the year ended 30 June 2015 (Equity) (Unaudited)	For the year ended 30 June 2015 (Proportionate) (Unaudited)
<b>EBITDA</b>	\$42,504	\$57,304
Impairment adjustment <sup>(a)</sup>	27,155	27,155
Normalised EBITDA	69,659	84,459
Vessel additions adjustments <sup>(b)</sup>	13,956	14,726
Vessel disposals adjustments <sup>(b)</sup>	(24)	31
Charter rate adjustment <sup>(c)</sup>	(4,236)	(4,790)
<b>Adjusted EBITDA</b>	<b>\$79,355</b>	<b>\$94,426</b>

**Notes:**

- (a) Relates to a one-off impairment adjustment for Australia business
- (b) These adjustments (i) treat certain vessels that entered the fleet during the course of the year ended 30 June 2015 as if they entered the fleet on 1 July 2014 with earnings based on current utilisation and outlook, and (ii) treat vessels that were disposed of in the year ended 30 June 2015, as if they left the fleet on 30 June 2014
- (c) Relates to annualised charter rate adjustments on contracts with key customers



## **FY2015 compared to FY2014**

The Group's revenue for the year ended FY2015 increased year-on-year by US\$18.7m (7%) to US\$283.8m mainly due to increased volume of pipe transportation projects as well as OSV and Crewboat fleet expansion, offset by low utilisation of Australian tugs and overall lower charter rates.

The cost of sales for FY2015 increased year-on-year by US\$38.7m (24%) to US\$198.3m in line with increased pipe transportation project work and additional depreciation as a result of fleet expansion.

The Group's gross profit for FY2015 declined year-on-year by US\$20.0m (19%) to US\$85.5m mainly due to low margin project work, low utilisation of Australian tugs, margin compression from lower charter rates and higher depreciation as a result of fleet expansion.

The lower other gains and losses in FY2015 as compared to FY2014 was mainly due to one-off disposal gain on Shipyard assets in FY2014.

The higher administrative expenses in FY2015 as compared to FY2014 was mainly contributed by prudent allowance for doubtful debts provisioning in light of market conditions.

The increase in finance costs in FY2015 as compared to FY2014 was due to a full year of bond interest and increased interest on bank loans.

The higher other expenses in FY2015 as compared to FY2014 was due to a one-off non-cash loss on impairment relating to the Group's Australia business of US\$27.2m in FY2015.

Income tax expense for FY2015 was US\$3.7m compared to US\$5.8m for FY2014 due to lower taxable profit as a result of the above mentioned factors.

As a result of the above, the Group recorded a loss for the year of \$11.2m in FY2015. Excluding one-off loss on impairment, the Group would have recorded a profit for the year of \$16.0m in FY2015 compared to a profit for the year of \$49.1m in FY2014.

Total assets of the Group for FY2015 increased by US\$119.0m (13%) to US\$1,017.4m as compared to FY2014 mainly due to:

1. Increase in property, plant and equipment by US\$143.0m to US\$695.8m mainly as a result of fleet expansion
2. Offset by a decrease in goodwill by US\$27.2m to US\$33.7m as a result of impairment of goodwill related to the Groups Australia business

Total liabilities of the Group for FY2015 increased by US\$137.9m (29%) to US\$613.5m as compared to FY2014 mainly due to:

1. Increase in borrowings by US\$116.0m to US\$372.6m to finance fleet expansion
2. Increase in trade and other payables by US\$20.7m to US\$83.5m in line with increase in cost of sales, as well as longer average credit terms with suppliers

## **FY2014 compared to FY2013**

The Group's revenue for the year ended FY2014 increased year-on-year by US\$19.8m (8%) to US\$265.2m due to higher revenues from OSV and Crewboat segments.

The cost of sales for FY2014 increased year-on-year by US\$10.5m (7%) to US\$159.6m in line with revenue.

The Group's gross profit improved year-on-year by US\$9.3m (10%) to US\$105.5m in line with the above.

The higher other gains and losses in FY2014 as compared to FY2013 was due to one-off disposal gain on Shipyard assets in FY2014.

The lower administrative expenses in FY2014 as compared to FY2013 was mainly contributed by a lower allowance for doubtful debt in FY2014 after making a one-off provision of US\$4.2m relating to our exit from Iran in FY2013.

The increase in finance costs in FY2014 as compared to FY2013 was mainly due to half a year's bond interest after drawing senior secured guaranteed bonds in December FY2014.

Income tax expense for FY2014 was US\$5.8m compared to US\$2.9m for FY2013 due to tax due on gain on disposal of Shipyard assets in Indonesia, as well as more profit generated from taxable jurisdictions such as Australia and Indonesia.

As a result of the above, the Group recorded a profit for the year of \$49.1m in FY2014 compared to \$47.5m in FY2013.

Total assets of the Group for FY2014 increased year-on-year by US\$225.4m (33%) to US\$898.4m mainly due to:

1. US\$139.2m loan given to immediate holding company to facilitate privatisation
2. Increase in property, plant and equipment by US\$53.8m to US\$552.8m due to acquisition of Uniwise Towage joint venture and fleet expansion

Total liabilities of the Group for FY2014 increased year-on-year by US\$186.0m (64%) to US\$475.6m mainly due to:

1. US\$151.2m drawdown of senior secured guaranteed bonds in December FY2014
2. Increase in borrowings of US\$20.0m to US\$256.6m to finance fleet expansion

## Other Financial Data

	2015	
	(Equity)	(Proportionate)
Total Debt to Capitalisation	58%	59%
Net Debt to adjusted EBITDA	6.1	5.2
Adjusted EBITDA to Interest Expense	3.7	4.4
Net Debt to Equity	1.2	1.2

**Note:**

(1) Net Debt equals total debt less cash and cash equivalents

## CAPITALISATION AND INDEBTEDNESS OF THE GROUP

The following table sets forth:

- the Group's historical capitalisation and indebtedness as of 30 June 2015; and
- the Group's adjusted capitalisation and indebtedness as of 30 June 2015, giving *pro forma* effect to the issuance and sale of the Bonds pursuant to this offering and the use of the net proceeds of the Bonds as described under "Use of Proceeds", assuming all of the outstanding SGD Bonds will be tendered and are repurchased.

This is based on or derived from the audited consolidated financial statements of the Group unless otherwise indicated. There has been no material change in the Group's capitalisation since 30 June 2015.

Certain information in this table is unaudited. This table should be read in conjunction with:

- the Group's audited historical financial statements and the notes to those statements included in this Offering Circular; and
- the sections in this Offering Circular entitled "Use of Proceeds"

	As of 30 June 2015 (Equity method)		As of 30 June 2015 (Proportionate method)	
	(Actual)	(As Adjusted)	(Actual)	(As Adjusted)
	US\$'000	US\$'000	US\$'000	US\$'000
Cash and Cash Equivalents	16,237	15,597	21,477	20,837
Short-term Debt				
Secured Borrowings	<u>37,189</u>	<u>37,189</u>	<u>43,693</u>	<u>43,693</u>
Long-term Debt				
Secured Borrowings	318,346	318,346	328,875	328,875
Finance Lease	15	15	15	15
Senior Secured Guaranteed Bonds <sup>(2)</sup>	142,740	—	142,740	—
Bonds to be issued <sup>(3)</sup>	<u>—</u>	<u>142,100</u>	<u>—</u>	<u>142,100</u>
Total Long-term Debt	<u>461,101</u>	<u>460,461</u>	<u>471,630</u>	<u>470,990</u>
Total Equity	<u>404,813</u>	<u>404,813</u>	<u>403,896</u>	<u>403,896</u>
Total Capitalisation <sup>(1)</sup>	<u>865,914</u>	<u>865,274</u>	<u>875,526</u>	<u>874,886</u>

**Notes:**

- (1) Equals the sum of long-term debt and equity.
- (2) Assumes that all of the SGD Bonds are tendered and repurchased in the tender offer. The actual amount of SGD Bonds tendered and repurchased may be less however, and, accordingly, the amount of SGD Bonds outstanding and, in turn, Total Long-term Debt would increase by the amount of SGD Bonds not tendered and repurchased in the tender offer.
- (3) After deducting an estimated US\$7.9 million in fees, expenses and commissions payable relating to the offering of the Bonds.

## PRINCIPAL SHAREHOLDERS

### Principal shareholders

The Issuer is a wholly-owned subsidiary of MEOL. MEOL's authorised share capital is US\$10,000 comprising 100,000 ordinary shares of US\$0.10 each, of which 1 ordinary share was issued and was fully paid-up, as of 30 June 2015.

The following table sets forth certain information, as of 30 June 2015, with respect to the ownership of the ordinary share of MEOL.

<b>Name of Shareholder</b>	<b>Number of Shares Held</b>	<b>Percentage of Shares</b>
Manta Holdings Limited	1	100%

### Our sponsors

CHAMP Private Equity is Australia's pioneering private equity firm, having invested in over 80 companies over the past 30 years. CHAMP Private Equity has offices in Sydney, Singapore and Brisbane. CHAMP Private Equity invests in Australian and South-East Asian companies across a range of industries and currently actively manages approximately A\$2.4 billion.

Headland Capital, formerly HSBC Private Equity (Asia) Limited, began advising Asian private equity funds in 1989, and has invested in over 150 companies. Headland Capital seeks to invest in mid-market buyout and expansion capital opportunities across a range of industries, in established, profitable companies with experienced management teams. Principal geographic markets are South-East Asia, Greater China and South Korea. Headland Capital has active capital under management of approximately US\$2.4 billion.

## SINGAPORE TAXATION

*The statements below are general in nature and are based on certain aspects of current tax laws in Singapore and administrative guidelines and circulars issued by the MAS in force as of the date of this Offering Circular and are subject to any changes in such laws, administrative guidelines or circulars, or the interpretation of those laws, guidelines or circulars, occurring after such date, which changes could be made on a retroactive basis. These laws, guidelines and circulars are also subject to various interpretations and the relevant tax authorities or the courts could later disagree with the explanations or conclusions set out below. Neither these statements nor any other statements in this Offering Circular are intended or are to be regarded as advice on the tax position of any holder of the Bonds or of any person acquiring, selling or otherwise dealing with the Bonds or on any tax implications arising from the acquisition, sale or other dealings in respect of the Bonds. The statements made herein do not purport to be a comprehensive or exhaustive description of all the tax considerations that may be relevant to a decision to subscribe for, purchase, own or dispose of the Bonds and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or financial institutions in Singapore which have been granted the relevant Financial Sector Incentive(s)) may be subject to special rules or tax rates. Prospective Bondholders are advised to consult their own professional tax advisers as to the tax consequences of the acquisition, ownership of or disposal of the Bonds, including, in particular, the effect of any foreign, state or local tax laws to which they are subject to. It is emphasised that none of the Issuer, the Guarantors, the Sole Bookrunner and any other persons involved in the issuance of the Bonds accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of the Bonds.*

### **Interest and other payments**

Subject to the following paragraphs, under Section 12(6) of the ITA, the following payments are deemed to be derived from Singapore:

- (a) any interest, commission, fee or any other payment in connection with any loan or indebtedness or with any arrangement, management, guarantee or service relating to any loan or indebtedness which is (i) borne, directly or indirectly, by a person resident in Singapore or a permanent establishment in Singapore (except in respect of any business carried on outside Singapore through a permanent establishment outside Singapore or any immovable property situated outside Singapore) or (ii) deductible against any income accruing in or derived from Singapore; or
- (b) any income derived from loans where the funds provided by such loans are brought into or used in Singapore.

Such payments, where made to a person not known to the paying party to be a resident in Singapore for tax purposes, are generally subject to withholding tax in Singapore. The rate at which tax is to be withheld for such payments (other than those subject to the 15% final withholding tax described below) to non-resident persons (other than non-resident individuals) is currently 17%. The applicable rate for non-resident individuals is currently 20%, and is to be increased to 22% with effect from the year of assessment 2017. However, if the payment is derived by a person not resident in Singapore otherwise than from any trade, business, profession or vocation carried on or exercised by such person in Singapore and is not effectively connected with any permanent establishment in Singapore of that person, the payment is subject to a final withholding tax of 15%. The rate of 15% may be reduced by applicable tax treaties.



Certain Singapore-sourced investment income derived by individuals from financial instruments is exempt from tax, including:

- (a) interest from debt securities derived on or after 1 January 2004;
- (b) discount income (not including discount income arising from secondary trading) from debt securities derived on or after 17 February 2006; and
- (c) prepayment fee, redemption premium and break cost from debt securities derived on or after 15 February 2007,

except where such income is derived through a partnership in Singapore or is derived from the carrying on of a trade, business or profession.

In addition, as the issue of the Bonds is lead-managed by DBS Bank Ltd, which is a Financial Sector Incentive (Standard Tier) Company or a Financial Sector Incentive (Capital Market) Company (as defined in the ITA) at such time, and the Bonds are issued as debt securities before 31 December 2018, the Bonds would be, pursuant to the ITA and the MAS Circular FSD Cir 02/2013 entitled “Extension and Refinement of Tax Concessions for Promoting the Debt Market” issued by the MAS on 28 June 2013, qualifying debt securities (“**QDS**”) for the purposes of the ITA, to which the following treatment shall apply:

- (i) subject to certain prescribed conditions having been fulfilled (including the furnishing of a return on debt securities for the Bonds in the prescribed format within such period as the relevant authorities may specify and such other particulars in connection with the Bonds as the relevant authorities may require to the MAS and such other relevant authorities as may be prescribed and the inclusion by the Issuer in all offering documents relating to the Bonds of a statement to the effect that where interest, discount income, prepayment fee, redemption premium or break cost from the Bonds is derived by a person who is not resident in Singapore and who carries on any operation in Singapore through a permanent establishment in Singapore, the tax exemption for qualifying debt securities shall not apply if the non-resident person acquires the Bonds using the funds and profits of such person’s operations through the Singapore permanent establishment), interest, discount income (not including discount income arising from secondary trading), prepayment fee, redemption premium and break cost (collectively, the “**Qualifying Income**”) from the Bonds paid by the Issuer and derived by a holder who is not resident in Singapore and who (a) does not have any permanent establishment in Singapore or (b) carries on any operation in Singapore through a permanent establishment in Singapore but the funds used by that person to acquire the Bonds are not obtained from such person’s operation through a permanent establishment in Singapore, are exempt from Singapore tax;
- (ii) subject to certain conditions having been fulfilled (including the furnishing of a return on debt securities for the Bonds in the prescribed format within such period as the relevant authorities may specify and such other particulars in connection with the Bonds as the relevant authorities may require to the MAS and such other relevant authorities as may be prescribed), Qualifying Income from the Bonds paid by the Issuer and derived by any company or body of persons (as defined in the ITA) in Singapore is subject to income tax at a concessionary rate of 10% (except for holders of the relevant Financial Sector Incentive(s) who may be taxed at different rates); and

(iii) subject to:

- (a) the Issuer including in all offering documents relating to the Bonds a statement to the effect that any person whose interest, discount income, prepayment fee, redemption premium or break cost derived from the Bonds is not exempt from tax shall include such income in a return of income made under the ITA; and
- (b) the furnishing of a return on debt securities for the Bonds in the prescribed format within such period as the relevant authorities may specify and such other particulars in connection with the Bonds as the relevant authorities may require to the MAS and such other relevant authorities as may be prescribed,

payments of Qualifying Income derived from the Bonds are not subject to withholding of tax by the Issuer.

Notwithstanding the foregoing:

- (A) if during the primary launch of the Bonds, the Bonds are issued to fewer than four persons and 50% or more of the issue of the Bonds is beneficially held or funded, directly or indirectly, by related parties of the Issuer, the Bonds would not qualify as QDS; and
- (B) even though the Bonds are QDS, if, at any time during the tenure of the Bonds, 50% or more of the Bonds which are outstanding at any time during the life of their issue is beneficially held or funded, directly or indirectly, by any related party(ies) of the Issuer, Qualifying Income derived from the Bonds held by:
  - (i) any related party of the Issuer; or
  - (ii) any other person where the funds used by such person to acquire the Bonds are obtained, directly or indirectly, from any related party of the Issuer,

shall not be eligible for the tax exemption or concessionary rate of tax described above.

The term “**related party**”, in relation to a person, means any other person who, directly or indirectly, controls that person, or is controlled, directly or indirectly, by that person, or where he and that other person, directly or indirectly, are under the control of a common person.

The terms “**break cost**”, “**prepayment fee**” and “**redemption premium**” are defined in the ITA as follows:

break cost, in relation to debt securities and qualifying debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by any loss or liability incurred by the holder of the securities in connection with such redemption;

prepayment fee, in relation to debt securities and qualifying debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by the terms of the issuance of the securities; and

redemption premium, in relation to debt securities and qualifying debt securities, means any premium payable by the issuer of the securities on the redemption of the securities upon their maturity.

References to “break cost”, “prepayment fee” and “redemption premium” in this Singapore tax disclosure shall have the same meaning as defined in the ITA.

Where interest, discount income, prepayment fee, redemption premium or break cost is derived from any of the Bonds by any person who is not resident in Singapore and who carries on any operations in Singapore through a permanent establishment in Singapore, the tax exemption available for QDS under the ITA (as mentioned above) shall not apply if such person acquires the Bonds using the funds and profits of such person's operations through a permanent establishment in Singapore. Any person whose interest, discount income, prepayment fee, redemption premium or break cost (i.e. the Qualifying Income) derived from the Bonds is not exempt from tax is required to include such income in a return of income made under the ITA.

### ***Capital gains***

Singapore does not impose tax on capital gains. However, there are no specific laws or regulations which deal with the characterisation of capital gains and hence, gains arising from the disposal of the Bonds by any person may be construed to be of an income nature and subject to income tax, especially if they arise from activities which the Comptroller of Income Tax in Singapore would regard as the carrying on of a trade or business in Singapore.

Bondholders who apply or are required to apply Singapore Financial Reporting Standard 39 — Financial Instruments: Recognition and Measurement (“**FRS 39**”) may, for Singapore income tax purposes, be required to recognise gains or losses (not being gains or losses in the nature of capital) on the Bonds, irrespective of disposal, in accordance with FRS 39. Please see the section below on “Adoption of FRS 39 treatment for Singapore income tax purposes”.

### ***Adoption of FRS 39 treatment for Singapore income tax purposes***

The Inland Revenue Authority of Singapore has issued a circular entitled “Income Tax Implications Arising from the Adoption of FRS 39 — Financial Instruments: Recognition & Measurement” (the “**FRS 39 Circular**”). The ITA has since been amended to give effect to the FRS 39 Circular.

The FRS 39 Circular generally applies, subject to certain “opt-out” provisions, to taxpayers who are required to comply with FRS 39 for financial reporting purposes.

Bondholders who may be subject to the tax treatment under the FRS 39 Circular should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding or disposal of the Bonds.

### ***Estate duty***

Singapore estate duty has been abolished for deaths occurring on or after 15 February 2008.

## SUBSCRIPTION AND SALE

### Summary of Subscription Agreement

The Issuer has entered into a subscription agreement with DBS Bank Ltd. (the “**Sole Bookrunner**”) dated 12 November 2015 (the “**Subscription Agreement**”), pursuant to which and subject to certain conditions contained therein, the Issuer agreed to issue the Bonds, and the Sole Bookrunner agreed to subscribe and pay for the Bonds at the issue price less certain deductions. Any subsequent sale of the Bonds to investors may be at a price different from the Issue Price.

The Subscription Agreement provides that the Issuer will indemnify the Sole Bookrunner against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Bonds are subject to certain conditions precedent (including the condition precedent, which is not waiveable by the Sole Bookrunner, that the parties to the supplemental trust deed effecting the proposed amendments to the SGD Bond Trust Deed pursuant to the extraordinary resolutions passed at the respective meetings of the holders of the SGD Bonds, have to pass all consents and approvals required to authorise the execution of, and execute, such supplemental trust deed), and entitles the Sole Bookrunner to terminate it in certain circumstances prior to payment of subscription moneys being made to the Issuer.

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

### Selling Restrictions

#### *United States*

The Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States unless pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Bonds are being offered and sold outside the United States in reliance upon Regulation S. The Sole Bookrunner has represented and warranted that it has not offered or sold, and has agreed that it will not offer or sell, any Bonds constituting part of its allotment except in offshore transactions (as defined in Regulation S) in accordance with Rule 903 of Regulation S. Accordingly, none of the Sole Bookrunner or its affiliates or any persons acting on its behalf have engaged or will engage in any directed selling efforts in the United States with respect to the Bonds.

Terms used in this paragraph have the meanings given to them by Regulation S.

#### *United Kingdom*

The Sole Bookrunner has represented, warranted and agreed that:

- (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (“**FSMA**”)) received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

### ***European Economic Area***

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), the Sole Bookrunner has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Bonds which are the subject of the offering contemplated by the Offering Circular to the public in that Relevant Member State other than:

- (i) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (ii) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Sole Bookrunner for any such offer; or
- (iii) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Bonds shall require the Issuer or the Sole Bookrunner to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Bonds to the public” in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

### ***Hong Kong***

The Sole Bookrunner has represented and agreed that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to “professional investors” as defined in the Securities and Futures Ordinance of Hong Kong (Cap. 571) (“**SFO**”) and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance of Hong Kong (Cap. 32) (“**CO**”) or which do not constitute an offer or invitation to the public within the meaning of the CO or the SFO; and
- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO.

## **Singapore**

The Sole Bookrunner has acknowledged that this Offering Circular has not been registered as a prospectus with the MAS. Accordingly, the Sole Bookrunner has represented, warranted and agreed that it has not offered or sold any of the Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any of the Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of SFA, (ii) to a relevant person pursuant to Section 275(1), or to any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 32 of the Securities and Futures (Offers and Investments) (Shares and Debentures) Regulations of 2005 of Singapore.



## **CLEARING AND SETTLEMENT**

Investors in the Bonds may hold Bonds through Euroclear or Clearstream, Luxembourg. Initial settlement and all secondary trades will settle as described below. The Issuer understands that Euroclear and Clearstream, Luxembourg will comply with the procedures provided below in order to facilitate transfers of Bonds among participants of Euroclear and Clearstream, Luxembourg, however Euroclear and Clearstream, Luxembourg are under no obligation to perform or continue to perform such procedures, and such procedures may be modified or discontinued at any time. None of the Issuer, the Guarantors, the Trustee, the Registrar, the Agents or any agent of any of them will have any responsibility for the performance by Euroclear or Clearstream, Luxembourg or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations. With respect to clearance and settlement through Euroclear and Clearstream, Luxembourg, the Issuer understands as follows:

### **THE CLEARING SYSTEMS**

#### **Euroclear and Clearstream, Luxembourg**

Euroclear and Clearstream, Luxembourg hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream, Luxembourg provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg interface with domestic securities markets.

Euroclear and Clearstream, Luxembourg participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear or Clearstream, Luxembourg is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear or Clearstream, Luxembourg participant, either directly or indirectly.

#### **Initial settlement**

The Bonds will be issued initially in the form of a Global Certificate in book-entry form and will be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Investors' interests in Bonds held in book-entry form by Euroclear or Clearstream, Luxembourg, as the case may be, will be represented through financial institutions acting on their behalf as direct and indirect participants in Euroclear or Clearstream, Luxembourg, as the case may be. In addition, Euroclear and Clearstream, Luxembourg may hold positions in the Bonds on behalf of their participants through their respective depositories.

Investors electing to hold their Bonds through Euroclear or Clearstream, Luxembourg accounts will follow the settlement procedures applicable to conventional notes. Bonds will be credited to the accounts of depositories and will be processed by Euroclear or Clearstream, Luxembourg in accordance with usual new issue procedures.

Because the purchaser determines the place of delivery, it is important to establish at the time of trading of any Bonds where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

**Trading between Euroclear and/or Clearstream, Luxembourg participants**

Secondary market trading between Euroclear participants and/or Clearstream, Luxembourg participants will be settled using the procedures applicable to conventional notes in same-day funds.

## GENERAL INFORMATION

1. Application will be made to the SGX-ST for the listing and quotation of the Bonds on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Offering Circular. Admission to the Official List of the SGX-ST and quotation of the Bonds on the SGX-ST are not to be taken as an indication of the merits of the Bonds, the Issuer, MEOL, their respective subsidiaries and/or associated companies.
2. Except as disclosed in this Offering Circular, there has been no material adverse change in the financial position of the MEOL Group since 30 June 2015.
3. The Issuer and the MEOL Group are not, and have not been, involved in any litigation or arbitration proceedings that may have, or have had during the 12 months preceding the date of this Offering Circular, a material adverse effect on the financial position of the MEOL Group, and neither the Issuer nor the MEOL Group is not aware of any such litigation or arbitration pending or threatened.
4. The Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The International Securities Identification Number (ISIN) code for the Bonds is XS1311942426. The Common Code for the Bonds is 131194242.
5. From the date of this Offering Circular and for so long as the Bonds are outstanding, the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the registered office of the Principal Paying Agent:
  - (i) the Trust Deed;
  - (ii) the Agency Agreement;
  - (iii) the Intercreditor Deed;
  - (iv) the audited consolidated financial statements of MEOL Group for the years ended 30 June 2015, 2014 and 2013; and
  - (v) a copy of this Offering Circular or any further Offering Circular and any supplementary Offering Circular.
6. The Auditors have given and have not withdrawn its written consent to the issue of this Offering Circular with the references herein to its name and, where applicable, reports in the form and context in which they appear in this Offering Circular.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MICLYN EXPRESS OFFSHORE LIMITED AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015**

*The information in this Appendix I has been reproduced from the audited consolidated financial statements of Miclyn Express Offshore Limited and its subsidiaries for the financial year ended 30 June 2015 and has not been specifically prepared for inclusion in this Offering Circular.*



**MICLYN EXPRESS OFFSHORE LIMITED**  
**(Registration Number 42388)**

**REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2015**

## **MICLYN EXPRESS OFFSHORE LIMITED**

### **REPORT AND FINANCIAL STATEMENTS**

#### **C O N T E N T S**

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## MICLYN EXPRESS OFFSHORE LIMITED

### STATEMENT OF DIRECTORS

In the opinion of the directors, the consolidated financial statements of the Group as set out on pages 4 to 86 are drawn up so as to give a true and fair view of the financial position of the Group as at 30 June 2015 and the financial performance, changes in equity and cash flows of the Group for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Group will be able to pay its debts when they fall due.

ON BEHALF OF THE BOARD OF DIRECTORS



.....  
Nathaniel Childres



.....  
Diederik Christiaan de Boer

Date: 26<sup>th</sup> August 2015

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF MICLYN EXPRESS OFFSHORE LIMITED**

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Miclyn Express Offshore Limited (the "Company") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as at 30 June 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 4 to 86.

### **Management's Responsibility for the Consolidated Financial Statements**

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

### **Auditors' Responsibility**

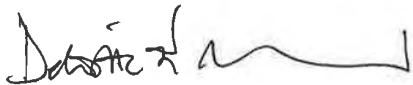
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF  
MICLYN EXPRESS OFFSHORE LIMITED**

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 30 June 2015, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.



Public Accountants and  
Chartered Accountants  
Singapore

26 August 2015

**MICLYN EXPRESS OFFSHORE LIMITED**

Consolidated statement of profit or loss and other comprehensive income  
for the year ended 30 June 2015

	Note	Year ended 30 June 2015 US\$'000	Year ended 30 June 2014 US\$'000
Revenue	5	261,788	244,497
Cost of sales		(188,248)	(150,627)
Gross profit		73,540	93,870
Other income	7	2,860	10,549
Administration expenses	8	(39,173)	(36,433)
Finance costs	10	(26,544)	(22,416)
Other expenses	11	(28,334)	(56)
Share of profit from joint ventures	20	9,814	9,422
(Loss)\ Profit before tax	12	(7,837)	54,936
Income tax expense	13	(3,373)	(5,510)
<b>(LOSS)\ PROFIT FOR THE YEAR</b>		<b>(11,210)</b>	<b>49,426</b>
<b>Other comprehensive expense:</b>			
<b>Item that may be reclassified subsequently to profit or loss:</b>			
Exchange differences arising on translation of foreign operations		(6,759)	(2,347)
Cash flow hedge		(896)	-
<b>Other comprehensive expense for the year, net of tax</b>		<b>(7,655)</b>	<b>(2,347)</b>
<b>TOTAL COMPREHENSIVE (LOSS)\ INCOME FOR THE YEAR</b>		<b>(18,865)</b>	<b>47,079</b>
(Loss)\ Profit attributable to:			
Owners of the Company		(12,648)	47,811
Non-controlling interests		1,438	1,615
		<b>(11,210)</b>	<b>49,426</b>
Total comprehensive (loss)\ income attributable to:			
Owners of the Company		(20,303)	45,464
Non-controlling interests		1,438	1,615
		<b>(18,865)</b>	<b>47,079</b>

See accompanying notes to financial statements.

**MICLYN EXPRESS OFFSHORE LIMITED**

Consolidated statement of financial position  
at 30 June 2015

	<u>Note</u>	<u>30 June 2015</u> US\$'000	<u>30 June 2014</u> US\$'000
<b>Assets</b>			
<i>Current assets</i>			
Cash and cash equivalents	14	16,237	19,259
Trade and other receivables	15	102,760	104,412
Loan to immediate holding company	16	139,165	139,165
Inventories and work-in-progress	17	8,540	7,417
Vessel held for sale	18	1,500	-
Total current assets		268,202	270,253
<i>Non-current assets</i>			
Investment in joint ventures	20	66,604	61,349
Property, plant and equipment	21	621,332	490,014
Intangible assets	22	33,183	60,557
Derivative financial instruments	23	-	2,317
Other non-current assets	24	6,024	-
Deferred tax assets	13	-	519
Total non-current assets		727,143	614,756
Total assets		995,345	885,009
<b>Liabilities</b>			
<i>Current liabilities</i>			
Trade and other payables	25	77,696	62,772
Borrowings	26	37,189	13,539
Provisions	28	289	289
Current tax liabilities		2,315	3,968
Total current liabilities		117,489	80,568
<i>Non-current liabilities</i>			
Borrowings	26	318,361	228,376
Provisions	28	161	450
Senior secured guaranteed bonds	29	142,740	151,212
Derivative financial instruments	23	10,593	-
Deferred tax liabilities	13	1,188	149
Total non-current liabilities		473,043	380,187
Total liabilities		590,532	460,755
Net assets		404,813	424,254

**MICLYN EXPRESS OFFSHORE LIMITED**

Consolidated statement of financial position  
at 30 June 2015

	<u>Note</u>	<u>30 June 2015</u> US\$'000	<u>30 June 2014</u> US\$'000
<b>Equity</b>			
<i>Capital and reserves</i>			
Share capital	30	-*	-*
Share premium	31	-	-
Reserves	32	127,964	136,391
Retained earnings	33	274,962	287,610
		<hr/>	<hr/>
Equity attributable to owners of the Company		402,926	424,001
Non-controlling interests	36	1,887	253
		<hr/>	<hr/>
Total equity		404,813	424,254
		<hr/>	<hr/>

\* Amount is less than US\$1,000

See accompanying notes to financial statements.

**MICLYN EXPRESS OFFSHORE LIMITED**

Consolidated statement of changes in equity  
for the year ended 30 June 2015

Note	Share capital US\$'000	Share premium US\$'000	Other equity reserves US\$'000	Translation reserve US\$'000	Hedging reserve US\$'000	Share- based payments reserve US\$'000	Retained earnings US\$'000	Attributable to owners of the Company US\$'000	Non- controlling interests US\$'000	Total US\$'000
<b>Balance at 1 July 2013</b>	27,786	162,613	(45,143)	(4,047)	-	2,353	238,271	381,833	1,528	383,361
Profit for the year	-	-	-	-	-	-	47,811	47,811	1,615	49,426
Other comprehensive income for the year, net of tax	-	-	-	(2,347)	-	-	-	(2,347)	-	(2,347)
<b>Total comprehensive income for the year</b>	-	-	-	(2,347)	-	-	47,811	45,464	1,615	47,079
<b>Transactions with owners, recognised directly in equity</b>										
Grant of cash-settled share option reserve to employees	32(c)	-	-	-	-	(1,236)	-	(1,236)	-	(1,236)
Recognition of share-based payment	32(c)	-	-	-	-	359	-	359	-	359
Issue of share capital	30,31	21	409	-	-	(430)	-	-	-	-
Adjustment for amalgamation	3,3,30, 31	(27,807)	(163,022)	190,829	-	-	-	-	-	-
Transfer to other equity reserve	32(a)	-	-	1,046	-	(1,046)	-	-	-	-
Effect of acquiring part of non- controlling interests in a subsidiary	32(a),33	-	-	(3,980)	-	-	1,528	(2,452)	(2,890)	(5,342)
Recognition of hedging reserve	32(d)	-	-	-	-	33	-	33	-	33
<b>Balance at 30 June 2014</b>	*	-	142,752	(6,394)	33	-	287,610	424,001	253	424,254

\* Amount is less than US\$1,000

See accompanying notes to financial statements.



# **MICLYN EXPRESS OFFSHORE LIMITED**

Consolidated statement of changes in equity  
for the year ended 30 June 2015

Note	Share capital US\$'000	Share premium US\$'000	Other equity reserves US\$'000	Translation reserve US\$'000	Hedging reserve US\$'000	Share-based payments reserve US\$'000	Retained earnings US\$'000	Attributable to owners of the Company US\$'000	Non-controlling interests US\$'000	Total US\$'000
<b>Balance at 1 July 2014</b>	-*	-	142,752	(6,394)	33	-	287,610	424,001	253	424,254
Loss for the year	-	-	-	-	-	-	(12,648)	(12,648)	1,438	(11,210)
Other comprehensive expense for the year, net of tax	-	-	-	(6,759)	(896)	-	-	(7,655)	-	(7,655)
Total comprehensive (loss)\ income for the year	-	-	-	(6,759)	(896)	-	(12,648)	(20,303)	1,438	(18,865)
<b>Transactions with owners, recognised directly in equity</b>										
Recognition of share-based payment	-	-	-	-	-	1,149	-	1,149	-	1,149
Effect of acquiring part of non-controlling interests in a subsidiary <sup>(1)</sup>	-	-	(1,921)	-	-	-	-	(1,921)	-	(1,921)
Share capital contribution from Non-controlling interest	-	-	-	-	-	-	-	-	196	196
<b>Balance at 30 June 2015</b>	*	-	140,831	(13,153)	(863)	1,149	274,962	402,926	1,887	404,813

<sup>(1)</sup> During the financial year, the Group made payment to the non-controlling shareholders of its pipe transportation subsidiary, Express Offshore Solutions Pte Ltd ("EOS") for the purchase of the remaining 30% shareholding in the company.

\* Amount is less than US\$1,000  
See accompanying notes to financial statements.

**MICLYN EXPRESS OFFSHORE LIMITED**

## Consolidated statement of cash flows

For the year ended 30 June 2015

	Note	Year ended 30 June 2015 US\$'000	Year ended 30 June 2014 US\$'000
<b>Cash flows from operating activities</b>			
(Loss)\ Profit for the year		(11,210)	49,426
Income tax expense recognised in profit or loss		3,373	5,510
Share of profit from joint ventures		(9,814)	(9,422)
Amortisation of provisions		(289)	(333)
Amortisation of vessels mob\ demob expenditure	12	1,642	1,195
Amortisation of intangible assets		321	234
Amortisation of drydocking expenditure		7,791	5,052
Depreciation of property, plant and equipment		25,499	21,925
Property, plant and equipment written off		13	56
Impairment loss on vessel		1,166	-
Impairment of goodwill		27,155	-
Allowance for doubtful debts		3,194	743
Gain on disposal of property, plant and equipment, net		(409)	(7,578)
Interest expense		26,468	22,092
Interest income		(193)	(99)
Expense recognised in respect of share-based payments		1,149	359
Unrealised currency translation gain		(4,367)	(470)
Movements in working capital		71,489	88,690
Increase in trade and other receivables		(11,133)	(23,678)
Increase in inventories		(1,285)	(1,670)
Increase in trade and other payables		22,299	10,713
Cash generated from operations		81,370	74,055
Income tax paid		(1,983)	(1,735)
Interest paid		(21,126)	(13,158)
Net cash from operating activities		58,261	59,162
<b>Cash flows from investing activities</b>			
Interest received		193	99
Proceeds from disposal of property, plant and equipment		6,513	26,039
Payments for property, plant and equipment		(177,493)	(85,293)
Payments for intangible assets		(102)	(292)
Acquisition of investment in joint ventures		-	(18,900)
Share capital contribution from non-controlling interest		196	-
Loan to immediate holding company		-	(139,165)
Net cash used in investing activities		(170,693)	(217,512)

**MICLYN EXPRESS OFFSHORE LIMITED**

Consolidated statement of cash flows

For the year ended 30 June 2015

	<u>Note</u>	<u>Year ended</u> <u>30 June 2015</u> US\$'000	<u>Year ended</u> <u>30 June 2014</u> US\$'000
<b>Cash flows from financing activities</b>			
Acquisition of non-controlling interest in subsidiary		(1,921)	(6,870)
Net proceeds from issue of bond	29	-	148,928
Upfront expenses due to bonds and borrowings		(1,312)	(5,853)
Settlement of share based payments		-	(1,236)
Net proceeds from borrowings	26	190,500	335,289
Repayments of borrowings	26	(76,858)	(307,387)
Net cash from financing activities		<u>110,409</u>	<u>162,871</u>
Net (decrease)\ increase in cash and cash equivalents		(2,023)	4,521
Cash and cash equivalents at the beginning of the year		19,259	14,567
Effects of exchange rate changes on the balance of cash held in foreign currencies		<u>(999)</u>	<u>171</u>
<b>Cash and cash equivalents at the end of the year</b>	<b>14</b>	<u><b>16,237</b></u>	<u><b>19,259</b></u>

See accompanying notes to financial statements.

## MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements  
for the year ended 30 June 2015

### 1. General information

Miclyn Express Offshore Limited, (the “Company”) was incorporated in Bermuda on 11 September 2009. The registered address is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business is 3 HarbourFront Place, #11-01/04 HarbourFront Tower 2, Singapore 099254.

The Company and its subsidiaries (the “Group”) are principally engaged as owners, charterers and marketers of offshore support vessels, crew/utility vessels, tugs, barges and coastal survey vessels and in crewboat operations and investment holding.

### 2. Adoption of new and revised accounting standards

On 1 July 2014, the group adopted all the new and revised IFRSs that are effective from that date and are relevant to its operations. The adoption of the new and revised IFRSs does not result in changes to the group’s accounting policies and has no material effect on the amounts reported for the current or prior years.

At the date of authorisation of these financial statements, the following new/revised IFRSs that are relevant to the group were issued but not effective:

- IFRS 9 *Financial Instruments*<sup>2</sup>
- IFRS 15 *Revenue from Contracts with Customers*<sup>2</sup>
- Amendments to IAS 1 *Presentation of Financial Statements: Disclosure Initiative*<sup>1</sup>
- Amendments to IAS 27 *Separate Financial Statements: Equity Method in Separate Financial Statements*<sup>1</sup>
- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*<sup>1</sup>
- Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities*, IAS 28 *Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception*<sup>1</sup>
- Amendments to IFRS 11 *Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations*<sup>1</sup>

<sup>1</sup> Applies to annual periods beginning on or after January 1, 2016, with early application permitted.

<sup>2</sup> Applies to annual periods beginning on or after January 1, 2018, with early application permitted.

Consequential amendments were also made to various standards as a result of these new/revised standards.

## MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements  
for the year ended 30 June 2015

### 2. Adoption of new and revised accounting standards (continued)

The management anticipates that the adoption of the above IFRSs and amendments to IFRS in future periods will not have a material impact on the financial statements of the Group in the period of their initial adoption except for the following:

#### IFRS 9 Financial Instruments

IFRS 9 was issued in December 2014 to replace IFRS 9 *Financial Instruments: Recognition and Measurement* and introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities, (ii) general hedge accounting and (iii) impairment requirements for financial assets.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 are now required to be subsequently measured at amortised cost or fair value through profit or loss (FVTPL). Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (FVTOCI). All other debt investments and equity investments are measured at FVTPL at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognised in profit or loss.
- With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, IFRS 9 requires that the amount of change in fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch to profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

## MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements  
for the year ended 30 June 2015

### 2. Adoption of new and revised accounting standards (continued)

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Management is currently evaluating the potential impact of the application of IFRS 9 on the financial statements of the Group in the period of initial application.

#### **IFRS 15 Revenue from Contracts with Customers**

In November 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

Management is currently evaluating the potential impact of the application of IFRS 15 on the financial statements of the Group in the period of initial application.

## **MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
for the year ended 30 June 2015

### **2. Adoption of new and revised accounting standards (continued)**

#### **Amendments to IAS 1 *Presentation of Financial Statements: Disclosure Initiative***

The amendments have been made to the following:

- **Materiality and aggregation** - An entity shall not obscure useful information by aggregating or disaggregating information and materiality considerations apply to the primary statements, notes and any specific disclosure requirements in IFRSs.
- **Statement of financial position and statement of profit or loss and other comprehensive income** - The list of line items to be presented in these statements can be aggregated or disaggregated as relevant. Guidance on subtotals in these statements has also been included.
- **Presentation of items of other comprehensive income ("OCI")** arising from equity-accounted investments – An entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single items based on whether or not it will subsequently be reclassified to profit or loss.
- **Notes** - Entities have flexibility when designing the structure of the notes and guidance is introduced on how to determine a systematic order of the notes. In addition, unhelpful guidance and examples with regard to the identification of significant accounting policies are removed.

Management is currently evaluating the potential impact of the application of these amendments to IAS 1 on the financial statements of the Group in the period of initial application.

#### **Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

The amendments address the requirements in dealing with the sale or contribution of assets between an investor and its associate or joint venture. In a transaction involving an associate or a joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.

When an entity sells or contributes assets that constitute a business to a joint venture or associate, or loses control of a subsidiary that contains a business but it retains joint control or significant influence, the gain or loss resulting from that transaction is recognised in full.



## **MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
for the year ended 30 June 2015

### **2. Adoption of new and revised accounting standards (continued)**

When an entity sells or contributes assets that do not constitute a business to a joint venture or associate, or loses control of a subsidiary that does not contain a business but it retains joint control or significant influence, the gain or loss resulting from that transaction is recognised only to the extent of the unrelated investors' interests in the joint venture or associate, i.e. the entity's share of the gain or loss is eliminated.

Management is currently evaluating the potential impact of the application of these amendments to IFRS 10 and IAS 28 on the financial statements of the Group in the period of initial application.

### **3. Significant accounting policies**

#### **3.1 Statement of compliance**

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with the International Financial Reporting Standards ("IFRS").

The financial statements comprise the consolidated financial statements of the Group.

The financial statements were authorised for issue by the directors on 26<sup>th</sup> August 2015.

#### **3.2 Basis of preparation**

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that are measured at revaluated amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date, regardless of whether the price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value of measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS2, leasing transactions that are within the scope of IAS17, and measurements that have some similarities to fair value but not fair value, such as net realisable value in IAS2 or value in use in IAS36.

## **MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
for the year ended 30 June 2015

### **3. Significant accounting policies (continued)**

#### **3.2 Basis of preparation (continued)**

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

#### **3.3 Accounting for Amalgamation**

On 16 December 2013, Miclyn Express Offshore Limited (“MEOL”) announced an amalgamation with Manta 2 Holdings Limited (a wholly-owned subsidiary of Manta Holding Limited, an entity jointly owned by two existing significant shareholders of MEOL), in accordance with the Companies Act 1981 of Bermuda and the Amalgamation Agreement dated 13 November 2013 entered into amongst MEOL, Manta 2 Holdings Limited and Manta Holdings Limited. Subsequently, Manta Holdings Limited became the parent of MEOL (the “Amalgamation”).

In substance, the transaction was an administrative restructuring of MEOL Group to facilitate MEOL Group’s delisting from the Australian Securities Exchange (“ASX”) and the raising of debt financing.

The major implications of the accounting for the Amalgamation in the prior years was that the consolidated financial statements were prepared in the name of the amalgamated company, MEOL and as though the transaction represented a continuation of the financial statements of MEOL Group and accordingly:

1. the assets and liabilities were recognised and measured in these condensed consolidated financial statements at the carrying amounts of the existing MEOL Group;
2. the retained earnings and other equity balances recognised in the consolidated financial statements were the existing retained earnings and other equity balances of MEOL Group; and
3. the amount recognised as issued equity instruments in the consolidated financial statements is that of Manta 2 Holdings Limited and the previous issued equity recorded in the MEOL Group financial statements immediately before the Amalgamation were transferred to other equity reserves.

## **MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
for the year ended 30 June 2015

### **3. Significant accounting policies (continued)**

#### **3.4 Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassess whether or not it control an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When a Company has less than a majority of the voting right of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

## **MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
for the year ended 30 June 2015

### **3. Significant accounting policies (continued)**

#### **3.4 Basis of consolidation (continued)**

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interest of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interest is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interest in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specific/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

## MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements  
for the year ended 30 June 2015

### 3. Significant accounting policies (continued)

#### 3.5 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair values, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree, and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their assumed fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into the replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal Groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquire (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognised immediately in the profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill.

## **MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
for the year ended 30 June 2015

### **3. Significant accounting policies (continued)**

#### **3.5 Business combinations (continued)**

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date of the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

The policy described above is applied to all business combinations that have taken place on or after 1 July 2010.

#### **3.6 Interests in joint ventures**

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

## **MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
for the year ended 30 June 2015

### **3. Significant accounting policies (continued)**

#### **3.6 Interests in joint ventures (continued)**

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the group's share of the profit or loss and other comprehensive income of the joint venture. When the group's share of losses of a joint venture exceeds the group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the group's net investment in the joint venture), the group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect of the group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The group discontinues the use of the equity method from the date when the investment ceases to be a joint venture, or when the investment is classified as held for sale. When the group retains an interest in the former joint venture and the retained interest is a financial asset, the group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the relevant assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.



## **MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
for the year ended 30 June 2015

### **3. Significant accounting policies (continued)**

#### **3.6 Interests in joint ventures (continued)**

The group continues to use the equity method when an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the group reduces its ownership interest in a joint venture but the group continues to use the equity method, the group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When the group entity transaction with a joint venture of the group, profits or losses resulting from the transactions with the joint venture are recognised in the group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the group.

#### **3.7 Goodwill**

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

## **MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
for the year ended 30 June 2015

### **3. Significant accounting policies (continued)**

#### **3.8 Non-current assets held for sale**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

#### **3.9 Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable for rendering of services in the ordinary course of the Group's activities, net of goods and services tax, rebates and discounts, where applicable, and after eliminating sales within the Group. Revenue is recognised as follows:

##### Chartering revenue

Revenue from chartering contracts is recognised on a time proportionate basis. Probable losses on voyages are provided in full at the time such losses can be estimated. Deferred revenue is recorded when payments are received in advance for the Group's services. As a related service is rendered, revenue is recognised.

##### Pipe transportation projects

Revenue and profits from pipe transportation projects are recognised based on the percentage of completion as at the end of the reporting period by reference to the proportion of cost incurred to date in relation to the estimated total costs for the respective contracts, provided that the outcome can be reliably estimated.

Provision is made in full for estimated losses on uncompleted contracts and liquidated damages in the year in which such losses are anticipated, regardless of the stage of completion of the contracts.

## **MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
for the year ended 30 June 2015

### **3. Significant accounting policies (continued)**

#### **3.9 Revenue recognition (continued)**

##### Rendering of services

Revenue from services is recognised over the period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be performed.

##### Mobilisation/demobilisation income

Mobilisation and demobilisation income is recognised upon completed delivery of services.

##### Wharfages and commission income

Wharfages and commission income is recognised when the service is rendered.

##### Ship management income

Revenue from management contracts is recognised on a time-proportionate basis. Deferred revenue is recorded when payments are received in advance for these services.

##### Dividend and interest income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

## MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements  
for the year ended 30 June 2015

### 3. Significant accounting policies (continued)

#### 3.10 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

##### The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

##### The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see Note 3.12 below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

## **MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
for the year ended 30 June 2015

### **3. Significant accounting policies (continued)**

#### **3.11 Foreign currency transactions and translation**

The consolidated financial statements are presented in United States dollar, which is the Company's functional currency. Each entity within the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; are described in the hedging accounting policies below;
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into United States dollar using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

## **MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
for the year ended 30 June 2015

### **3. Significant accounting policies (continued)**

#### **3.11 Foreign currency transactions and translation (continued)**

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

#### **3.12 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

#### **3.13 Retirement benefit costs**

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

#### **3.14 Employee leave entitlement**

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

## MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements  
for the year ended 30 June 2015

### 3. Significant accounting policies (continued)

#### 3.15 Share-based payments

The Group previously issued equity-settled share-based payments to certain employees.

Equity-settled share-based payments to employees and others providing similar services are measured at fair value of the equity instruments at the date of grant. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 34.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

#### 3.16 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

##### Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

##### Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.



## **MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
for the year ended 30 June 2015

### **3. Significant accounting policies (continued)**

#### **3.16 Taxation (continued)**

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on the tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its asset and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on the net basis.

#### Current and deferred tax for the year

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of business combinations, the tax effect is included in the accounting for the business combination.

## **MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
for the year ended 30 June 2015

### **3. Significant accounting policies (continued)**

#### **3.17 Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amounts of the replaced components are written off to the statement of comprehensive income. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of comprehensive income as incurred.

Depreciation is calculated using the straight-line method to allocate the cost less its residual values estimated by the management so as to write-off items of property, plant and equipment over their estimated useful lives.

The estimated useful lives of assets are summarised as follows:

Vessels – Barges	-	20 years
Vessels – Others	-	25 years
Vessels – Equipment	-	3 to 5 years
Dry-docking	-	2.5 to 5 years
Buildings	-	20 years
Furniture and fittings	-	3 to 10 years
Office equipment	-	3 to 5 years
Motor vehicles	-	10 years
Plant and machinery	-	2.5 to 5 years

No depreciation is provided on vessels under construction.

The depreciation method, estimated useful lives and residual values are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

## **MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
for the year ended 30 June 2015

### **3. Significant accounting policies (continued)**

#### **3.17 Property, plant and equipment (continued)**

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Other subsequent expenditure is recognised as repair and maintenance expense in the statement of profit or loss and other comprehensive income during the financial year in which it is incurred.

Costs incurred on subsequent dry-docking of vessels are capitalised and depreciated over 2.5 to 5 years. When significant dry-docking costs are incurred prior to the expiry of the depreciation period, the remaining costs of the previous dry-docking is written off in the month of the next dry-docking.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge is taken for depreciation in respect of these assets.

#### **3.18 Intangible assets**

Intangible assets acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The estimated useful lives of licences is 5 years.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

## **MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
for the year ended 30 June 2015

### **3. Significant accounting policies (continued)**

#### **3.19 Impairment of tangible and intangible assets excluding goodwill**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are allocated to individual cash generating units, or otherwise they are also allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit or loss, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### **3.20 Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted-average basis. Cost of work-in-progress comprises raw materials, direct labour, sub-contractors' costs, other direct cost and related production overheads but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less all estimated cost of completion and cost necessary to make the sale.

## **MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
for the year ended 30 June 2015

### **3. Significant accounting policies (continued)**

#### **3.21 Provisions**

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

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

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

#### **3.22 Financial assets**

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs.

##### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premium or discounts) through the expected life of the debt instrument, or where appropriate, a shorter period to the net carrying amount at initial recognition.

##### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

## **MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
for the year ended 30 June 2015

### **3. Significant accounting policies (continued)**

#### **3.22 Financial assets (continued)**

##### Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial asset, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 116 days (2014: 106 days), as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

## **MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
for the year ended 30 June 2015

### **3. Significant accounting policies (continued)**

#### **3.22 Financial assets (continued)**

##### Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

#### **3.23 Financial liabilities and equity instruments issued by the Group**

##### Classification as debt or equity

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

##### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.



## **MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
for the year ended 30 June 2015

### **3. Significant accounting policies (continued)**

#### **3.23 Financial liabilities and equity instruments issued by the Group (continued)**

##### Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transactions costs, and are subsequently measured at amortised cost, using the effective interest method.

For interest bearing bank loans and bonds, any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

##### Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

#### **3.24 Fair value estimation for financial assets and liabilities**

The carrying amounts of current financial assets and liabilities, carried at amortised cost, approximate their fair values.

The fair values of financial instruments traded in active markets (such as exchange traded and over-the-counter securities and derivatives) are based on quoted market prices at the end of each reporting period.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as estimated discounted cash flows, are also used to determine the fair values of the financial instruments.

The fair values of financial liabilities carried at amortised cost are estimated by discounting the future contractual cash flows at the current market interest rates that are available to the Group for similar financial liabilities.

## **MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
for the year ended 30 June 2015

### **3. Significant accounting policies (continued)**

#### **3.25 Derivative financial instruments and hedge accounting**

The Group enters into derivative financial instruments to manage its exposure to interest rate risk and foreign exchange rate risk including foreign exchange forward contracts and interest rate swaps. Details of derivative financial instruments are disclosed in Note 23 to the financial statements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in the profit and loss statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit and loss depends on the nature of the hedge relationship.

The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges) or hedges of foreign currency risk of firm commitments (cash flow hedges). A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months from the end of the reporting period and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

#### **Hedge accounting**

The Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges or cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Note 23 contain details of the fair values of the derivative instruments used for hedging purposes.

## **MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
for the year ended 30 June 2015

### **3. Significant accounting policies (continued)**

#### **3.25 Derivative financial instruments and hedge accounting (continued)**

##### **Cash flow hedge**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of other gains and losses.

Amounts recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss in the same line of the profit and loss statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss that was accumulated in equity is recognised immediately in profit or loss.

#### **3.26 Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

#### **3.27 Cash and cash equivalents in the statement of cash flows**

Cash and cash equivalents in the statement of cash flows comprise cash and bank balances that is readily convertible to a known amount of cash and is subject to an insignificant risk of change in value.

## MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements  
for the year ended 30 June 2015

### 4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period; or in the period of the revision and future periods if the revision affects both current and future periods.

#### *Critical judgement in applying accounting policies*

Management is of the opinion that there are no critical judgements involved that have a significant effect on the amounts recognised in the consolidated financial statements, except for those involving estimates which are disclosed below.

#### *Key sources of estimation of uncertainty*

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

#### Allowance for doubtful debts

The policy for allowance for doubtful debts of the Group is based on the evaluation of recoverability and on management's judgement. A considerable amount of judgement is required in assessing the expected ultimate realisation of these receivables, including the credit-worthiness of each customer. Management has assessed the recoverability of gross trade receivables of US\$84,577,000 (2014: US\$94,790,000) (Note 15) and considered that an allowance for doubtful debts amounting to US\$2,985,000 (2014: US\$943,000) was required.

#### Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the end of the reporting period was US\$32,837,000 (2014: US\$59,992,000). Details of the impairment review calculation are provided in Note 22.

## MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements  
for the year ended 30 June 2015

### 4. Critical accounting judgements and key sources of estimation uncertainty (continued)

#### *Key sources of estimation of uncertainty (continued)*

##### Insurance claims

Insurance claims relate mainly to claim for damages sustained by the Group's vessels which have been lodged with the insurer. The insurance claims are made based on the estimates of Group's claims recoverable under the insurance policies in place.

The carrying amount of the insurance claims is disclosed in Note 15.

##### Impairment of vessels

Vessels (including dry-docking) with net carrying amount of US\$597,509,000 (2014: US\$466,910,000) were subject to an impairment review in the financial year ended 30 June 2015. The impairment review involves comparing the recoverable amount of an asset or cash generating unit against their carrying values.

Recoverable amount is defined as the higher of the value in use and fair value less cost to sell. Value in use is the present value of the future cash flows expected to be derived from the asset or cash generating unit, including terminal value. Fair value is the amount obtainable from the sale of an asset or cash generating unit in an arm's length transaction between knowledgeable, willing parties. The fair value was based on valuation reports prepared by independent third party valuers which represent an appraisal of the vessels' present day indicative market value.

Management is of the opinion that the carrying values of the vessels as at 30 June 2015 are reasonable. Should there be future development that will impact on the carrying values, adjustments will be made in the next reporting period, where appropriate.

The carrying values of vessels are disclosed in Note 21.

## MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements  
for the year ended 30 June 2015

### 4. Critical accounting judgements and key sources of estimation uncertainty (continued)

#### *Key sources of estimation of uncertainty (continued)*

##### Residual values and useful lives of vessel

The Group reviews the residual values and useful lives of property, plant and equipment at the end of each reporting period, in accordance with the accounting policy stated in Note 3.

Significant judgement is required in determining the residual values and useful lives of vessels. In determining the residual values and useful lives of vessels, the Group considers the scrap steel market price, the expected usage, maintenance and repair cost, technical or commercial obsolescence and legal or similar limits to the use of plant and equipment.

The Group adopts a policy of depreciating the cost of its vessels, after allowing for residual values, over an assumed economic life span of 20 to 25 years from the date of initial delivery of a vessel from the shipyard. However, the assumptions regarding economic life span and the estimated residual values may differ from the original estimates. Such differences will impact depreciation prospectively from the year in which the estimated economic useful life or the residual value changes.

The carrying amount of property, plant and equipment are disclosed in Note 21.

##### Taxation in different jurisdictions

The Group is subject to income taxes in a number of jurisdictions. In determining income tax liabilities, management is required to estimate the deductibility of certain expenses and the amount of capital allowances available in each tax jurisdiction.

Management has estimated its income tax liabilities in all the jurisdictions in which it operates, and the amounts recorded as at 30 June 2015 are considered reasonable. The carrying amounts of the income tax payable for the group at the end of reporting period amounted to US\$2,315,000 (2014: US\$3,968,000) and the income tax expense is disclosed in Note 13.

##### Fair value of share-based payment

The fair value of the share options issued under the management equity plan was assessed by an independent third party valuer. The valuer adopted the Black-Scholes Option Pricing model. Based on the valuation report, an expense of US\$1,149,000 (2014: US\$Nil) was recognised.

**MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
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**5. Revenue**

The following is an analysis of the Group's revenue for the year:

	Year ended 30 June 2015 US\$'000	Year ended 30 June 2014 US\$'000
Charter revenue	182,659	183,073
Mobilisation/demobilisation income	1,586	5,765
Ship management income	4,261	3,250
Project pipe transportation	72,222	42,509
Vessel customisation income	779	9,049
Ship repair income	-	253
Radio and communications revenue	247	307
Moorings revenue	34	291
	<u>261,788</u>	<u>244,497</u>

See Note 6 below for an analysis of revenue by operating segments.

**6. Segmental information**

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is focused on the category of vessels generating charter revenue. The principal categories of revenue are Offshore Support Vessels, Crew/utility Vessels, Tugs, Barges, Coastal Survey Vessels, Third party Vessels and Project pipe transportation.

Offshore support vessels	- Transportation and various support services across the entire offshore oil and gas cycle
Crew/utility vessels	- Transportation of personnel and supplies to and from oil and gas production platforms
Tugs	- Transportation of barges to and from work locations
Barges	- Transportation of oilfield equipment, heavy steel structures, raw materials and/or accommodation for personnel working at offshore sites
Coastal survey vessels	- Near-shore civil construction and oil/gas field exploration, development and production support
Third party vessels	- Chartering of vessels from the market, to charter out to customers, vessel upgrading, vessel reinstatement and ship management
Project pipe transportation	- Provision of offshore transportation solutions and equipment



**MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
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**6. Segmental information (continued)**

Information regarding the Group's reportable segments is presented below.

**(i) Segment revenue and results**

The following is an analysis of the Group's revenue and results by reportable segment:

	Segment revenue		Segment profit/(loss)	
	Year ended 30 June 2015	Year ended 30 June 2014	Year ended 30 June 2015	Year ended 30 June 2014
	US\$'000	US\$'000	US\$'000	US\$'000
Offshore support vessels	109,039	99,266	34,960	41,063
Crew/utility vessels	57,831	50,457	18,358	22,468
Tugs	5,707	27,379	(456)	8,058
Barges	15,711	11,393	9,469	5,789
Coastal survey vessels	1,267	2,063	(119)	(84)
Third party vessels	7,355	12,026	1,255	2,817
Project pipe transportation	72,222	42,509	12,043	11,274
Vessel customisation	779	9,049	(1,970)	2,440
Others	-	253	-	45
	269,911	254,395	73,540	93,870
Eliminations	(8,123)	(9,898)	-	-
<b>Total</b>	<b>261,788</b>	<b>244,497</b>	<b>73,540</b>	<b>93,870</b>
Other income			2,860	10,549
Central administration costs and directors' salaries			(39,173)	(36,433)
Finance costs			(26,544)	(22,416)
Other expenses			(28,334)	(56)
Share of profit from joint ventures			9,814	9,422
(Loss)/ Profit before tax			(7,837)	54,936
Income tax expense			(3,373)	(5,510)
<b>Consolidated (loss)/ profit for the year</b>			<b>(11,210)</b>	<b>49,426</b>

**MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
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**6. Segmental information (continued)****(i) Segment revenue and results (continued)**

Revenue and results reported above represents revenue generated from external customers.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs and Directors' salaries and finance costs, and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

**(ii) Segment assets and liabilities**

	30 June 2015	30 June 2014
	US\$'000	US\$'000
<b>Segment assets</b>		
Offshore support vessels	401,543	314,114
Crew/utility vessels	228,155	202,388
Tugs	23,770	47,736
Barges	52,830	49,549
Coastal survey vessels	1,904	4,390
Project pipe transportation	21,409	9,086
Vessel customisation	3,698	9,568
Total segment assets	733,309	636,831
Unallocated	262,036	248,178
Consolidated assets	995,345	885,009
<b>Segment liabilities</b>		
Offshore support vessels	110,168	26,285
Crew/utility vessels	28,112	12,859
Tugs	2,804	8,876
Barges	5,816	1,456
Coastal survey vessels	187	359
Project pipe transportation	4,367	814
Vessel customisation	3,833	10,147
Total segment liabilities	155,287	60,796
Unallocated	435,245	399,959
Consolidated liabilities	590,532	460,755

**MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
for the year ended 30 June 2015

**6. Segmental information (continued)****(ii) Segment assets and liabilities (continued)**

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than “cash and cash equivalents”, “other receivables and prepayments”, “intangible assets”, “deferred tax assets” and certain “property, plant and equipment” used for administrative purposes. Goodwill has been allocated to reportable segments as described in Note 22. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and
- all liabilities are allocated to reportable segments other than “borrowings”, “other financial liabilities” and “current and deferred taxation”. Liabilities for which reportable segments are jointly liable are allocated in proportion to the cost of sales incurred.

**(iii) Other segment information**

	Depreciation and amortisation		Additions to non-current assets	
	Year ended 30 June 2015	Year ended 30 June 2014	Year ended 30 June 2015	Year ended 30 June 2014
	US\$'000	US\$'000	US\$'000	US\$'000
Offshore support vessels	16,967	13,254	131,905	21,064
Crew/utility vessels	9,105	6,895	27,425	47,500
Tugs	1,402	1,702	2,109	1,644
Barges	4,504	3,116	9,029	6,450
Coastal survey vessels	287	273	43	766
Project pipe transportation	182	112	122	201
Unallocated	1,164	1,859	6,962	7,960
	<u>33,611</u>	<u>27,211</u>	<u>177,595</u>	<u>85,585</u>

In addition to the depreciation and amortisation reported above, impairment losses of US\$27,155,000 (2014: US\$Nil) were recognised in respect of goodwill. These impairment losses were attributable to the following reportable segments:

	US\$'000
Offshore support vessels	17,055
Crew/utility vessels	47
Tugs/barges	<u>10,053</u>
	<u>27,155</u>

**MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
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**6. Segmental information (continued)****(iv) Geographical information**

The Group's vessels are deployed in four principal geographical areas - Asia, Australia, Middle East and Inter-regional.

The Group's revenue from external customers and information about its segment assets by geographical location are detailed below:

	Revenue from external customers		Non-current assets	
	Year ended 30 June 2015	Year ended 30 June 2014	30 June 2015	30 June 2014
	US\$'000	US\$'000	US\$'000	US\$'000
<u>Based on location where revenue was generated</u>				
Asia:				
Brunei	21,713	3,670	-	-
Indonesia	17,064	30,474	4,224	214
Malaysia	27,037	27,756	-	35
Singapore	-	3,668	101,588	95,820
Thailand	39,175	33,797	-	-
Rest of Asia	1,431	3,218	-	3,464
Inter-regional <sup>(1)</sup>	47,723	3,038	-	-
Australia	52,005	91,029	-	28,596
Middle East:				
Saudi Arabia	17,337	2,623	-	-
U.A.E	26,410	43,978	-	311
Rest of Middle East	11,893	1,246	-	-
	261,788	244,497	105,812	128,440
Vessels <sup>(2)</sup>	-	-	578,763	451,439
Vessels in construction/ work in progress <sup>(2)</sup>	-	-	15,578	14,757
Drydocking costs <sup>(2)</sup>	-	-	18,600	15,457
Plant and equipment <sup>(2)</sup>	-	-	4,798	4,663
Others	-	-	3,592	-
	261,788	244,497	727,143	614,756

## MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements  
for the year ended 30 June 2015

### 6. Segmental information (continued)

#### (iv) Geographical information (continued)

- (1) Inter-regional revenue is earned in international waters and is therefore not allocated to a specific country or region.
- (2) The management consider that the nature of the Group's business precludes a meaningful allocation of vessel and related assets to specific geographical segments. These vessels, together with the related drydocking costs and vessel equipment are primarily chartered across geographic markets.

#### (v) Information about major customers

Included in Group's revenue are:

- Revenue from Offshore Support Vessels and Crew/utility Vessels of US\$38,400,000 (2014: US\$31,113,000) derived from a customer;
- Revenue from Offshore Support Vessels, Crew/utility Vessels, Barges and Project Pipe Transportation of US\$26,243,000 (2014: US\$1,144,000) derived from a customer; and
- Revenue from Offshore Support Vessels, Crew/utility Vessels, Barges and Project Pipe Transportation of US\$3,641,000 (2014: US\$27,182,000) derived from another customer.

### 7. Other income

	Year ended 30 June 2015 US\$'000	Year ended 30 June 2014 US\$'000
Rental income	25	82
Management income	60	12
Gain on disposal of property, plant and equipment	409	7,578
Amortisation of provisions (Note 28)	289	333
Scrap sales	45	202
Sundry income	719	826
Interest income	193	99
Net foreign exchange gain	1,120	1,417
	<u>2,860</u>	<u>10,549</u>

**MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
for the year ended 30 June 2015

**8. Administration expenses**

	Year ended 30 June 2015	Year ended 30 June 2014
	US\$'000	US\$'000
Employee-related expenses (Note 9)	25,334	23,634
Professional fees	3,052	2,644
Rental expenses	1,646	1,673
Depreciation of property, plant and equipment	1,137	1,139
Allowance for doubtful debt	3,194	743
Others	4,810	6,600
	<u>39,173</u>	<u>36,433</u>

**9. Employee-related expenses**

	Year ended 30 June 2015	Year ended 30 June 2014
	US\$'000	US\$'000
Wages and salaries	17,389	16,211
Allowance and benefits	5,486	5,984
Employer's contribution to defined contribution plans	1,149	1,071
Share-based payments (Note 34)	1,149	359
Directors' fees	161	9
	<u>25,334</u>	<u>23,634</u>

**10. Finance costs**

	Year ended 30 June 2015	Year ended 30 June 2014
	US\$'000	US\$'000
Interest expense arising from:		
Bank loans	8,477	6,597
Interest expense (related party)	14	55
Bond	12,635	9,507
Other finance costs	52	79
	<u>21,178</u>	<u>16,238</u>
Amortisation of debt upfront fee	5,290	5,854
Total interest expense	<u>26,468</u>	<u>22,092</u>
Commitment fee in relation to bank facility	76	324
	<u>26,544</u>	<u>22,416</u>

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**11. Other expenses**

	Year ended 30 June 2015	Year ended 30 June 2014
	US\$'000	US\$'000
Property, plant and equipment written off	13	56
Impairment loss on vessel (Note 21)	1,166	-
Impairment of goodwill (Note 22)	27,155	-
	<u>28,334</u>	<u>56</u>

**12. (Loss)\ Profit before tax**

(Loss)\ Profit before tax has been arrived at after charging/(crediting):

	Year ended 30 June 2015	Year ended 30 June 2014
	US\$'000	US\$'000
Depreciation and amortisation:		
Depreciation of property, plant and equipment	25,499	21,925
Amortisation of drydocking expenditure	7,791	5,052
Amortisation of intangible assets	321	234
	<u>33,611</u>	<u>27,211</u>
Amortisation of vessels mobilisation / demobilisation expenditure	1,642	1,195
Charter hire expense	35,334	7,147
Cost of inventories recognised as expense in cost of sales	<u>1,589</u>	<u>634</u>

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**13. Income taxes**

	Year ended 30 June 2015	Year ended 30 June 2014
	US\$'000	US\$'000
Tax expense comprises:		
Current tax expenses in respect of the current year	213	4,314
Adjustments recognised in the current year in relation to prior years	3	(25)
Deferred tax expense relating to the origination and reversal of temporary differences	1,255	38
Foreign withholding tax paid	1,902	1,183
	<u>3,373</u>	<u>5,510</u>

The tax expense for the year can be reconciled to the accounting profit as follows:

	Year ended 30 June 2015	Year ended 30 June 2014
	US\$'000	US\$'000
(Loss)\ Profit before tax	<u>(7,837)</u>	<u>54,936</u>
Tax at the domestic income tax rate of 17%* (2014: 17%)	(1,333)	9,339
Tax exempt income	(5,349)	(7,626)
Tax effect of operating profits in other jurisdictions	108	1,233
Non-deductible expenses	8,042	1,406
Foreign withholding tax	1,902	1,183
Adjustments recognised in the current year in relation to the prior years	<u>3</u>	<u>(25)</u>
Total tax expense	<u>3,373</u>	<u>5,510</u>

- \* The tax rate used represents the domestic tax rate of Singapore, the country in which the Company is domiciled.



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**13. Income taxes (continued)**

In accordance with the provisions of the Singapore Income Tax Act ("the Act") and Singapore's Approved International Shipping Enterprise Incentive ("AIS"), the operating profits from shipping activities of vessels plying international waters are tax-exempt. The exemption is subject to the Group meeting the terms and conditions set out in Section 13A of the Act and AIS (approved since 1 February 2011). In addition, income tax is chargeable on interest received during the financial year which is treated as a separate source of income for tax purposes.

**Deferred tax balances**

The following are the major deferred tax liabilities and assets recognised by the Group, and the movements thereon, during the current and prior reporting periods:

	Accelerated tax depreciation US\$'000	Provision for staff benefits US\$'000	Total US\$'000
At 1 July 2013	169	(441)	(272)
Credit to profit or loss	(17)	(114)	(131)
Exchange differences	(3)	36	33
At 30 June 2014	149	(519)	(370)
Adjustment	303	-	303
Credit to profit or loss	766	339	1,105
Exchange differences	(30)	180	150
At 30 June 2015	1,188	-	1,188

The following is the analysis of the deferred tax assets and liabilities balances for presentation purposes:

	30 June 2015 US\$'000	30 June 2014 US\$'000
Deferred tax assets	-	519
Deferred tax liabilities	(1,118)	(149)
	(1,118)	370

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**14. Cash and cash equivalents**

	30 June 2015 US\$'000	30 June 2014 US\$'000
Cash and bank balances	16,237	19,259

**15. Trade and other receivables**

	30 June 2015 US\$'000	30 June 2014 US\$'000
Trade receivables	84,577	94,790
Allowance for doubtful debts	(2,985)	(943)
	81,592	93,847
Trade balances due from: Related parties (Note 42)	784	272
	82,376	94,119
Non-trade balances due from: Related parties (Note 42)	4,313	1,874
Advances	3,311	1,213
Deposits	1,611	1,644
Prepayments	4,659	3,574
Insurance claims (i)	3,325	368
Other receivables	1,290	1,522
Tax recoverable	1,875	98
	102,760	104,412

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**15. Trade and other receivables (continued)**

- (i) The insurance claims as at 30 June 2015 are for damages sustained by 13 (2014: 12) vessels which have been lodged with the insurer. Management is of the view that these claims are recoverable under the insurance policies in place.

The average days sales outstanding as at 30 June 2015 is 116 days (2014: 106 days). No interest is charged on overdue trade receivables. The Group recognises allowance for doubtful debts against specific identified trade receivables with outstanding balances more than 90 days, determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period but against which the Group has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

Ageing of past due but not impaired:

	30 June 2015 US\$'000	30 June 2014 US\$'000
< 3 months	29,214	32,759
3 months to 6 months	6,523	8,074
6 months to 12 months	5,088	4,862
> 12 months	8,013	1,413
	<u>48,838</u>	<u>47,108</u>

Movement in allowance for doubtful debts:

	30 June 2015 US\$'000	30 June 2014 US\$'000
Balance at beginning of year	943	5,469
Allowance during the year	3,194	743
Amounts written off during the year	(1,152)	(5,269)
Balance at end of the year	<u>2,985</u>	<u>943</u>

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**15. Trade and other receivables (continued)**

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit is initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the Group's customer base.

Ageing of impaired trade receivables:

	30 June 2015 US\$'000	30 June 2014 US\$'000
< 90 days	1,050	726
90 to 120 days	1,224	87
> 120 days	711	130
	<u>2,985</u>	<u>943</u>

**16. Loan to immediate holding company**

The Group entered into an agreement to provide a loan facility in the aggregate up to US\$150 million to Manta Holdings Limited, the immediate holding Company of the Group which expires on 12 December 2023. The loan is unsecured, interest-free and repayable on demand.

**17. Inventories and work-in-progress**

	30 June 2015 US\$'000	30 June 2014 US\$'000
Raw materials	1,201	692
Spare parts and consumables	6,278	5,918
Bunkers and lube oil	1,061	807
	<u>8,540</u>	<u>7,417</u>

**18. Vessel held for sale**

On 30 June 2015, the Group entered into an agreement to sell a utility vessel to an external party for a consideration of US\$1,500,000. Accordingly, the vessel to be sold was classified as vessel held for sale and was classified as a current asset on the statement of financial position. As at 30 June 2015, the vessel had a carrying amount of US\$1,500,000.

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**19. Subsidiaries**

The details of significant subsidiaries as at 30 June 2015 are as follows:

<u>Name of subsidiaries and country of incorporation and operation</u>	<u>Principal activities</u>	<u>Effective equity interest held</u>	
		<u>30 June 2015</u>	<u>30 June 2014</u>
		%	%
MEO Finance Company Limited Bermuda	Investment holding	100	100
Miclyn Offshore Pte Ltd Singapore	Investment holding, owner and charterer of vessels	100	100
Miclyn Express Offshore Pte Ltd Singapore	Investment holding, chartering and management of vessels	100	100
Miclyn Shipbuilding & Engineering Pte Ltd Singapore	Ship building and ship repair	100	100
Miclyn Offshore (Middle East & Africa) FZE United Arab Emirates	Marketing offshore vessels and providing support services	100	100
Airmat Singapore Pte Ltd Singapore	Owner and charterer of vessels and barges	100	100
Entrons (Singapore) Pte Ltd Singapore	Owner and charterer of vessels and barges	100	100
Girino Enterprise Pte Ltd Singapore	Owner and charterer of vessels and barges	100	100
Express Offshore Solutions Pte Ltd <sup>(i)</sup> Singapore	Provision of offshore transportation solutions and equipment	100	100
Ken-Mok Engineering & Fabricators Pte Ltd Singapore	Owner and charterer of vessels and barges	100	100
Koleth (S) Pte Ltd Singapore	Owner and charterer of vessels and barges	100	100

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**19. Subsidiaries (continued)**

<u>Name of subsidiaries and country of incorporation and operation</u>	<u>Principal activities</u>	<u>Effective equity interest held</u>	
		<u>30 June 2015</u> %	<u>30 June 2014</u> %
Maldives Fishery Pte Ltd Singapore	Owner and charterer of vessels and barges	100	100
Ticwink Pte Ltd Singapore	Owner and charterer of vessels and barges	100	100
Offshore Charters Pte Ltd Singapore	Ship management, owner and charterer of vessels	100	100
Stardazz Pte Ltd Singapore	Owner and charterer of vessels and barges	100	100
Blansco Sdn Bhd Malaysia	Owner and charterer of vessels and barges	100	100
Express Offshore Transport Limited Hong Kong	Owner and charterer of vessels and barges	100	100
Express Offshore Transport (UAE) LLC <sup>(ii)</sup> United Arab Emirates	Owner and charterer of vessels and barges	100	100
PT. Loh & Loh Construction Indonesia	Shipyard owner	100	100
Miclyn Express Offshore (L) Bhd Malaysia	Owner and charterer of vessels & barges	100	100
Miclyn Express Offshore (Australia) Holdings Pty Ltd <sup>(iii)</sup> Australia	Investment holding	100	100
MEO Brunei Sdn Bhd Brunei	Owner and charterer of vessels and barges	70	70
Miclyn Express Offshore (B) Sdn Bhd <sup>(iv)</sup> Brunei	Owner and charterer of vessels and barges	70	70
Bintang Samudera Sdn Bhd Malaysia	Owner and charterer of vessels and barges	100	100

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**19. Subsidiaries (continued)**

<u>Name of subsidiaries and country of incorporation and operation</u>	<u>Principal activities</u>	<u>Effective equity interest held</u>	
		<u>30 June</u>	<u>30 June</u>
		<u>2015</u>	<u>2014</u>
		%	%
Setia Samudera Sdn Bhd Malaysia	Owner and charterer of vessels and barges	100	100

- (i) On 29 January 2014, the Group signed an agreement with the non-controlling shareholders of its pipe transportation subsidiary, Express Offshore Solutions Pte Ltd (“EOS”) for the purchase of the remaining 30% shareholding in the company for a total consideration of US\$6,870,000.

The following schedule shows the effects of changes in the Group’s ownership interest in a subsidiary that did not result in change of control, on the equity attributable to owner of the parent:

	<u>30 June 2014</u>
	US\$’000
Amounts paid on changes in ownership interest in subsidiary	6,870
Non-controlling interest acquired	(2,890)
Difference recognised in equity reserves (Note 32)	<u>3,980</u>

- (ii) A certain proportion of the equity interest of the Group was held through nominees.
- (iii) On 1 December 2014, the entity changed its name to Miclyn Express Offshore (Australia) Holdings Pty Ltd (formerly known as “Samson Maritime Holdings Pty Ltd, Australia”).
- (iv) On 26 March 2015, the entity changed its name to Miclyn Express Offshore (B) Sdn Bhd (formerly known as “MEO Jisco Marine Sdn Bhd Brunei”).

**20. Joint ventures**

	<u>30 June 2015</u>	<u>30 June 2014</u>
	US\$’000	US\$’000
Investment in joint ventures	38,784	39,884
Share of post-acquisition profit, net of dividend received	27,820	21,465
	<u>66,604</u>	<u>61,349</u>

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**20. Joint ventures (continued)**

The details of the joint ventures are as follows:

<u>Name of joint ventures and country of incorporation and operation</u>	<u>Principal activities</u>	<u>Effective equity interest held</u>	
		<u>30 June 2015</u> %	<u>30 June 2014</u> %
Uniwise Holdings Limited Thailand	Investment holding	37.5	37.5
Uniwise Offshore Limited Thailand	Offshore support vessel business	50.0	50.0
Alliance Offshore Service Limited Hong Kong*	Ship owner and charterer	-	50.0
Alliance Offshore Services Pte Ltd Singapore	Owner and charterer of vessels and barges	50.0	50.0
Uniwise Marine Services Holdings Limited Thailand	Investment holding	37.5	37.5
Uniwise Towage Limited Thailand	Offshore support vessel business	50.0	50.0

\* Liquidated during the financial year

Summarised financial information in respect of the Group's material joint ventures is set out below:

**Uniwise Offshore Limited**

	<u>30 June 2015</u> <u>US\$'000</u>	<u>30 June 2014</u> <u>US\$'000</u>
Current assets	11,419	9,282
Non-current assets	118,060	96,524
Current liabilities	(16,213)	(12,295)
Non-current liabilities	(19,432)	(14,545)



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**20. Joint ventures (continued)**

**Uniwise Offshore Limited (continued)**

	Year ended 30 June 2015 US\$'000	Year ended 30 June 2014 US\$'000
Revenue	34,575	30,140
Profit for the year	13,330	11,361

The above profit for the year include the following:

Depreciation and amortisation	(4,835)	(4,976)
Interest income	6	6
Interest expense	(748)	(668)
Income tax expense	(347)	(230)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	30 June 2015 US\$'000	30 June 2014 US\$'000
Net assets of the joint venture	93,834	78,966
Proportion of the Group's ownership interest in the joint venture	50%	50%
Carrying amount of the Group's interest in the joint venture	46,917	39,483

**Uniwise Towage Limited**

	30 June 2015 US\$'000	30 June 2014 US\$'000
Current assets	19,794	9,655
Non-current assets	15,748	24,982
Current liabilities	(2,558)	(2,922)
Non-current liabilities	(1,627)	(3,262)

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**20. Joint ventures (continued)****Uniwise Towage Limited (continued)**

	Year ended 30 June 2015 US\$'000	Year ended 30 June 2014 US\$'000
Revenue	8,969	9,853
Profit for the year	4,206	4,122

The above profit for the year include the following:

Depreciation and amortisation	(1,577)	(1,525)
Interest income	243	15
Interest expense	(81)	(103)
Income tax expense	(392)	(400)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	30 June 2015 US\$'000	30 June 2014 US\$'000
Net assets of the joint venture	31,357	28,453
Proportion of the Group's ownership interest in the joint venture	50%	50%
Carrying amount of the Group's interest in the joint venture	15,679	14,227

**Aggregate information of joint ventures that are not individually material**

	Year ended 30 June 2015 US\$'000	Year ended 30 June 2014 US\$'000
Profit for the year	2,091	3,362
Aggregate carrying amount of the Group's interests in these joint ventures	4,008	7,639

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## **21. Property, plant and equipment**

	Vessels US\$'000	Drydocking US\$'000	Leasehold land and building US\$'000	Furniture and fittings US\$'000	Office equipment US\$'000	Motor vehicles US\$'000	Plant and machinery US\$'000	Vessel under construction/ work in progress US\$'000	Total US\$'000
<b>Cost:</b>									
At 1 July 2013	434,656	18,991	12,434	496	4,824	994	9,228	36,091	517,714
Additions	37,411	6,817	125	192	901	63	1,785	37,999	85,293
Disposals	(9,060)	(525)	(12,493)	(265)	(617)	(232)	(4,605)	-	(27,797)
Write-off	(767)	(1,060)	-	(8)	(110)	(18)	(916)	-	(2,879)
Exchange differences	(1,688)	(83)	(8)	-	23	22	69	7	(1,658)
Transfer	53,940	3,659	59	-	19	-	1,677	(59,354)	-
At 30 June 2014	514,492	27,799	117	415	5,040	829	7,238	14,743	570,673
Additions	78,332	7,617	74	37	405	97	1,426	89,505	177,493
Disposals	(9,388)	(1,193)	-	(23)	108	(1)	(321)	-	(10,818)
Write-off	-	-	-	-	(11)	(16)	(19)	-	(46)
Transfer to vessels held for sale	(917)	(845)	-	-	-	(142)	-	-	(1,904)
Exchange differences	(3,634)	(154)	(26)	(13)	(218)	(39)	(341)	(188)	(4,613)
Transfer	82,634	4,691	39	-	223	-	1,041	(88,628)	-
At 30 June 2015	661,519	37,915	204	416	5,547	728	9,024	15,432	730,785

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## 21. Property, plant and equipment (continued)

	Vessels US\$'000	Drydocking US\$'000	Leasehold land and building US\$'000	Furniture and fittings US\$'000	Office equipment US\$'000	Motor vehicles US\$'000	Plant and machinery US\$'000	Vessel under construction/ work in progress US\$'000	Total US\$'000
<b>Accumulated depreciation:</b>									
At 1 July 2013	47,179	8,816	2,545	360	1,519	509	4,896	-	65,824
Depreciation for the year	18,832	5,052	426	81	700	129	1,757	-	26,977
Disposals	(2,215)	(473)	(2,959)	(215)	(177)	(134)	(3,163)	-	(9,336)
Write-off	(767)	(1,060)	-	(7)	(55)	(18)	(916)	-	(2,823)
Exchange differences	24	(7)	-	(1)	-	-	1	-	17
At 30 June 2014	63,053	12,328	12	218	1,987	486	2,575	-	80,659
Depreciation for the year	22,935	7,791	24	78	620	105	1,737	-	33,290
Disposals	(3,971)	(702)	-	(16)	-	(1)	(24)	-	(4,714)
Write-off	-	-	-	-	(9)	(16)	(8)	-	(33)
Transfer to vessels held for sale	(106)	(211)	-	-	-	(87)	-	-	(404)
Exchange differences	(321)	(37)	(3)	(7)	(78)	(11)	(54)	-	(511)
At 30 June 2015	81,590	19,169	33	273	2,520	476	4,226	-	108,287
<b>Impairment:</b>									
Impairment loss recognised in the year ended 30 June 2015	1,166	-	-	-	-	-	-	-	1,166

### Carrying amount:

At 30 June 2015	578,763	18,746	171	143	3,027	252	4,798	15,432	621,332
At 30 June 2014	451,439	15,471	105	197	3,053	343	4,663	14,743	490,014

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**21. Property, plant and equipment (continued)**

- a) During the financial year ended 30 June 2015, the Group recognised US\$1,166,000 of impairment loss on a vessel in other expenses. The recoverable amount was based on fair value less cost to sell. The fair value less cost to sell is determined based on Sales and Purchase agreements.
- b) During the financial year ended 30 June 2015, the Group has pledged certain property, plant and equipment with carrying amount of US\$ 558,169,000 (2014: US\$420,648,000) to secure banking facilities granted to the Group (Note 26).

**22. Intangible assets**

	30 June 2015 US\$'000	30 June 2014 US\$'000
<u>Composition:</u>		
Goodwill (Note (a))	32,837	59,992
Licences (Note (b))	346	565
	<u>33,183</u>	<u>60,557</u>

**(a) Goodwill**

	30 June 2015 US\$'000	30 June 2014 US\$'000
Cost and carrying amount:		
Balance at beginning of year	59,992	59,233
Loss on impairment	(27,155)	-
Effect of foreign currency exchange differences	-	759
Balance at end of the year	<u>32,837</u>	<u>59,992</u>

The goodwill allocated to the Tugs/Barges and Offshore Support Vessels ("OSV") CGU's was associated with the acquisition of Miclyn Express Offshore (Australia) Holdings Pty Ltd by the Group. The Australia business had previously operated on a satisfactory basis, but without achieving any significant increase in market share.

In the past year, market conditions in the Australia region have deteriorated significantly and management are of the view that there will be no change to these conditions in the foreseeable future. These conditions have led to the impairment of the goodwill allocated to the Tugs/Barges and OSV CGU's.

The impairment loss has been included in profit or loss in the "other expense" line item.

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**22. Intangible assets (continued)****(a) Goodwill (continued)**Impairment tests for goodwill

Goodwill is allocated to the Group's cash generating units ("CGUs") identified according to business segments.

A segment-level summary of the goodwill allocation is as follows:

	30 June 2015 US\$'000	30 June 2014 US\$'000
Offshore support vessels	-	17,055
Crew/utility vessels	32,837	32,884
Tugs/barges	-	10,053
<b>Total</b>	<b>32,837</b>	<b>59,992</b>

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of each CGU is determined through value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to charter rates, direct costs and terminal value of equity during the financial year.

Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risk specific to the CGU. The growth rates are based on industry growth forecasts. Changes in charter rates and direct costs are based on expectations of future changes in the market. The management estimates a terminal value on equity based on the perpetuity growth model. Discount rate, growth rate and long-term growth rate of 11.0%, 3.0% and 3.0% (2014: 10.9%, 3.0% and 3.0%) are applied to the forecasted cash flows.

If management's estimate of discount rate increases or decreases by 0.5% (2014: 0.5%), the effect on the value in use will be as follows:

	30 June 2015		30 June 2014	
	Increase US\$'000	(Decrease) US\$'000	Increase US\$'000	(Decrease) US\$'000
Crew/utility vessels	(15,338)	17,370	(21,931)	24,978
Offshore support vessels	-	-	(41,177)	46,855
Tugs/barges	-	-	(6,299)	7,153

Based on the value in use calculations, management is of the opinion that the above is not likely to cause any further impairment loss on goodwill.

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**22. Intangible assets (continued)**

(b) Licences

	30 June 2015 US\$'000	30 June 2014 US\$'000
Cost:		
Balance at beginning of year	1,661	1,369
Additions during the year	102	292
Balance at end of the year	1,763	1,661
Accumulated amortisation:		
Balance at beginning of year	(1,096)	(862)
Amortisation during the year	(321)	(234)
Balance at end of the year	(1,417)	(1,096)
Balance at end of the year	346	565

Licences represent the licence fees relating to the computer software.

**23. Derivative financial instruments**

	30 June 2015		30 June 2014	
	Assets US\$'000	Liabilities US\$'000	Assets US\$'000	Liabilities US\$'000
Forward foreign exchange contracts	(10,593)	2,317	-	-

The group utilises currency derivatives to hedge significant future transactions and cash flows. As at 30 June 2015, the Group is party to one forward foreign exchange contract which was entered into to hedge the foreign exchange movements in relation to the Singapore dollar denominated bond (Note 29).

The fair value of the forward foreign exchange contracts that is designated and effective as a cash flow hedge amounting to negative US\$10,593,000 (30 June 2014: positive US\$2,317,000) has been recognised in other comprehensive income. The fair value hierarchy for these financial instruments is Level 2. The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as estimated discounted cash flows, are also used to determine the fair values of the financial instruments. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

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**23. Derivative financial instruments (continued)**

The following table details the forward foreign currency contracts outstanding as at the end of the reporting period.

	Foreign Currency		Contract Value		Fair Value	
	30 June	30 June	30 June	30 June	30 June	30 June
	2015	2014	2015	2014	2015	2014
	S\$'000	S\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Buy S\$	200,000	200,000	158,153	158,153	(10,593)	2,317

**24. Other non-current assets**

The other non-current assets represent long term prepayment, trade receivables and tax recoverable. The trade receivables bear a fixed interest rate of 6.0% per annum and is repayable in 9 quarterly instalments of US\$235,584 commencing 1 January 2016.

	30 June 2015	30 June 2014
	US\$'000	US\$'000
- Prepayments	152	-
- Trade receivable from outside party	1,649	-
- Tax recoverable	4,223	-
	<u>6,024</u>	<u>-</u>

**25. Trade and other payables**

	30 June 2015	30 June 2014
	US\$'000	US\$'000
Trade payables		
- Outside parties	29,678	20,156
- Related parties (Note 42)	381	492
	<u>30,059</u>	<u>20,648</u>
Non-trade payables:		
- Related parties (Note 42)	229	228
Other payables	4,836	7,252
Accrued expenses	39,722	32,144
Loans payable to related parties (Note 42)	2,850	2,500
	<u>77,696</u>	<u>62,772</u>

The average credit period for trade payables is 111 days (2014: 91 days). No interest is charged on overdue balances.



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**25. Trade and other payables (continued)**

The loans payable to related parties are unsecured, bear fixed interest rate of 3.0% per annum (2014: 3.0% per annum) and are repayable on demand.

Trade payables principally comprise amounts outstanding for trade purchases and are largely denominated in United States dollars.

**26. Borrowings**

	30 June 2015	30 June 2014
	US\$'000	US\$'000
<b>Secured - at amortised cost</b>		
Bank loans	355,535	241,893
Finance lease liabilities (Note 27)	15	22
	<u>355,550</u>	<u>241,915</u>

Current	37,189	13,539
Non-current	<u>318,361</u>	<u>228,376</u>
	<u>355,550</u>	<u>241,915</u>

**Summary of bank loans:**

	30 June 2015	30 June 2014
	US\$'000	US\$'000
Balance at beginning of year	241,893	213,991
Loans drawn during the financial year	190,500	335,289
Repayment of loans	<u>(76,858)</u>	<u>(307,387)</u>
Balance at end of year	<u>355,535</u>	<u>241,893</u>

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### 26. Borrowings (continued)

Summary of bank loan arrangements as at:

#### 30 June 2015

Term loan facility amounting to US\$150,000,000 and a revolving credit facility amounting to US\$150,000,000 of which US\$271,500,000 was drawn as at 30 June 2015. The term loan facility is repayable on a semi-annual basis and both facilities mature in December 2018. Interest is charged at LIBOR plus a fixed rate of 2.60% to 2.75% per annum. The undrawn portion of the revolving credit facility is subject to a commitment fee of 0.25%. The facilities are secured by pledges of share capital and assets of certain subsidiaries. The carrying amounts of assets pledged amounted to US\$558,169,000.

Term loan facility amounting to US\$35,700,000 was drawn as at 30 June 2015. The term loan facility is repayable on a monthly basis and mature in March 2020. Interest is charged at LIBOR plus a fixed rate of 2.60% per annum. The facility is secured by a vessel with a carrying amount of US\$50,277,000.

Term loan facility amounting to US\$30,000,000 was drawn as at 30 June 2015. The term loan facility is repayable on a semi-annual basis and mature in May 2020. Interest is charged at LIBOR plus a fixed rate of 2.60% per annum. The facility is secured by vessels with a carrying amount of US\$45,098,000.

Term loan facility amounting to US\$28,800,000 was drawn as at 30 June 2015. The term loan facility is repayable on a monthly basis and matures in May 2019. Interest is charged at 3 month LIBOR plus a fixed rate of 2.75% per annum. The facility is secured by vessels with a carrying amount of US\$32,096,000.

These facilities had an effective interest rate of 2.72% to 5.53% per annum.

#### 30 June 2014

Term loan facility amounting to US\$150,000,000 and a revolving credit facility amounting to US\$150,000,000 of which US\$248,500,000 was drawn as at 30 June 2014. The term loan facility is repayable on a semi-annual basis and both facilities mature in December 2018. Interest is charged at LIBOR plus a fixed rate of 2.60% to 2.75% per annum. The undrawn portion of the revolving credit facility is subject to a commitment fee of 0.25%. The facilities are secured by pledges of share capital and assets of certain subsidiaries. The carrying amounts of assets pledged amounted to US\$420,648,000.

These facilities had an effective interest rate of 5.53% per annum.

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**27. Obligations under finance lease**Leasing arrangements

Finance leases relate to vessel equipment with average lease terms of 3 years (Note 21). The Group has option to purchase the vehicle for a nominal amount at the conclusion of the lease arrangements. The Group's obligations under finance lease are secured by the lessors' title to the leased assets.

Finance lease liabilities

	Minimum lease payments		Present value of minimum lease payments	
	Year ended 30 June 2015 US\$'000	Year ended 30 June 2014 US\$'000	Year ended 30 June 2015 US\$'000	Year ended 30 June 2014 US\$'000
Amount payable under finance lease:				
Within one year	8	8	8	8
Later than one year but not later than five years	7	14	7	14
Present value of lease obligation	15	22	15	22
Less: Future finance charges	-	-	-	-
	15	22		

	30 June 2015 US\$'000	30 June 2014 US\$'000
Included in the financial statements as:		
- current borrowings	8	8
- non-current borrowings	7	14
	15	22

All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The fair value of the Group's finance lease obligations approximate their carrying amount.

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**28. Provisions**

Provisions represent the fair value of existing fixed rate contracts with customers at date of acquisition of subsidiaries. Amortisation is provided based on the remaining contract lease period of the off-market contracts, ranging from 5 to 9.5 years.

	30 June 2015 US\$'000	30 June 2014 US\$'000
Cost:		
Balance at beginning and end of year	4,700	4,700
Accumulated amortisation:		
Balance at beginning of year	3,961	3,628
Amortisation for the year	289	333
Balance at end of year	4,250	3,961
Carrying amount:		
Balance at end of year	450	739
Current	289	289
Non-current	161	450

**29. Senior secured guaranteed bonds**

On 12 December 2013, MEOL issued senior secured guaranteed bonds which mature on 12 December 2016 for SGD200.0 million. The bonds bear interest at a fixed rate of 8.50% per annum and are payable semi-annually in arrears on 12 June and 12 December in each year. Payments on the bonds will be made without withholding or deduction for any taxes of Bermuda.

The bonds are secured by 96 existing vessels flagged in Australia, Indonesia, Panama, Malaysia and Singapore. As at 30 June 2015, the effective interest rate was 11.44% (2014: 11.44%) per annum.

The fair value of the 8.50% senior secured guaranteed bonds at June 30, 2015 amounted to US\$150 million (2014: US\$166 million). The fair value of these financial liabilities was based on the quoted closing market prices on the last market day of the financial year. The fair value hierarchy for these financial instruments is Level 1.

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**30. Share capital**

	Number of shares (Par value at US\$0.1)	Share capital US\$'000
At 1 July 2013	281,539,000	27,786
Issue of share capital <sup>(1)</sup>	216,000	21
Adjustment for amalgamation (Note 3.3)	(281,755,000)	(27,807)
Issue of share capital <sup>(2)</sup>	1	-
At 30 June 2014 and 30 June 2015	1	-*

\* Amount is less than US\$1,000

On 16 December 2013, Miclyn Express Offshore Limited ("MEOL") announced an amalgamation with Manta 2 Holdings Limited (a wholly-owned subsidiary of Manta Holding Limited, an entity jointly owned by two existing significant shareholders of MEOL). As described in Note 3.3, on amalgamation, the amount recognised as issued equity instruments in these consolidated financial statements is that of Manta Holding 2 Limited, being US\$0.10 of share capital.

- <sup>(1)</sup> On 26 September 2013, there was an issue of 216,000 ordinary shares with par value of US\$0.09 (A\$0.10) of the Company for settlement of consideration relating to share-based payments.
- <sup>(2)</sup> On 16 December 2013, there was an issue of 1 ordinary share with par value of US\$0.10 of the Company as part of the amalgamation.

**31. Share premium**

	30 June 2015 US\$'000	30 June 2014 US\$'000
Balance at the beginning of year	-	162,613
Issued share capital <sup>(1)</sup>	-	409
Adjustment for amalgamation (Note 3.3)	-	(163,022)
	-	-

- <sup>(1)</sup> On 26 September 2013, there was an issue of 216,000 ordinary shares with par value of US\$0.09 (A\$0.10) of the Company, with a premium of US\$1.89 per share, for settlement of consideration relating to share-based payments.

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**32. Reserves**

	30 June 2015 US\$'000	30 June 2014 US\$'000
<u>Composition</u>		
Other equity reserves	140,831	142,752
Translation reserve	(13,153)	(6,394)
Share based payments reserve	1,149	-
Hedging reserve	(863)	33
	<u>127,964</u>	<u>136,391</u>
<u>Movements</u>		
<b>(a) Other equity reserves</b>		
Balance at the beginning of year	142,752	(45,143)
Adjustment for amalgamation <sup>(1)</sup>	-	190,829
Transfer to other equity reserve	-	1,046
Acquisition of additional interest in a subsidiary	<u>(1,921)</u>	<u>(3,980)</u>
Balance at end of year	<u>140,831</u>	<u>142,752</u>
 <sup>(1)</sup> On 16 December 2013, the Group amalgamated with Manta 2 Holdings Limited. The amount recognised as issued equity instruments in the consolidated financial statements is that of Manta 2 Holdings Limited and the previous issued equity recorded in the Group financial statements immediately before the amalgamation were transferred to other equity reserves.		
<b>(b) Translation reserve</b>		
Balance at beginning of year	(6,394)	(4,047)
Exchange differences arising on translation of foreign operations	<u>(6,759)</u>	<u>(2,347)</u>
Balance at end of year	<u>(13,153)</u>	<u>(6,394)</u>
<b>(c) Share-based payments reserve</b>		
Balance at beginning of year	-	2,353
Issue of share capital	-	(430)
Recognition of share-based payments (Note 34)	1,149	359
Transfer to other equity reserve	-	(1,046)
Settlement of share based payments	<u>-</u>	<u>(1,236)</u>
Balance at end of year	<u>1,149</u>	<u>-</u>

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**32. Reserves (continued)**

	30 June 2015 US\$'000	30 June 2014 US\$'000
<b>(d) Hedging reserve</b>		
Balance at beginning of year	33	-
Recognition of hedging reserve	(896)	33
Balance at end of year	<u>(863)</u>	<u>33</u>

**33. Retained earnings**

	30 June 2015 US\$'000	30 June 2014 US\$'000
Balance at beginning of year	287,610	238,271
Net (loss)/ profit attributable to owners of the Company	(12,648)	47,811
Effect of acquiring part of non-controlling interests in a subsidiary	-	1,528
Balance at end of year	<u>274,962</u>	<u>287,610</u>

**34. Share-based payments****(a) Management Equity plan**

The Management Equity Plan ("MEP") is an incentive scheme established on 21 February 2014 (and as amended on 9 April 2014) and intended to assist in the attraction, retention and motivation of the Group's employees, directors and consultants by providing eligible employees, directors and consultants with an opportunity to acquire an ownership interest in the ultimate holding company, Manta Holdings Limited.

Under the MEP, the following types of securities ("Plan Securities") have been offered to key management personnel of the Company:

- fully paid ordinary shares with an issue price of US\$1.00 each in the capital of Manta Holdings Limited ("Management Share"); and
- 1 option to subscribe for 1 Management Share under the MEP in each of the following four tranches for each Management Share that is issued to the eligible employees ("Plan Option"): -
  - (i) first tranche, which has an exercise price of US\$1.00 per Management Share;
  - (ii) second tranche, which has an exercise price of US\$1.50 per Management Share;
  - third tranche, which has an exercise price of US\$1.60 per Management Shares; and
  - (iii) fourth tranche, which has an exercise price of US\$2.50 per Management Shares.

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### **34. Share-based payments (continued)**

#### **(a) Management Equity plan (continued)**

The total number of Management Shares and Plan options accepted under this invitation amounted to 6,900,000 and 27,600,000 respectively.

The fair value of the share options issued under the management equity plan was assessed by an independent third party valuer. The valuer adopted the Black-Scholes Option Pricing model. Based on the valuation report, an expense of US\$ 1,149,000 (2014: US\$ Nil) was recognised.

#### **(b) Share option plan**

In 2013, the Group adopted an equity compensation plan ("Plan") to assist in the attraction, motivation, and retention of employees including Executive Directors ("Plan Participants") within the Company. The Plan enabled the Company to grant options ('Employee and Executive Options') to Plan Participants. Each Employee and Executive Option was a conditional entitlement to one Share, subject to the satisfaction of specified performance conditions. No amounts were paid or payable by the recipient on receipt of the option. The options carried neither rights to dividends nor voting rights. Options may be exercised at any time between the date of vesting and the date of their expiry. If the options remain unexercised after a period of 5 years from the date of grant, the options will expire. Options are forfeited if the employee leaves the Group before the options have vested.

Under the Plan, the Group granted Employee and Executive Options to employees within the Group from time to time as determined by the Board in its discretion and in accordance with the rules of the Plan and applicable law. In respect of the initial grant of Employee and Executive options granted to the eligible Plan Participants, the grant date was the date of the Listing in March 2010.

An Employee and Executive Option vested and become exercisable to the extent that the performance conditions specified at the time of grant are satisfied. The Board had discretion under the Plan as to the terms upon which it offered options under the Plan, including the performance conditions.

It was proposed that the performance conditions attached to the initial grant of Employee and Executive Options involved an approximate three years employment service condition, earning per share ('EPS') growth target hurdles and comparative total shareholders return ('TSR') hurdle. In addition, the performance condition to be used to determine the number of TSR Employee and Executive Options that vest compares the TSR performance of the Company with the TSR performance of each of the individual entities in a comparator group of entities across the TSR performance. Broadly, TSR was the growth in share price plus dividend reinvested. The exercise price determined by the Board and usually equal the volume weighted average price of the Shares over the one week period up to and including the date of grant of the Employee and Executive Options.



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**34. Share-based payments (continued)****(b) Share option plan (continued)**

As such, no Employee and Executive option vested unless the Plan Participant is employed on the date of the financial year 30 June 2013 result announcement.

As part of the administrative restructuring as described in Note 3.3, all share options vested and settled in cash during previous year. Further details of the share option plan were disclosed in the previous year financial statements.

Details of the share options outstanding during the year are as follows:

	30 June 2015	30 June 2014
	Number of share options	
Outstanding at the beginning of the year	-	2,858,635
Forfeited during the year	-	(2,858,635)
Outstanding at the end of the year	-	-

**(c) Employee Retention Plan**

In 2012, the Group implemented an equity based compensation plan, the Employee Retention Plan ("ERP"), to assist in the attraction, motivation and retention of employees. Eligible employees will be granted share rights to receive fully paid ordinary shares in the Company.

Under the plan, a profit-driven payment pool as determined by the Board and based on a percentage of the Company's net profit after tax for each financial year will be established each year. The annual grant of shares was based on the profit-driven payment pool, divided by the Company's volume weighted average price on the Australian Securities Exchange over the 1 month period after the date of announcement of the Company's full-year financial results. The grant date of the shares was the first business day after the 1 month period for determining the volume weighted average price. The employees' share rights vested in 2 tranches, 50% in 12 months and the remaining 50% in 24 months after the share grant date. All share grants not yet vested would lapse upon cessation of employment.

The Group recognised total expenses of US\$Nil (2014: US\$359,000) related to equity-settled share based payment transaction during the year.

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**34. Share-based payments (continued)**

**(c) Employee Retention Plan (continued)**

Details of the share rights outstanding during the year are as follows:

	30 June 2015	30 June 2014
	Number of share rights	
Outstanding at the beginning of the year	-	336,339
Issued during the year	-	229,557
Released in the year	-	(565,896)
Outstanding at the end of the year	-	-

As part of the administrative restructuring as described in Note 3.3, all share rights vested and were settled in cash during the previous year. Further details of the share option plan were disclosed in the previous year financial statements.

**35. Dividend**

During the financial years ended 30 June 2015 and 2014, the Group did not declare any dividend.

**36. Non-controlling interests**

	30 June 2015 US\$'000	30 June 2014 US\$'000
Balance at beginning of year	253	1,528
Share of profit for the year	1,438	1,615
Acquisition of non-controlling interest in subsidiary (Note 19 (i))	-	(2,890)
Share capital contribution	196	-
Balance at end of year	1,887	253

**37. Commitments**

The Group had the following outstanding commitments:

	30 June 2015 US\$'000	30 June 2014 US\$'000
Capital commitments contracted but not provided for in respect of:		
Expenditure for vessels, contracted for	7,994	76,728

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**38. Operating lease arrangement**The Group as lessee

	30 June 2015 US\$'000	30 June 2014 US\$'000
Minimum lease payments under operating leases recognised as an expense in the financial year		
Charter hire	35,334	7,147
Others	1,646	1,673
	<u>36,980</u>	<u>8,820</u>

At the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	30 June 2015 US\$'000	30 June 2014 US\$'000
Within one year	13,663	13,352
In the second to fifth year inclusive	1,209	2,878
	<u>14,872</u>	<u>16,230</u>

Operating lease payments represent rentals payable by the Group for its office/warehouse premises, equipment and vessels. These leases have different terms and terminate at various dates.

The Group as lessor

	30 June 2015 US\$'000	30 June 2014 US\$'000
Charter revenue	<u>182,659</u>	<u>183,073</u>

At the end of the reporting period, the future minimum lease receivables under non-cancellable operating leases contracted for but not recognised as receivables, are as follows:

	30 June 2015 US\$'000	30 June 2014 US\$'000
Within one year	85,694	89,164
In the second to fifth year inclusive	194,243	110,914
	<u>279,937</u>	<u>200,078</u>

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### **39. Contingent liabilities**

As at 30 June 2015, subsidiaries of the Group have issued secured corporate guarantees to banks for borrowings of certain joint ventures amounting to US\$5,455,000 (2014: US\$8,960,000).

### **40. Financial instruments, financial risk and capital risk management**

#### **(a) Capital risk management policies and objectives**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal structure, the Group may adjust the amount of dividend payment, return of capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

The Group is required to fulfil certain financial covenants under certain borrowing arrangements.

As at 30 June 2015, the Group is in compliance with all external imposed financial covenants. The Group's overall strategy remains unchanged from the financial year ended 30 June 2014.

The capital structure of the Group consists of equity attributable to owners of the parents, comprising issued capital, reserves and retained earnings.

The Group is not subject to any externally imposed capital requirements.

#### **(b) Significant accounting policies**

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in Note 3.

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**40. Financial instruments, financial risk and capital risk management (continued)****(c) Categories of financial instruments**

The following table sets out the financial instruments as at the end of each reporting period:

	30 June 2015	30 June 2014
	US\$'000	US\$'000
<b>Financial assets</b>		
<u>At amortised cost</u>		
Cash and cash equivalents	16,237	19,259
Loans and receivables	237,040	239,905
<u>At fair value</u>		
Derivative financial instruments	-	2,317
	<u>253,277</u>	<u>261,481</u>
<b>Financial liabilities</b>		
<u>At amortised cost</u>		
Trade and other payables	77,696	62,772
Borrowings	355,550	241,915
Senior secured guaranteed bonds	142,740	151,212
<u>At fair value</u>		
Derivative financial instruments	10,593	-
	<u>586,579</u>	<u>455,899</u>

**(d) Financial risk management policies and objectives**

The Group's activities expose it to market risk (including currency risk and interest rate risk), credit risk and liquidity risk. During the financial year ended 30 June 2015, the Group did not hedge its interest rate exposure.

The Group's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operation of the Group through internal risk reports which analyse exposures by degree and magnitude risks. These risks include market risk (including currency risk, fair value and cash flow interest rate risk), credit risk and liquidity risk.

The Group seeks to minimise the effect of these risks by using derivative financial instruments to hedge significant risk exposures. The use of financial derivatives is governed by the Group policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliances with policies and exposure limits are reviewed by the management on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purpose.

There has been no change to the group's exposure to these financial risks or the manner in which it manages and measures the risk since the previous year.

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**40. Financial instruments, financial risk and capital risk management (continued)****(e) Market risk management**

The Group's activities expose it to the financial risks of changes in foreign currency exchange rates (Note 40(f)). The Group is also subject to interest rates risk (Note 40(g)).

During the financial year 30 June 2015, the Group is party to one forward foreign exchange contract which was entered into to hedge the foreign exchange movements in relation to the Singapore dollar denominated bond (Notes 23 and 29).

**(f) Foreign currency risk management**

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise.

The Group reviews its exposure to foreign currency risk and puts in place hedges on a needs basis, assessed with reference to the size and certainty to each exposure.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Singapore Dollar US\$'000	Australian Dollar US\$'000	Malaysian Ringgit US\$'000	United Arab Emirates Dirham US\$'000	Others US\$'000
<b><u>The Group</u></b>					
<b>At 30 June 2015</b>					
<b>Financial assets</b>					
Cash and cash equivalents	1,079	498	189	822	597
Trade and other receivables	328	6,511	119	1,221	36,033
Total assets	1,407	7,009	308	2,043	36,630
<b>Financial liabilities</b>					
Trade and other payables	(6,743)	(2,408)	(914)	(1,332)	(513)
Senior secured guaranteed bonds	(142,740)	-	-	-	-
Total liabilities	(149,483)	(2,408)	(914)	(1,332)	(513)
<b>Net (Liabilities)/Assets</b>	<b>(148,076)</b>	<b>4,601</b>	<b>(606)</b>	<b>711</b>	<b>36,117</b>

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**40. Financial instruments, financial risk and capital risk management (continued)****(f) Foreign currency risk management (continued)**

	Singapore Dollar US\$'000	Australian Dollar US\$'000	Malaysian Ringgit US\$'000	United Arab Emirates Dirham US\$'000	Others US\$'000
<b>The Group</b>					
<b>At 30 June 2014</b>					
<b>Financial assets</b>					
Cash and cash equivalents	785	2,829	560	180	491
Trade and other receivables	131	14,247	77	1,866	18,748
Total assets	916	17,076	637	2,046	19,239
<b>Financial liabilities</b>					
Trade and other payables	(3,409)	(9,788)	(12,979)	(1,417)	(3,867)
Senior secured guaranteed bonds	(151,212)	-	-	-	-
Total liabilities	(154,621)	(9,788)	(12,979)	(1,417)	(3,867)
<b>Net (Liabilities)/Assets</b>	<b>(153,705)</b>	<b>7,288</b>	<b>(12,342)</b>	<b>629</b>	<b>15,372</b>

**Foreign currency sensitivity analysis**

The Group is mainly exposed to the following currencies: Singapore Dollar ("SGD"), Australian Dollar ("AUD"), Malaysian Ringgit ("MYR") and United Arab Emirates Dirham ("AED") (2014: Singapore Dollars ("SGD"), Australian Dollar ("AUD"), Malaysian Ringgit ("MYR") and United Arab Emirates Dirham ("AED")).

The following table details the Group's sensitivity to a 5% (2014: 5%) increase and decrease in the SGD, AUD, MYR and AED (2014: SGD, AUD, MYR and AED). 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% (2014: 5%) change in foreign exchange rates. A positive number indicates an increase in profit and equity where the United States dollars strengthened 5% against the relevant currency. For a 5% (2014: 5%) weakening of the United States dollar against the relevant currency, there would be a comparable impact on the profit and equity, and the balances below would be negative.

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**40. Financial instruments, financial risk and capital risk management (continued)****(f) Foreign currency risk management (continued)**

If the SGD, AED, MYR and AUD change against the USD by 5% (2014: 5%) with all other variables including tax rate being held constant, the effects arising from the net financial liability/asset position will be as follows:

	30 June 2015	30 June 2014
	← Increase / (Decrease) →	
	Profit or loss	Profit or loss
	US\$'000	US\$'000
SGD against USD	267	127
AUD against USD	(230)	(364)
MYR against USD	30	617
AED against USD	(36)	(31)

The Singapore Dollar denominated bonds are excluded from the above analysis as the foreign currency risk has been hedged by entering into a forward foreign exchange contract (Note 23)

The impact to profit or loss is mainly attributable to the exposure outstanding on SGD and MYR payables and both AUD and AED receivables as at the end of the reporting period.

**(g) Cash flow and interest rate risk management**

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The cash and cash equivalent balance at 30 June 2015 was US\$16,237,000 (2014: US\$19,259,000). The impact of any interest rate change has been assessed to be immaterial.

For the financial years ended 30 June 2015 and 30 June 2014, the Group's interest rate risk mainly arises from bank borrowings, which are at floating rates of interest pegged to LIBOR plus margin.

The Group did not enter into any interest rate hedging for its bank borrowings or fixed rate bond existing as at 30 June 2015 and 30 June 2014.



## MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements  
for the year ended 30 June 2015

### 40. Financial instruments, financial risk and capital risk management (continued)

#### (g) Cash flow and interest rate risk management (continued)

##### Interest rate sensitivity analysis

The Group's borrowings at variable rates on which effective hedges have not been entered into are denominated mainly in USD. If USD interest rates increase/decrease by 0.50% (2014: 0.50%) with all other variables including tax rate being held constant, the profit or loss will be lower/higher by US\$1,778,000 (2014: US\$1,209,000) as a result of higher/lower interest expense on these borrowings.

#### (h) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group are bank deposits and trade receivables.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Monthly accounts receivable status meetings are each attended by at least one of the Chief Executive Officer, Chief Commercial Officer and Chief Financial Officer. There is an adequate credit management policy in place and there is no significant concentration of credit risk of trade debts.

The maximum amount the group could be forced to settle under the financial guarantee contract in Note 39, if the full guaranteed amount is claimed by the counterparty to the guarantee is US\$ 5,455,000 (2014: US\$8,960,000). Based on expectations at the end of the reporting period, the group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group.

There is no other class of financial assets that is past due and/or impaired except for trade receivables. As at 30 June 2015, trade receivables outstanding for more than 90 days is approximately US\$21,559,000 (2014: US\$14,566,000), out of which US\$1,935,000 (2014: US\$217,000) has been identified for impairment as at 30 June 2015. The majority of the balances are not impaired because these are from creditworthy customers in the oil and gas sector.

**MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
for the year ended 30 June 2015

**40. Financial instruments, financial risk and capital risk management (continued)****(i) Liquidity risk management**

The Group manages liquidity risk by maintaining sufficient cash to enable it to meet normal operating commitments and having an adequate amount of committed credit facilities.

The table below analyses the maturity profile of the non-derivative financial assets and liabilities of the Group based on contractual undiscounted cash flows.

	On demand or within 1 year US\$'000	Between 1 and 2 year US\$'000	Between 2 and 5 year US\$'000	Adjustments US\$'000	Total US\$'000
<b>At 30 June 2015</b>					
<b>Financial liabilities</b>					
Trade and other payables	77,696	-	-	-	77,696
Borrowings	47,641	61,393	283,586	(37,070)	355,550
Senior secured guaranteed bonds	-	151,240	-	(8,500)	142,740
Contingent liabilities	-	-	5,455	-	5,455
	125,337	212,633	289,041	(45,570)	581,441

	On demand or within 1 year US\$'000	Between 1 and 2 year US\$'000	Between 2 and 5 year US\$'000	Adjustments US\$'000	Total US\$'000
<b>At 30 June 2014</b>					
<b>Financial liabilities</b>					
Trade and other payables	62,772	-	-	-	62,772
Borrowings	21,328	26,766	225,914	(32,093)	241,915
Senior secured guaranteed bonds	-	159,712	-	(8,500)	151,212
Contingent liabilities	-	-	8,960	-	8,960
	84,100	186,478	234,874	(40,593)	464,859

**MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
for the year ended 30 June 2015

**40. Financial instruments, financial risk and capital risk management (continued)****(i) Liquidity risk management (continued)****Financial assets**

All the non-derivative financial assets are expected to be repayable within one year and are non-interest bearing except for other non-current trade receivables (Note 24).

**(j) Fair values of financial assets and financial liabilities**

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables and loan to immediate holding company approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements.

The fair values of financial assets and financial liabilities are determined as follows:

- (i) the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- (ii) the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Management is of the opinion that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values except as disclosed in the notes to the financial statement.

**41. Key management personnel compensation****Compensation of directors and key management personnel**

The remuneration of directors and other members of key management during the year are as follows:

	Year ended 30 June 2015 US\$'000	Year ended 30 June 2014 US\$'000
Short term benefits	1,678	1,449
Share-based payments	-	359
Management equity plan	1,149	
Post employment benefits	23	28
Long term benefits	107	-
	<u>2,957</u>	<u>1,836</u>

**MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
for the year ended 30 June 2015

**42. Related party transactions**

The Group's immediate holding company and ultimate holding company is Manta Holdings Limited, incorporated in Bermuda.

Some of the Group's transactions and arrangements are with related parties on terms agreed between the parties and the effect of these transactions is reflected in these financial statements on that basis. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

During the year, the Group entered into the following transactions with related parties:

	Year ended 30 June 2015	Year ended 30 June 2014
	US\$'000	US\$'000
<u>Joint-ventures of the Group</u>		
Charter hire income	(766)	(26)
Repair income	-	(9)
Management fee income	(60)	(12)
Ship management fee income	(172)	(874)
Sundry income	(84)	-
Charter hire expenses	230	51
Repair expenses	39	-
Interest paid	12	46

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MICLYN EXPRESS OFFSHORE LIMITED AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

*The information in this Appendix I has been reproduced from the audited consolidated financial statements of Miclyn Express Offshore Limited and its subsidiaries for the financial year ended 30 June 2014 and has not been specifically prepared for inclusion in this Offering Circular.*

# **Deloitte.**

**MICLYN EXPRESS OFFSHORE LIMITED**  
**(Registration Number 42388)**

**REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2014**

# **MICLYN EXPRESS OFFSHORE LIMITED**

## **REPORT AND FINANCIAL STATEMENTS**

### **C O N T E N T S**


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**MICLYN EXPRESS OFFSHORE LIMITED**

**STATEMENT OF DIRECTORS**

In the opinion of the directors, the consolidated financial statements of the Group as set out on pages 4 to 87 are drawn up so as to give a true and fair view of the state of affairs of the Group as at 30 June 2014 and of the results, changes in equity and cash flows of the Group for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they fall due.

ON BEHALF OF THE BOARD OF DIRECTORS

  
.....  
Nathaniel Childres

  
.....  
Diederik Christiaan de Boer

14 October 2014



## **INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF**

### **MICLYN EXPRESS OFFSHORE LIMITED**

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of Miclyn Express Offshore Limited (the "Company") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as at 30 June 2014, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 4 to 87.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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 judgement, 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



## INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF

**MICLYN EXPRESS OFFSHORE LIMITED**

## Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 30 June 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Dein  
Dimitris

Public Accountants and  
Chartered Accountants  
Singapore

14 October 2014

**MICLYN EXPRESS OFFSHORE LIMITED**

Consolidated statement of comprehensive income  
for the year ended 30 June 2014

	Notes	Year ended 30 June 2014 US\$'000	(Restated) Year ended 30 June 2013 US\$'000
Revenue	5	244,497	231,897
Cost of sales		(150,627)	(143,852)
Gross profit		93,870	88,045
Other gains and losses	7	10,549	2,000
Administration expenses	8	(36,433)	(36,594)
Finance costs	10	(22,416)	(9,278)
Other expenses	11	(56)	(34)
Share of profit from joint ventures	20	9,422	5,979
Profit before tax	12	54,936	50,118
Income tax expense	13	(5,510)	(2,659)
<b>PROFIT FOR THE YEAR</b>		<b>49,426</b>	<b>47,459</b>
<b>Other comprehensive expense:</b>			
<b>Item that may be reclassified subsequently to profit or loss:</b>			
Exchange differences arising on translation of foreign operations		(2,347)	(5,922)
<b>Other comprehensive expense for the year, net of tax</b>		<b>(2,347)</b>	<b>(5,922)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>47,079</b>	<b>41,537</b>
Profit attributable to:			
Owners of the Company		47,811	46,413
Non-controlling interests		1,615	1,046
		<b>49,426</b>	<b>47,459</b>
Total comprehensive income attributable to:			
Owners of the Company		45,464	40,491
Non-controlling interests		1,615	1,046
		<b>47,079</b>	<b>41,537</b>

See accompanying notes to financial statements.

**MICLYN EXPRESS OFFSHORE LIMITED**

Consolidated statement of financial position  
at 30 June 2014

	Notes	30 June 2014 US\$'000	(Restated) 30 June 2013 US\$'000	(Restated) 30 June 2012 US\$'000
<b>Assets</b>				
<i>Current assets</i>				
Cash and cash equivalents	14	19,259	14,567	14,469
Trade and other receivables	15	104,412	81,259	79,726
Loan to immediate holding company	16	139,165	-	-
Inventories and work-in-progress	17	7,417	5,770	5,911
Vessels held for sale	18	-	1,782	-
Total current assets		270,253	103,378	100,106
<i>Non-current assets</i>				
Investment in joint ventures	20	61,349	33,027	27,048
Property, plant and equipment	21	490,014	451,890	397,294
Intangible assets	22	60,557	59,740	63,274
Derivative financial instruments	23	2,317	-	-
Deferred tax assets	13	519	441	728
Total non-current assets		614,756	545,098	488,344
Total assets		885,009	648,476	588,450
<b>Liabilities</b>				
<i>Current liabilities</i>				
Trade and other payables	24	62,772	48,279	49,497
Borrowings	25	13,539	15,347	19,512
Current tax liabilities	13	3,968	1,604	6,044
Provisions	27	289	331	373
Total current liabilities		80,568	65,561	75,426
<i>Non-current liabilities</i>				
Borrowings	25	228,376	198,644	162,367
Provisions	27	450	741	1,051
Senior secured guaranteed bonds	28	151,212	-	-
Deferred tax liabilities	13	149	169	247
Total non-current liabilities		380,187	199,554	163,665
Total liabilities		460,755	265,115	239,091
Net assets		424,254	383,361	349,359
<b>Equity</b>				
<i>Capital and reserves</i>				
Share capital	29	-*	27,786	27,470
Share premium	30	-	162,613	156,524
Reserves	31	136,391	(46,837)	(41,544)
Retained earnings	32	287,610	238,271	206,427
Equity attributable to owners of the Company		424,001	381,833	348,877
Non-controlling interests	35	253	1,528	482
Total equity		424,254	383,361	349,359

\* Amount is less than US\$1,000

See accompanying notes to financial statements.

**MICLYN EXPRESS OFFSHORE LIMITED**

Consolidated statement of changes in equity  
for the year ended 30 June 2014

Notes	Share capital US\$'000	Share premium US\$'000	Other equity reserves US\$'000	Translation reserve US\$'000	Hedging reserve US\$'000	Share based payments reserve US\$'000	Retained earnings US\$'000	Attributable to owners of the Company US\$'000	Non- controlling interests US\$'000	Total US\$'000
<b>Balance at 1 July 2012</b>	27,470	156,524	(45,143)	1,875	-	1,724	206,427	348,877	482	349,359
Profit for the year	-	-	-	-	-	-	46,413	46,413	1,046	47,459
Other comprehensive income for the year, net of tax	-	-	-	(5,922)	-	-	-	(5,922)	-	(5,922)
<b>Total comprehensive income for the year</b>	-	-	-	(5,922)	-	-	46,413	40,491	1,046	41,537
<b>Transactions with owners, recognised directly in equity</b>										
Payment of dividends to shareholders	34	-	-	-	-	-	(14,569)	(14,569)	-	(14,569)
Issue of share capital	29,30, 31(c)	316	6,089	-	-	(191)	-	6,214	-	6,214
Recognition of share-based payment	31(c)	-	-	-	-	820	-	820	-	820
<b>Balance at 30 June 2013</b>	27,786	162,613	(45,143)	(4,047)	-	2,353	238,271	381,833	1,528	383,361

See accompanying notes to financial statements.

# **MICLYN EXPRESS OFFSHORE LIMITED**

Consolidated statement of changes in equity  
for the year ended 30 June 2014

	Notes	Share capital US\$'000	Share premium US\$'000	Other equity reserves US\$'000	Translation reserve US\$'000	Hedging reserve US\$'000	Share based payments reserve US\$'000	Retained earnings US\$'000	Attributable to owners of the Company US\$'000	Non- controlling interests US\$'000	Total US\$'000
<b>Balance at 1 July 2013</b>		27,786	162,613	(45,143)	(4,047)	-	2,353	238,271	381,833	1,528	383,361
Profit for the year		-	-	-	-	-	-	47,811	47,811	1,615	49,426
Other comprehensive income for the year, net of tax		-	-	-	(2,347)	-	-	-	(2,347)	-	(2,347)
<b>Total comprehensive income for the year</b>		-	-	-	(2,347)	-	-	47,811	45,464	1,615	47,079
<b>Transactions with owners, recognised directly in equity</b>											
Grant of cash-settled share option reserve to employees	31(c)	-	-	-	-	-	(1,236)	-	(1,236)	-	(1,236)
Recognition of share-based payment	31(c)	-	-	-	-	-	359	-	359	-	359
Issue of share capital	29,30	21	409	-	-	-	(430)	-	-	-	-
Adjustment for amalgamation	3,3,29, 30	(27,807)	(163,022)	190,829	-	-	-	-	-	-	-
Transfer to other equity reserve	31(a)	-	-	1,046	-	-	(1,046)	-	-	-	-
Effect of acquiring part of non- controlling interests in a subsidiary	31(a),32	-	-	(3,980)	-	-	-	1,528	(2,452)	(2,890)	(5,342)
Recognition of hedging reserve	31(d)	-	-	-	-	33	-	-	33	-	33
<b>Balance at 30 June 2014</b>		-	-	142,752	(6,394)	33	-	287,610	424,001	253	424,254

See accompanying notes to financial statements.

**MICLYN EXPRESS OFFSHORE LIMITED**

## Consolidated statement of cash flows

For the year ended 30 June 2014

	Notes	Year ended 30 June 2014 US\$'000	(Restated) Year ended 30 June 2013 US\$'000
<b>Cash flows from operating activities</b>			
Profit for the year		49,426	47,459
Income tax expense recognised in profit or loss		5,510	2,659
Share of profit from joint ventures		(9,422)	(5,979)
Amortisation of provisions		(333)	(352)
Amortisation of vessels mob / demob expenditure	12	1,195	923
Amortisation of intangible assets		234	271
Amortisation of drydocking expenditure		5,052	3,709
Depreciation of property, plant and equipment		21,925	18,641
Property, plant and equipment written off		56	34
Allowance for doubtful debts		743	4,279
Gain on disposal of property, plant and equipment, net		(7,578)	(1,472)
Interest expense		22,092	9,033
Interest income		(99)	(74)
Expense recognised in respect of share-based payments		359	820
Unrealised currency translation (gain)/loss		(470)	115
		<u>88,690</u>	<u>80,066</u>
<b>Movements in working capital</b>			
Increase in trade and other receivables		(23,678)	(7,277)
(Increase)/decrease in inventories		(1,670)	128
Increase/(decrease) in trade and other payables		10,713	(1,975)
		<u>74,055</u>	<u>70,942</u>
<b>Cash generated from operations</b>			
Income tax paid		(1,735)	(5,984)
Interest paid		(13,158)	(6,191)
		<u>59,162</u>	<u>58,767</u>
<b>Net cash from operating activities</b>			
<b>Cash flows from investing activities</b>			
Interest received		99	74
Proceeds from disposal of property, plant and equipment		26,039	6,455
Payments for property, plant and equipment		(85,293)	(85,980)
Payments for intangible assets		(292)	(102)
Acquisition of investment in joint ventures		(18,900)	-
Acquisition of non-controlling interest in subsidiary		(6,870)	-
Loan to immediate holding company		(139,165)	-
		<u>(224,382)</u>	<u>(79,553)</u>
<b>Net cash used in investing activities</b>			

**MICLYN EXPRESS OFFSHORE LIMITED**

Consolidated statement of cash flows

For the year ended 30 June 2014

	Notes	Year ended 30 June 2014 US\$'000	(Restated) Year ended 30 June 2013 US\$'000
<b>Cash flows from financing activities</b>			
Dividends paid to shareholders	34	-	(8,355)
Net proceeds from issue of bond	28	148,928	-
Upfront expenses due to bonds and borrowings		(5,853)	(2,788)
Settlement of share based payments		(1,236)	-
Net proceeds from borrowings	25	335,289	324,205
Repayments of borrowings	25	(307,387)	(292,093)
Net cash from financing activities		169,741	20,969
Net increase in cash and cash equivalents		4,521	183
Cash and cash equivalents at the beginning of the year		14,567	14,469
Effects of exchange rate changes on the balance of cash held in foreign currencies		171	(85)
<b>Cash and cash equivalents at the end of the year</b>	<b>14</b>	<b>19,259</b>	<b>14,567</b>

See accompanying notes to financial statements.



## **MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
for the year ended 30 June 2014

### **1. General information**

Miclyn Express Offshore Limited, ("the Company") was incorporated in Bermuda on 11 September 2009. The registered address is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business is 3 HarbourFront Place, #11-01/04 HarbourFront Tower 2, Singapore 099254.

The Company and its subsidiaries ("the Group") are principally engaged as owners, charterers and marketers of offshore support vessels, crew/utility vessels, tugs, barges and coastal survey vessels and in crewboat operations and investment holding.

### **2. Adoption of new and revised accounting standards**

On 1 July 2013, the group adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations.

The new or revised International Financial Reporting Standards ("IFRS") and Interpretations of International Financial Reporting Standards, which became mandatory as of 1 July 2013, do not result in substantial changes to the Group's accounting policies except as disclosed below.

#### IFRS 11 Joint Arrangements and IAS 28 Investments in Associates and Joint Ventures

IFRS 11 supersedes IAS 31 Interests in Joint Ventures.

IFRS 11 classifies a joint arrangement as either a joint operation or a joint venture based on the parties' rights and obligations under the arrangement. The existence of a separate legal vehicle is no longer the key factor. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets.

The joint venturer should use the equity method under the revised IAS 28 Investments in Associates and Joint Ventures to account for a joint venture. The option to use proportionate consolidation method has been removed.

IFRS 11 takes effect from financial years beginning on or after 1 January 2013, with retrospective application subject to transitional provisions.

On adoption, a jointly controlled entity may be classified as a joint operation or joint venture, depending on the rights and obligations of the parties to the joint arrangement. For arrangements that are joint ventures and were previously proportionately consolidated as jointly controlled entities, the group will have to adopt equity accounting.

## **MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
for the year ended 30 June 2014

### **2. Adoption of new and revised accounting standards (continued)**

#### IFRS 11 Joint Arrangements and IAS 28 Investments in Associates and Joint Ventures (continued)

The application of IFRS 11 has changed the accounting of the group's investments in joint ventures, which were classified as jointly controlled entities under IAS 31 and had been accounted for using the proportionate consolidation method. Under IFRS 11, the joint ventures are accounted for using the equity method, resulting in aggregation of the group's proportionate share of the joint ventures net assets and items of profit or loss and other comprehensive income into a single line item which are presented in the consolidated statement of financial position and consolidated statement of comprehensive income as 'investment in joint venture' and 'share of profits (loss) of joint venture' respectively.

The adoption of IFRS 11 results in a decrease in total assets and total liabilities, and reclassifications of certain profit or loss line items.

The change in accounting for the group's investments in joint ventures has been applied in accordance with the relevant transitional provisions set out in IFRS 11. Comparative amounts have been restated accordingly. The initial investment as at 1 July 2012 for the purposes of applying the equity method is measured as the aggregate of the carrying amounts of the assets and liabilities that the group had previously consolidated. The impact of the changes to comparative figures is disclosed in Note 42.

#### IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the part of IAS 27 Consolidated and Separate Financial Statements that deals with consolidated financial statements and SIC 12 Consolidation – Special Purpose Entities.

IFRS 10 includes a more robust definition of control in order to address unintentional weaknesses of the definition of control set out in the previous version of IAS 27. The definition of control under IFRS 10 includes the following three elements:

- a) power over an investee;
- b) exposure, or rights, to variable returns from its involvement with the investee; and
- c) ability to use its power over the investee to affect the amount of the investor's returns.

All three elements must be met for an investor to have control over an investee.

With regard to the first criterion, IFRS 10 states that an investor has power over an investee when the investor has existing rights that give it the current ability to direct the relevant activities of the investee, which are the activities that significantly affect the returns of the investee (not merely financial and operating activities as set out in the previous version of IAS 27).

## MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements  
for the year ended 30 June 2014

### 2. Adoption of new and revised accounting standards (continued)

#### IFRS 10 Consolidated Financial Statements (continued)

With regard to the second criterion, IFRS 10 requires that, in assessing control, only substantive rights (i.e. rights that the holder has the practical ability to exercise) are considered. For a right to be substantive, the right needs to be currently exercisable at the time when decisions about the relevant activities need to be made.

IFRS 10 contains extensive guidance that aims to help deal with complicated issues, including:

- Whether or not an investor has control over an investee when the investor has less than the majority of the voting right of the investee. For example, a private entity has a 48% equity interest in a listed investee. A question arises as to whether the private entity has 'de facto' control over the investee. IFRS 10 does not give any bright line, although it does include a number of illustrative examples some of which indicate that the 'control' conclusion is clear in certain scenarios; and
- Whether or not a decision maker has control over an investee. For example, a fund manager manages a fund and has discretion over some key activities of the fund. A question arises as to whether the fund manager has control over the fund it manages. To answer this question, IFRS 10 requires an analysis as to whether the fund manager is acting as a principal or an agent. If a fund manager is acting as a principal for a fund it manages, it should consolidate the fund. Conversely, if a fund manager is merely acting as an agent, it should not consolidate the fund.

With the new definition of control and extensive guidance on whether an investor has control over an investee, the application of IFRS 10 may have significant impact on many entities' financial statements which may result in:

- investees that were previously not consolidated (e.g. associates or other investees) may have to be consolidated under IFRS 10; and
- investees that were previously consolidated subsidiaries may not have to be consolidated under IFRS 10.

In addition, where entities have special purpose entities (which are broadly the same as 'structured entities' under the new Standard), they should reassess whether or not they have control over them in accordance with the requirements of IFRS 10. The level of effort required to determine the impact would depend on the information available, the complexity of the operation, and the passage of time from the date control was first acquired to the date of transition.

Specific transitional provisions are given for entities that apply IFRS 10 for the first time. Specifically, entities are required to make the 'control' assessment in accordance with IFRS 10 at the date of initial application, which is the beginning of the annual reporting period for which IFRS 10 is applied for the first time. For example, where an entity applies IFRS 10 for the first time when it prepares its consolidated financial statements for the year ending 31 December 2013, the date of initial application is 1 January 2013.

## **MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
for the year ended 30 June 2014

### **2. Adoption of new and revised accounting standards (continued)**

#### IFRS 10 Consolidated Financial Statements (continued)

No adjustments are required when the 'control' conclusion made at the date of initial application of IFRS 10 is the same before and after the application of IFRS 10. However, adjustments are required when the 'control' conclusion made at the date of initial application of IFRS 10 is different from that before the application of IFRS 10.

#### IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 is a new disclosure Standard that sets out what entities need to disclose in their annual consolidated financial statements when they have interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities (broadly the same as special purpose entities under SIC 12).

IFRS 12 aims to provide users of financial statements with information that helps evaluate the nature of and risks associated with the reporting entity's interests in other entities and the effects of those interests on its financial statements.

Management anticipates that the adoption of IFRSs and amendments to IFRS and IAS relevant to the group that were issued but not effective will not have a material impact on the financial statements of the group in the period of their initial adoption.

### **3. Significant accounting policies**

#### **3.1 Statement of compliance**

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with the International Financial Reporting Standards ("IFRS").

The financial statements comprise the consolidated financial statements of the Group.

The financial statements were authorised for issue by the directors on 14 October 2014.

#### **3.2 Basis of preparation**

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that are measured at revaluated amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

## **MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
for the year ended 30 June 2014

### **3. Significant accounting policies (continued)**

#### **3.2 Basis of preparation (continued)**

Fair value is the price that would be received to sell an asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date, regardless of whether the price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value of measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS2, leasing transactions that are within the scope of IAS17, and measurements that have some similarities to fair value but not fair value, such as net realisable value in IAS2 or value in use in IAS36.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

#### **3.3 Accounting for Amalgamation**

On 16 December 2013, Miclyn Express Offshore Limited ("MEOL") announced an amalgamation with Manta 2 Holdings Limited (a wholly-owned subsidiary of Manta Holding Limited, an entity jointly owned by two existing significant shareholders of MEOL), in accordance with the Companies Act 1981 of Bermuda and the Amalgamation Agreement dated 13 November 2013 entered into amongst MEOL, Manta 2 Holdings Limited and Manta Holdings Limited. Subsequently, Manta Holdings Limited became the parent of MEOL (the "Amalgamation").

In substance, the transaction was an administrative restructuring of MEOL Group to facilitate MEOL Group's delisting from the Australian Securities Exchange ("ASX") and the raising of debt financing.

The major implications of the accounting for the Amalgamation are that the consolidated financial statements are prepared in the name of the amalgamated company, MEOL and the comparatives are provided as though the transaction represents a continuation of the financial statements of MEOL Group and accordingly:

1. the assets and liabilities are recognised and measured in these condensed consolidated financial statements at the carrying amounts of the existing MEOL Group;
2. the retained earnings and other equity balances recognised in these consolidated financial statements are the existing retained earnings and other equity balances of MEOL Group;

## **MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
for the year ended 30 June 2014

### **3. Significant accounting policies (continued)**

#### **3.3 Accounting for Amalgamation (continued)**

3. the amount recognised as issued equity instruments in these consolidated financial statements is that of Manta 2 Holdings Limited and the previous issued equity recorded in the MEOL Group financial statements immediately before the Amalgamation are transferred to other equity reserves; and
4. comparative information presented in these consolidated financial statements is that of MEOL Group.

#### **3.4 Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassess whether or not it control an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When a Company has less than a majority of the voting right of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

## **MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
for the year ended 30 June 2014

### **3. Significant accounting policies (continued)**

#### **3.4 Basis of consolidation (continued)**

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interest of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interest is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interest in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

## MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements  
for the year ended 30 June 2014

### 3. Significant accounting policies (continued)

#### 3.5 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair values, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree, and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their assumed fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal Groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquire (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognised immediately in the profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill.



## **MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
for the year ended 30 June 2014

### **3. Significant accounting policies (continued)**

#### **3.5 Business combinations (continued)**

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date of the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year.

The policy described above is applied to all business combinations that have taken place on or after 1 July 2010.

#### **3.6 Interests in joint ventures**

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

## **MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
for the year ended 30 June 2014

### **3. Significant accounting policies (continued)**

#### **3.6 Interests in joint ventures (continued)**

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the group's share of the profit or loss and other comprehensive income of the joint venture. When the group's share of losses of a joint venture exceeds the group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the group's net investment in the joint venture), the group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect of the group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The group discontinues the use of the equity method from the date when the investment ceases to be a joint venture, or when the investment is classified as held for sale. When the group retains an interest in the former joint venture and the retained interest is a financial asset, the group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the relevant assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

## **MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
for the year ended 30 June 2014

### **3. Significant accounting policies (continued)**

#### **3.6 Interests in joint ventures (continued)**

The group continues to use the equity method when an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the group reduces its ownership interest in a joint venture but the group continues to use the equity method, the group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When the group entity transaction with a joint venture of the group, profits or losses resulting from the transactions with the joint venture are recognised in the group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the group.

#### **3.7 Goodwill**

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

## **MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
for the year ended 30 June 2014

### **3. Significant accounting policies (continued)**

#### **3.8 Non-current assets held for sale**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

#### **3.9 Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable for rendering of services in the ordinary course of the Group's activities, net of goods and services tax, rebates and discounts, where applicable, and after eliminating sales within the Group. Revenue is recognised as follows:

##### Chartering revenue

Revenue from chartering contracts is recognised on a time proportionate basis. Probable losses on voyages are provided in full at the time such losses can be estimated. Amounts receivable or payable arising from profit share arrangements are accrued based on estimates of amounts earned as at the reporting date. Deferred revenue is recorded when payments are received in advance for the Group's services. As a related service is rendered, revenue is recognised.

##### Pipe transportation projects

Revenue and profits from pipe transportation projects are recognised based on the percentage of completion as at the end of the reporting period by reference to the proportion of cost incurred to date in relation to the estimated total costs for the respective contracts, provided that the outcome can be reliably estimated.

Provision is made in full for estimated losses on uncompleted contracts and liquidated damages in the year in which such losses are anticipated, regardless of the stage of completion of the contracts.

## **MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
for the year ended 30 June 2014

### **3. Significant accounting policies (continued)**

#### **3.9 Revenue recognition (continued)**

##### Rendering of services

Revenue from services is recognised over the period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be performed.

Revenue from short-term shipbuilding contracts is recognised when the service is rendered.

##### Mobilisation/demobilisation income

Mobilisation and demobilisation income is recognised upon completed delivery of services.

##### Wharfages and commission income

Wharfages and commission income is recognised when the service is rendered.

##### Ship management income

Revenue from management contracts is recognised on a time-proportionate basis. Deferred revenue is recorded when payments are received in advance for these services.

##### Dividend and interest income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

#### **3.10 Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

##### The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

## **MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
for the year ended 30 June 2014

### **3. Significant accounting policies (continued)**

#### **3.10 Leases (continued)**

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

##### The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see Note 3.12 below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

#### **3.11 Foreign currency transactions and translation**

The consolidated financial statements are presented in United States dollar, which is the Company's functional currency. Each entity within the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

## **MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
for the year ended 30 June 2014

### **3. Significant accounting policies (continued)**

#### **3.11 Foreign currency transactions and translation (continued)**

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; are described in the hedging accounting policies below;
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into United States dollar using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

## **MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
for the year ended 30 June 2014

### **3. Significant accounting policies (continued)**

#### **3.12 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

#### **3.13 Retirement benefit costs**

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

#### **3.14 Employee leave entitlement**

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

#### **3.15 Share-based payments**

The Group previously issued equity-settled share-based payments to certain employees.

Equity-settled share-based payments to employees and others providing similar services are measured at fair value of the equity instruments at the date of grant. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 33.



## **MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
for the year ended 30 June 2014

### **3. Significant accounting policies (continued)**

#### **3.15 Share-based payments (continued)**

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

#### **3.16 Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

##### Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

##### Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

## **MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
for the year ended 30 June 2014

### **3. Significant accounting policies (continued)**

#### **3.16 Taxation (continued)**

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on the tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its asset and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on the net basis.

#### Current and deferred tax for the year

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of business combinations, the tax effect is included in the accounting for the business combination.

#### **3.17 Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use.

## MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements  
for the year ended 30 June 2014

### 3. Significant accounting policies (continued)

#### 3.17 Property, plant and equipment (continued)

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amounts of the replaced components are written off to the statement of comprehensive income. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of comprehensive income as incurred.

Depreciation is calculated using the straight-line method to allocate the cost less its residual values estimated by the management so as to write-off items of property, plant and equipment over their estimated useful lives.

The estimated useful lives of assets are summarised as follows:

Vessels – Barges	-	20 years
Vessels – Others	-	25 years
Vessels – Equipment	-	3 to 5 years
Drydocking	-	2.5 to 5 years
Leasehold land	-	Over the remaining lease period of 22 years
Buildings	-	20 years
Furniture and fittings	-	3 to 10 years
Office equipment	-	3 to 5 years
Motor vehicles	-	10 years
Plant and machinery	-	2.5 to 5 years

No depreciation is provided on vessels under construction.

The depreciation method, estimated useful lives and residual values are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Other subsequent expenditure is recognised as repair and maintenance expense in the statement of comprehensive income during the financial year in which it is incurred.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

The gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge is taken for depreciation in respect of these assets.

## **MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
for the year ended 30 June 2014

### **3. Significant accounting policies (continued)**

#### **3.18 Intangible assets**

Intangible assets acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The estimated useful lives of licences are 5 years.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

#### **3.19 Impairment of tangible and intangible assets excluding goodwill**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are allocated to individual cash generating units, or otherwise they are also allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit or loss, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

## **MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
for the year ended 30 June 2014

### **3. Significant accounting policies (continued)**

#### **3.19 Impairment of tangible and intangible assets excluding goodwill (continued)**

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### **3.20 Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted-average basis. Cost of work-in-progress comprises raw materials, direct labour, sub-contractors' costs, other direct cost and related production overheads but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less all estimated cost of completion and cost necessary to make the sale.

#### **3.21 Provisions**

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

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

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

## **MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
for the year ended 30 June 2014

### **3. Significant accounting policies (continued)**

#### **3.22 Financial assets**

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs.

##### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premium or discounts) through the expected life of the debt instrument, or where appropriate, a shorter period to the net carrying amount at initial recognition.

##### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

##### Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial asset, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 140 days (2013: 112 days), as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

## **MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
for the year ended 30 June 2014

### **3. Significant accounting policies (continued)**

#### **3.22 Financial assets (continued)**

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

#### **3.23 Financial liabilities and equity instruments issued by the Group**

#### Classification as debt or equity

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

## **MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
for the year ended 30 June 2014

### **3. Significant accounting policies (continued)**

#### **3.23 Financial liabilities and equity instruments issued by the Group (continued)**

##### Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transactions costs, and are subsequently measured at amortised cost, using the effective interest method.

For interest bearing bank loans and bonds, any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

##### Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

#### **3.24 Fair value estimation for financial assets and liabilities**

The carrying amounts of current financial assets and liabilities, carried at amortised cost, approximate their fair values.

The fair values of financial instruments traded in active markets (such as exchange traded and over-the-counter securities and derivatives) are based on quoted market prices at the end of each reporting period.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as estimated discounted cash flows, are also used to determine the fair values of the financial instruments.

The fair values of financial liabilities carried at amortised cost are estimated by discounting the future contractual cash flows at the current market interest rates that are available to the Group for similar financial liabilities.



## **MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
for the year ended 30 June 2014

### **3. Significant accounting policies (continued)**

#### **3.25 Derivative financial instruments and hedge accounting**

The Group enters into derivative financial instruments to manage its exposure to interest rate risk and foreign exchange rate risk including foreign exchange forward contracts and interest rate swaps. Details of derivative financial instruments are disclosed in Note 24 to the financial statements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in the profit and loss statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the profit and loss statement depends on the nature of the hedge relationship.

The Group designates certain derivatives as either hedges of the fair value of recognised liabilities or firm commitments (fair value hedges) or hedges of foreign currency risk of firm commitments (cash flow hedges). A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months from the balance sheet date and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

#### **Hedge accounting**

The Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges or cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Note 23 contain details of the fair values of the derivative instruments used for hedging purposes.

## **MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
for the year ended 30 June 2014

### **3. Significant accounting policies (continued)**

#### **3.25 Derivative financial instruments and hedge accounting (continued)**

##### **Cash flow hedge**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of other gains and losses.

Amounts recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss in the same line of the profit and loss statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss that was accumulated in equity is recognised immediately in profit or loss.

#### **3.26 Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

#### **3.27 Cash and cash equivalents in the statement of cash flows**

Cash and cash equivalents in the statement of cash flows comprise cash on hand that is readily convertible to a known amount of cash and is subject to an insignificant risk of change in value.

## MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements  
for the year ended 30 June 2014

### 4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period; or in the period of the revision and future periods if the revision affects both current and future periods.

#### *Critical judgement in applying accounting policies*

The following are the critical judgements, apart from those involving estimates that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

#### Revenue recognition

The Group recognises revenue from ship repair services over the period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be performed. Significant judgement is required in determining the appropriate stage of completion and estimating a reasonable contribution margin for revenue and costs recognition.

#### *Key sources of estimation of uncertainty*

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

#### Allowance for doubtful debts

The policy for allowance for doubtful debts of the Group is based on the evaluation of recoverability and on management's judgement. A considerable amount of judgement is required in assessing the expected ultimate realisation of these receivables, including the credit-worthiness of each customer. Management has assessed the recoverability of gross trade receivables of US\$94,790,000 (2013: US\$76,758,000) (Note 15) and considered that an allowance for doubtful debts amounting to US\$943,000 (2013: US\$5,469,000) was required.

## MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements  
for the year ended 30 June 2014

### 4. Critical accounting judgements and key sources of estimation uncertainty (continued)

#### *Key sources of estimation of uncertainty (continued)*

##### Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the end of the reporting period was US\$59,992,000 (2013: US\$59,233,000). Details of the impairment review calculation are provided in Note 22.

##### Insurance claims

Insurance claims relate mainly to claims for damages sustained by the Group's vessels which have been lodged with the insurer. The insurance claims are made based on the estimates of Group's claims recoverable under the insurance policies in place.

The carrying amount of the claims is disclosed in Note 15.

##### Impairment of vessels

Vessels (including drydocking) with net carrying amount of US\$466,896,000 (2013: US\$397,652,000) were subject to an impairment review in the financial year ended 30 June 2014. The impairment review involves comparing the recoverable amount of each individual asset class, namely "Offshore Support Vessels", "Crew/Utility Vessels", "Tugs", "Barges", and "Coastal Survey Vessels", as each asset class has been determined to be the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or group of assets, otherwise known as cash generating unit, against its carrying value.

Recoverable amount is defined as the higher of the value in use and fair value less cost to sell. Value in use is the present value of the future cash flows expected to be derived from the cash generating unit, including terminal value. Fair value is the amount obtainable from the sale of the cash generating unit in an arm's length transaction between knowledgeable, willing parties. The fair value was based on valuation reports prepared by independent third party valuers which represent an appraisal of the vessels' present day indicative market value in each of the cash generating units.

For the financial years ended 30 June 2014 and 30 June 2013, value in use assessment was not carried out as the fair values less costs to sell of the class of assets, were assessed by the external valuer to be higher than the carrying amount.

Management is of the opinion that the fair values of the vessels as at 30 June 2014 are reasonable. Should there be future development that will impact on the fair values; adjustments will be made in the next reporting period, where appropriate.

The carrying values of vessels are disclosed in Note 21.

## MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements  
for the year ended 30 June 2014

### 4. Critical accounting judgements and key sources of estimation uncertainty (continued)

#### *Key sources of estimation of uncertainty (continued)*

##### Residual values and useful lives of property, plant and equipment

The Group reviews the residual values and useful lives of property, plant and equipment at the end of each reporting period, in accordance with the accounting policy stated in Note 3.

Significant judgement is required in determining the residual values and useful lives of property, plant and equipment. In determining the residual values and useful lives of vessels, the Group considers the scrap steel market price, the expected usage, maintenance and repair cost, technical or commercial obsolescence and legal or similar limits to the use of plant and equipment.

The Group adopts a policy of depreciating the cost of its vessels, after allowing for residual values, over an assumed economic life span of 20 to 25 years from the date of initial delivery of a vessel from the shipyard. However, the assumptions regarding economic life span and the estimated residual values may differ from the original estimates. Such differences will impact depreciation prospectively from the year in which the estimated economic useful life or the residual value changes.

The carrying values of property, plant and equipment are disclosed in Note 21.

##### Taxation in different jurisdictions

The Group is subject to income taxes in a number of jurisdictions. In determining income tax liabilities, management is required to estimate the deductibility of certain expenses and the amount of capital allowances available in each tax jurisdiction.

Management has estimated its income tax liabilities in all the jurisdictions in which it operates, and the amounts recorded as at 30 June 2014 are considered reasonable.

##### Fair value of share-based payment

The fair value was assessed by an independent third party valuer. The valuer used a combination of Monte-Carlo simulation technique and Binomial model. Based on the valuation report, an expense of US\$359,000 (2013: US\$820,000) was recognised. Details of the variables used in the valuation are set out in Note 33.

**MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
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**5. Revenue**

The following is an analysis of the Group's revenue for the year:

	Year ended 30 June 2014	(Restated) Year ended 30 June 2013
	US\$'000	US\$'000
Charter revenue	183,073	179,858
Mobilisation/demobilisation income	5,765	8,791
Ship management income	3,250	6,001
Project pipe transportation	42,509	36,766
Vessel customization income	9,049	-
Ship repair income	253	376
Radio and Communications revenue	307	105
Moorings revenue	291	-
	<u>244,497</u>	<u>231,897</u>

See Note 6 below for an analysis of revenue by operating segments.

**6. Segmental information**

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is focused on the category of vessels generating charter revenue. The principal categories of revenue are Offshore Support Vessels, Crew/utility Vessels, Tugs, Barges, Coastal Survey Vessels, Third party Vessels and Project pipe transportation.

During the current reporting period, the Group has reclassified its previously reported shipyard services segment related to chartering activities across the respective categories of vessels. Accordingly, the prior year segmental information has been restated.

The Group's reportable segments under IFRS 8 are therefore Offshore Support Vessels, Crew/utility Vessels, Tugs, Barges, Coastal Survey Vessels, Third party Vessels and Project pipe transportation:

## **MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
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### **6. Segmental information (continued)**

Offshore support vessels	- Transportation and various support services across the entire offshore oil and gas cycle
Crew/utility vessels	- Transportation of personnel and supplies to and from oil and gas production platforms
Tugs	- Transportation of barges to and from work locations
Barges	- Transportation of oilfield equipment, heavy steel structures, raw materials and/or accommodation for personnel working at offshore sites
Coastal survey vessels	- Near-shore civil construction and oil/gas field exploration, development and production support
Third party vessels	- Chartering of vessels from the market, to charter out to customers, vessel upgrading, vessel reinstatement and ship management
Project pipe transportation	- Provision of offshore transportation solutions and equipment

**MICLYN EXPRESS OFFSHORE LIMITED**

Notes to financial statements  
for the year ended 30 June 2014

**6. Segmental information (continued)**

Information regarding the Group's reportable segments is presented below.

**(i) Segment revenue and results**

The following is an analysis of the Group's revenue and results by reportable segment:

	Segment revenue		Segment profit/(loss)	
	Year ended 30 June 2014	(Restated) Year ended 30 June 2013	Year ended 30 June 2014	(Restated) Year ended 30 June 2013
	US\$'000	US\$'000	US\$'000	US\$'000
Offshore support vessels	99,266	72,456	41,063	33,723
Crew/utility vessels	50,457	45,660	22,468	18,743
Tugs	27,379	34,206	8,058	11,408
Barges	11,393	15,427	5,789	10,001
Coastal survey vessels	2,063	5,549	(84)	370
Third party vessels	21,075	31,163	5,257	8,274
Project pipe transportation	42,509	36,766	11,274	5,422
Others	253	376	45	104
	254,395	241,603	93,870	88,045
Eliminations	(9,898)	(9,706)	-	-
Total	244,497	231,897	93,870	88,045
Other gains and losses			10,549	2,000
Central administration costs and directors' salaries			(36,433)	(36,594)
Finance costs			(22,416)	(9,278)
Other expenses			(56)	(34)
Share of profit from joint ventures			9,422	5,979
Profit before tax			54,936	50,118
Income tax expense			(5,510)	(2,659)
Consolidated profit for the year			49,426	47,459



**MICLYN EXPRESS OFFSHORE LIMITED**

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**6. Segmental information (continued)****(i) Segment revenue and results (continued)**

Revenue and results reported above represents revenue generated from external customers.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs and Directors' salaries and finance costs, and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

**(ii) Segment assets and liabilities**

	30 June 2014	(Restated) 30 June 2013
	US\$'000	US\$'000
<b>Segment assets</b>		
Offshore support vessels	314,114	293,865
Crew/utility vessels	202,388	178,475
Tugs	47,736	45,482
Barges	49,549	49,068
Coastal survey vessels	4,390	4,410
Project pipe transportation	9,086	5,977
Total segment assets	627,263	577,277
Unallocated	257,746	71,199
Consolidated assets	885,009	648,476
<b>Segment liabilities</b>		
Offshore support vessels	26,285	14,941
Crew/utility vessels	12,859	12,774
Tugs	8,876	11,865
Barges	1,456	-
Coastal survey vessels	359	3,219
Project pipe transportation	814	2,556
Total segment liabilities	50,649	45,355
Unallocated	410,106	219,760
Consolidated liabilities	460,755	265,115

**MICLYN EXPRESS OFFSHORE LIMITED**

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**6. Segmental information (continued)****(ii) Segment assets and liabilities (continued)**

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than “cash and cash equivalents”, “other receivables and prepayments”, “intangible assets”, “deferred tax assets” and certain “property, plant and equipment” used for administrative purposes. Goodwill has been allocated to reportable segments as described in Note 23. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and
- all liabilities are allocated to reportable segments other than “borrowings”, “other financial liabilities” and “current and deferred taxation”. Liabilities for which reportable segments are jointly liable are allocated in proportion to the cost of sales incurred.

**(iii) Other segment information**

	Depreciation and amortisation		Additions to non-current assets	
	(Restated)		(Restated)	
	Year ended 30 June 2014	Year ended 30 June 2013	Year ended 30 June 2014	Year ended 30 June 2013
	US\$'000	US\$'000	US\$'000	US\$'000
Offshore support vessels	13,254	10,264	21,064	52,321
Crew/utility vessels	6,895	5,961	47,500	11,899
Tugs	1,702	1,419	1,644	6,192
Barges	3,116	2,582	6,450	10,690
Coastal survey vessels	273	384	766	727
Project pipe transportation	112	38	201	81
Unallocated	1,859	1,973	7,960	4,172
	<u>27,211</u>	<u>22,621</u>	<u>85,585</u>	<u>86,082</u>

**MICLYN EXPRESS OFFSHORE LIMITED**

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**6. Segmental information (continued)****(iv) Geographical information**

The Group's vessels are deployed in four principal geographical areas - Asia, Australia, Middle East & Africa and Other inter-regional.

The Group's revenue from external customers and information about its segment assets by geographical location are detailed below:

	Revenue from external customers		Non-current assets	
	(Restated)		(Restated)	
	Year ended 30 June 2014	Year ended 30 June 2013	30 June 2014	30 June 2013
	US\$'000	US\$'000	US\$'000	US\$'000
<u>Based on location where revenue was generated</u>				
Asia:				
Indonesia	30,474	13,815	214	11,836
Malaysia	27,756	30,026	35	-
Singapore	3,668	492	95,820	66,486
Thailand	33,797	32,034	-	-
Rest of Asia	6,888	11,031	3,464	-
Other inter-regional <sup>(1)</sup>	3,038	5,309	-	-
Australia	91,029	83,561	28,596	28,432
Middle East & Africa	47,847	55,629	311	269
	244,497	231,897	128,440	107,023
Vessels <sup>(2)</sup>	-	-	451,439	387,477
Vessels in construction/ work in progress <sup>(2)</sup>	-	-	14,757	36,091
Drydocking costs <sup>(2)</sup>	-	-	15,457	10,175
Vessel plant and equipment <sup>(2)</sup>	-	-	4,663	4,332
Others	-	-	-	-
	244,497	231,897	614,756	545,098

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**6. Segmental information (continued)****(iv) Geographical information (continued)**

- (1) Other inter-regional revenue is earned in international waters. In the current year, the revenue generated from external customers for “other inter-regional” segment has been separately disclosed.
- (2) The management consider that the nature of the Group’s business precludes a meaningful allocation of vessel and related assets to specific geographical segments as defined under IFRS 8. These vessels, together with the related drydocking costs and vessel equipment are primarily chartered across geographic markets.

**(v) Information about major customers**

Included in Group’s revenue are:

- Revenue from Offshore Support Vessels and Crew/utility Vessels of US\$31,113,000 (2013: US\$27,222,000) derived from a customer;
- Revenue from Offshore Support Vessels, Tugs, Barges and Third Party Vessels of US\$Nil (2013: US\$19,299,000) derived from a customer;
- Revenue from Offshore Support Vessels, Crewboats, Barges and Project Pipe Transportation of US\$27,182,000 (2013: US\$40,764,000) derived from another customer.

**7. Other gains and losses**

	Year ended 30 June 2014 US\$'000	(Restated) Year ended 30 June 2013 US\$'000
Rental income	82	680
Management income	12	57
Gain on disposal of property, plant and equipment	7,578	1,472
Amortisation of provisions (Note 27)	333	352
Scrap sales	202	303
Sundry income	826	299
Interest income	99	74
Net foreign exchange gain/(loss)	1,417	(1,237)
	<u>10,549</u>	<u>2,000</u>

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**8. Administration expenses**

	Year ended 30 June 2014 US\$'000	(Restated) Year ended 30 June 2013 US\$'000
Employee-related expenses (Note 9)	23,634	24,290
Professional fees	2,644	2,673
Rental expenses	1,673	1,611
Depreciation of property, plant and equipment	1,139	1,093
Allowance for doubtful debt	743	4,279
Others	6,600	2,648
	<u>36,433</u>	<u>36,594</u>

**9. Employee-related expenses**

	Year ended 30 June 2014 US\$'000	(Restated) Year ended 30 June 2013 US\$'000
Wages and salaries	16,211	15,877
Allowance and benefits	5,984	6,233
Employer's contribution to defined contribution plans	1,071	959
Share-based payments (Note 33)	359	820
Directors' remuneration	9	401
	<u>23,634</u>	<u>24,290</u>

**10. Finance costs**

	Year ended 30 June 2014 US\$'000	(Restated) Year ended 30 June 2013 US\$'000
Interest expense arising from:		
Bank loans	6,597	6,144
Interest expense (related party)	55	38
Bond	10,660	-
Other finance costs	79	63
	<u>17,391</u>	<u>6,245</u>
Amortisation of debt upfront fee	4,701	2,788
Total interest expense	<u>22,092</u>	<u>9,033</u>
Commitment fee in relation to bank facility	324	245
	<u>22,416</u>	<u>9,278</u>

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**11. Other expenses**

	Year ended 30 June 2014	(Restated) Year ended 30 June 2013
	US\$'000	US\$'000
Property, plant and equipment written off	56	34

**12. Profit before tax**

Profit before tax has been arrived at after charging/(crediting):

	Year ended 30 June 2014	(Restated) Year ended 30 June 2013
	US\$'000	US\$'000
Depreciation and amortisation:		
Depreciation of property, plant and equipment	21,925	18,641
Amortisation of drydocking expenditure	5,052	3,709
Amortisation of intangible assets	234	271
	27,211	22,621
Amortisation of vessels mob / demob expenditure	1,195	923
Directors' fees	9	401
Charter hire expense	7,111	6,785
Net foreign exchange (gain)/loss	(1,417)	1,237
Cost of inventories recognised as expense in cost of sales	634	768

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**13. Income taxes**

	Year ended 30 June 2014	(Restated) Year ended 30 June 2013
	US\$'000	US\$'000
Tax expense comprises:		
Current tax expenses in respect of the current year	4,314	2,557
Adjustments recognised in the current year in relation to prior years	(25)	(843)
Deferred tax expense relating to the origination and reversal of temporary differences	38	180
Foreign withholding tax paid	1,183	765
	<u>5,510</u>	<u>2,659</u>

The expense for the year can be reconciled to the accounting profit as follows:

	Year ended 30 June 2014	(Restated) Year ended 30 June 2013
	US\$'000	US\$'000
Profit before tax	54,936	50,118
Tax at the domestic income tax rate of 17%* (2013: 17%)	9,339	8,520
Tax exempt income	(7,626)	(6,780)
Effect of different tax rates of subsidiaries		
Tax effect of operating profits in other jurisdictions	1,233	477
Non-deductible expenses	1,368	340
Foreign withholding tax	1,183	765
Deferred tax assets recognised	38	180
Adjustments recognised in the current year in relation to the prior years	(25)	(843)
Total tax expense	<u>5,510</u>	<u>2,659</u>

- \* The tax rate used represents the domestic tax rate of Singapore, the country in which the Company is domiciled.

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**13. Income taxes (continued)**

In accordance with the provisions of the Singapore Income Tax Act ("the Act") and Singapore's Approved International Shipping Enterprise Incentive ("AIS"), the operating profits from shipping activities of vessels plying international waters are tax-exempt. The exemption is subject to the Group meeting the terms and conditions set out in Section 13A of the Act and AIS (approved since 1 February 2011). In addition, income tax is chargeable on interest received during the financial year which is treated as a separate source of income for tax purposes.

	30 June 2014	(Restated) 30 June 2013
	US\$'000	US\$'000
<b>Current liabilities</b>		
Current tax liabilities	3,968	1,604

**Deferred tax balances**

The following are the major deferred tax liabilities and assets recognised by the Group, and the movements thereon, during the current and prior reporting periods:

	Accelerated tax depreciation US\$'000	Provision for staff benefits US\$'000	Total US\$'000
At 1 July 2012	247	(728)	(481)
(Credit)/Charge to profit or loss	(58)	238	180
Exchange differences	(20)	49	29
At 30 June 2013	169	(441)	(272)
Credit to profit or loss	(17)	(114)	(131)
Exchange differences	(3)	36	33
At 30 June 2014	149	(519)	(370)

The following is the analysis of the deferred tax assets and liabilities balances for presentation purposes:

	Year ended 30 June 2014	(Restated) Year ended 30 June 2013	(Restated) Year ended 30 June 2012
	US\$'000	US\$'000	US\$'000
Deferred tax assets	519	441	728
Deferred tax liabilities	(149)	(169)	(247)
	370	272	481

The realisation of the future income tax benefits from tax loss carry forwards is available for an unlimited future period subject to the conditions imposed by law including the retention of majority shareholders as defined.



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**14. Cash and cash equivalents**

	30 June 2014	(Restated) 30 June 2013	(Restated) 30 June 2012
	US\$'000	US\$'000	US\$'000
Cash and bank balances	19,259	14,567	14,469

**15. Trade and other receivables**

	30 June 2014	(Restated) 30 June 2013	(Restated) 30 June 2012
	US\$'000	US\$'000	US\$'000
Trade receivables	94,790	76,758	66,566
Allowance for doubtful debts	(943)	(5,469)	(1,449)
	93,847	71,289	65,117
Trade balances due from:			
Related parties (Note 41)	272	602	609
	94,119	71,891	65,726
Non-trade balances due from:			
Related parties (Note 41)	1,874	1,585	1,691
Shareholders of joint ventures	-	10	10
	1,874	1,595	1,701
Advances	1,213	1,693	4,472
Deposits	1,644	751	1,464
Prepayments	3,574	3,346	3,333
Insurance claims (i)	368	840	2,442
Other receivables	1,522	1,021	290
Tax recoverable	98	122	298
	104,412	81,259	79,726

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**15. Trade and other receivables (continued)**

- (i) The insurance claims as at 30 June 2014 are for damages sustained by 12 (2013: 13) vessels which have been lodged with the insurer. Management is of the view that these claims are recoverable under the insurance policies in place.

The average days sales outstanding as at 30 June 2014 are 142 days (2013: 112 days). No interest is charged on overdue trade receivables. The Group recognises allowance for doubtful debts against specific identified trade receivables with outstanding balances more than 90 days, determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period but against which the Group has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

Ageing of past due but not impaired:

	30 June 2014	(Restated) 30 June 2013	(Restated) 30 June 2012
	US\$'000	US\$'000	US\$'000
< 90 days	32,759	29,241	22,102
> 90 days	14,349	17,399	6,848
	<u>47,108</u>	<u>46,640</u>	<u>28,950</u>

Movement in allowance for doubtful debts:

	30 June 2014	(Restated) 30 June 2013	(Restated) 30 June 2012
	US\$'000	US\$'000	US\$'000
Balance at beginning of year	5,469	1,449	939
Allowance during the year	743	4,279	511
Amounts written off during the year	(5,269)	(259)	(1)
Balance at end of the year	<u>943</u>	<u>5,469</u>	<u>1,449</u>

In 2013, the Group made an allowance for doubtful debts of US\$4,234,000 for receivables and deposits in full which were unlikely to be recovered as a result of the Group's cessation of operations in Iran. During the financial year ended 30 June 2014, the Group wrote off the above allowance for doubtful debts as the likelihood of recovery was deemed remote.

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**15. Trade and other receivables (continued)**

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit is initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the Group's customer base.

Ageing of impaired trade receivables:

	30 June 2014	(Restated) 30 June 2013	(Restated) 30 June 2012
	US\$'000	US\$'000	US\$'000
< 90 days	726	575	533
90 to 120 days	87	567	255
> 120 days	130	4,327	661
	<u>943</u>	<u>5,469</u>	<u>1,449</u>

**16. Loan to immediate holding company**

The Group entered into an agreement to provide a loan facility in the aggregate up to US\$150 million to Manta Holdings Limited, the immediate holding Company of the Group which expires on 12 December 2023. The loan is unsecured, interest-free and repayable on demand.

**17. Inventories and work-in-progress**

	30 June 2014	(Restated) 30 June 2013	(Restated) 30 June 2012
	US\$'000	US\$'000	US\$'000
Raw materials	692	635	500
Spare parts and consumables	5,918	4,413	4,552
Bunkers and lube oil	807	380	671
Work-in-progress	-	342	188
	<u>7,417</u>	<u>5,770</u>	<u>5,911</u>

**18. Vessels held for sale**

On 28 June 2013, the Group entered into an agreement to sell a crew/utility vessel to an external party for a consideration of US\$2,200,000. Accordingly, the vessel to be sold was classified as vessels held for sale and was classified as a current asset on the statement of financial position. As at 30 June 2013, the vessel had a net carrying value of US\$1,782,000.

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**19. Subsidiaries**

The details of significant subsidiaries as at 30 June 2014 are as follows:

<u>Name of subsidiaries and country of incorporation and operation</u>	<u>Principal activities</u>	<u>30 June 2014</u>	<u>Effective equity interest held</u>	<u>30 June 2012</u>
		%	30 June 2013 %	%
MEO Finance Company Limited Bermuda	Investment holding	100	100	100
Miclyn Offshore Pte Ltd Singapore	Investment holding, owner and charterer of vessels	100	100	100
Miclyn Express Offshore Pte Ltd Singapore	Investment holding, chartering and management of vessels	100	100	100
Miclyn Shipbuilding & Engineering Pte Ltd Singapore	Ship building and ship repair	100	100	100
Miclyn Offshore (Middle East & Africa) FZE United Arab Emirates	Marketing offshore vessels and providing support services	100	100	100
Airmat Singapore Pte Ltd Singapore	Owner and charterer of vessels and barges	100	100	100
Entrons (Singapore) Pte Ltd Singapore	Owner and charterer of vessels and barges	100	100	100
Girino Enterprise Pte Ltd Singapore	Owner and charterer of vessels and barges	100	100	100
Express Offshore Solutions Pte Ltd <sup>(i)</sup> Singapore	Provision of offshore transportation solutions and equipment	100	70	70
Ken-Mok Engineering & Fabricators Pte Ltd Singapore	Owner and charterer of vessels and barges	100	100	100
Koleth (S) Pte Ltd Singapore	Owner and charterer of vessels and barges	100	100	100

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**19. Subsidiaries (continued)**

<u>Name of subsidiaries and country of incorporation and operation</u>	<u>Principal activities</u>	<u>30 June 2014</u>	<u>Effective equity interest held</u>	<u>30 June 2012</u>
		<u>%</u>	<u>30 June 2013</u> <u>%</u>	<u>%</u>
Maldives Fishery Pte Ltd Singapore	Owner and charterer of vessels and barges	100	100	100
Ticwink Pte Ltd Singapore	Owner and charterer of vessels and barges	100	100	100
Offshore Charters Pte Ltd Singapore	Ship management, owner and charterer of vessels	100	100	100
Stardazz Pte Ltd Singapore	Owner and charterer of vessels and barges	100	100	100
Blansco Sdn Bhd Malaysia	Owner and charterer of vessels and barges	100	100	100
Express Offshore Transport Limited Hong Kong	Owner and charterer of vessels and barges	100	100	100
Express Offshore Transport (UAE) LLC <sup>(ii)</sup> United Arab Emirates	Owner and charterer of vessels and barges	100	100	100
PT. Loh & Loh Construction Indonesia	Shipyard owner	100	100	100
Miclyn Express Offshore (L) Bhd Malaysia	Owner and charterer of vessels & barges	100	100	100
Samson Maritime Holdings Pty Ltd Australia	Investment holding	100	100	100
Jisco Sdn Bhd Brunei <sup>(iii)</sup>	Owner and charterer of vessels and barges	70	-	-
MEO Jisco Marine Sdn Bhd Brunei <sup>(iii)</sup>	Owner and charterer of vessels and barges	70	-	-

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**19. Subsidiaries (continued)**

- (i) On 29 January 2014, the Group signed an agreement with the non-controlling shareholders of its pipe transportation subsidiary, Express Offshore Solutions Pte Ltd ("EOS") for the purchase of the remaining 30% shareholding in the company for a total consideration of US\$6,870,000.

The following schedule shows the effects of changes in the Group's ownership interest in a subsidiary that did not result in change of control, on the equity attributable to owner of the parent:

	30 June 2014 US\$'000
Amounts paid on changes in ownership interest in subsidiary	6,870
Non-controlling interest acquired	(2,890)
Difference recognised in equity reserves (Note 31)	<u>3,980</u>

- (ii) A certain proportion of the equity interest of the Group was held through nominees.

- (iii) Incorporated during the financial year.

**20. Joint ventures**

	30 June 2014 US\$'000	(Restated) 30 June 2013 US\$'000	(Restated) 30 June 2012 US\$'000
Investment in joint ventures	39,884	20,984	20,984
Share of post-acquisition profit, net of dividend received	21,465	12,043	6,064
	<u>61,349</u>	<u>33,027</u>	<u>27,048</u>

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**20. Joint ventures (continued)**

The details of the joint ventures are as follows:

Name of joint ventures and country of incorporation and operation	Principal activities	Effective equity interest held		
		30 June 2014 %	30 June 2013 %	30 June 2012 %
Uniwise Holdings Limited Thailand	Investment holding	37.5	37.5	37.5
Uniwise Offshore Limited Thailand	Offshore support vessel business	50.0	50.0	50.0
Alliance Offshore Service Limited Hong Kong	Ship owner and charterer	50.0	50.0	50.0
Alliance Offshore Services Pte Ltd Singapore	Owner and charterer of vessels and barges	50.0	50.0	50.0
Uniwise Marine Services Holdings Limited Thailand *	Investment holding	37.5	-	-
Uniwise Towage Limited Thailand *	Offshore support vessel business	50.0	-	-

\* Acquired during the half-year for combined consideration of US\$18,900,000.

Summarised financial information in respect of the Group's material joint venture entity is set out below:

**Uniwise Offshore Limited**

	30 June 2014 US\$'000	30 June 2013 US\$'000	30 June 2012 US\$'000
Current assets	9,282	9,385	14,157
Non-current assets	96,524	88,066	61,031
Current liabilities	(12,295)	(18,058)	(11,336)
Non-current liabilities	(14,545)	(24,492)	(19,791)

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**20. Joint ventures (continued)****Uniwise Offshore Limited (continued)**

	Year ended 30 June 2014 US\$'000	Year ended 30 June 2013 US\$'000	Year ended 30 June 2012 US\$'000
Revenue	30,140	25,430	21,341
Profit for the year	11,361	10,480	7,817

The above profit for the year include the following:

Depreciation and amortisation	(4,976)	(4,131)	(3,017)
Interest income	6	12	44
Interest expense	(668)	(678)	(635)
Income tax expense	(230)	(499)	(327)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	30 June 2014 US\$'000	30 June 2013 US\$'000	30 June 2012 US\$'000
Net assets of the joint venture	78,966	54,901	44,061
Proportion of the Group's ownership interest in the joint venture	50%	50%	50%
Carrying amount of the Group's interest in the joint venture	39,483	27,451	22,031

**Uniwise Towage Limited**

	30 June 2014 US\$'000	30 June 2013 US\$'000	30 June 2012 US\$'000
Current assets	9,655	-	-
Non-current assets	24,982	-	-
Current liabilities	(2,922)	-	-
Non-current liabilities	(3,262)	-	-



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**20. Joint ventures (continued)****Uniwise Towage Limited (continued)**

	Year ended 30 June 2014 US\$'000	Year ended 30 June 2013 US\$'000	Year ended 30 June 2012 US\$'000
Revenue	9,853	-	-
Profit for the year	4,122	-	-

The above profit for the year include the following:

Depreciation and amortisation	(1,525)	-	-
Interest income	15	-	-
Interest expense	(103)	-	-
Income tax expense	(400)	-	-

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	30 June 2014 US\$'000	30 June 2013 US\$'000	30 June 2012 US\$'000
Net assets of the joint venture	28,453	-	-
Proportion of the Group's ownership interest in the joint venture	50%	-	-
Carrying amount of the Group's interest in the joint venture	14,227	-	-

**Aggregate information of joint ventures that are not individually material**

	Year ended 30 June 2014 US\$'000	Year ended 30 June 2013 US\$'000	Year ended 30 June 2012 US\$'000
The Group's share of profit for the year	3,362	1,478	4,310
Aggregate carrying amount of the Group's interests in these joint ventures	7,639	5,576	5,017

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## **21. Property, plant and equipment**

	Vessels US\$'000	Drydocking US\$'000	Leasehold land and building US\$'000	Furniture and fittings US\$'000	Office equipment US\$'000	Motor vehicles US\$'000	Plant and machinery US\$'000	Vessel under construction/ work in progress US\$'000	Total US\$'000
<b>Cost:</b>									
At 1 July 2011	270,294	8,055	7,699	561	1,001	695	6,886	33,703	328,894
Additions	65,059	4,313	1,491	85	1,286	160	1,203	26,983	100,580
Acquisition of a subsidiary	20,725	45	-	145	154	244	628	171	22,112
Disposals	(912)	(37)	-	-	(4)	(47)	(280)	-	(1,280)
Write-off	(518)	(17)	-	(14)	(31)	(20)	(193)	(197)	(1,398)
Exchange differences	22,948	391	(408)	-	-	-	-	(23,339)	-
Transfer	377,596	12,750	8,782	777	2,406	1,032	8,212	37,321	448,876
At 30 June 2012	32,213	3,453	2,047	96	2,580	46	1,409	44,136	85,980
Additions	(11,385)	(155)	-	-	-	(24)	(237)	-	(11,801)
Disposals	(34)	-	-	-	(15)	-	-	-	(49)
Write-off	(2,280)	(90)	-	-	-	-	(135)	-	(2,505)
Transfer to vessels held for sale	(1,541)	(13)	(557)	(17)	(147)	(60)	(354)	(98)	(2,787)
Exchange differences	40,087	3,046	2,162	(360)	-	-	333	(45,268)	-
Transfer	434,656	18,991	12,434	496	4,824	994	9,228	36,091	517,714
At 30 June 2013	37,411	6,817	125	192	901	63	1,785	37,999	85,293
Additions	(9,060)	(539)	(12,493)	(265)	(617)	(232)	(4,605)	14	(27,797)
Disposals	(767)	(1,060)	-	(8)	(110)	(18)	(916)	-	(2,879)
Write-off	(1,688)	(83)	(8)	-	23	22	69	7	(1,658)
Exchange differences	53,940	3,659	59	-	19	-	1,677	(59,354)	-
Transfer	514,492	27,785	117	415	5,040	829	7,238	14,757	570,673
At 30 June 2014									

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## **21. Property, plant and equipment (continued)**

	Vessels US\$'000	Drydocking US\$'000	Leasehold land and building US\$'000	Furniture and fittings US\$'000	Office equipment US\$'000	Motor vehicles US\$'000	Plant and machinery US\$'000	Vessel under construction/ work in progress US\$'000	Total US\$'000
<b>Accumulated depreciation and impairment:</b>									
At 1 July 2011	20,772	2,865	1,579	270	417	165	3,845	-	29,913
Depreciation for the year	13,694	2,467	347	66	499	200	1,447	-	18,720
Acquisition of a subsidiary	3,592	13	-	8	82	89	222	-	4,006
Disposals	(170)	(28)	-	-	(1)	(35)	(217)	-	(451)
Write-off	(243)	(14)	(91)	(47)	(11)	(13)	(11)	-	(595)
Exchange differences	37,645	5,303	1,835	297	986	406	5,110	-	51,582
At 30 June 2012	16,673	3,709	768	76	609	155	360	-	22,350
Depreciation for the year	(6,409)	(170)	-	-	(15)	(12)	(225)	-	(6,816)
Disposals	(563)	(25)	-	-	-	-	(135)	-	(723)
Write-off	(167)	(1)	(58)	(13)	(61)	(40)	(214)	-	(554)
Transfer to vessels held for sale	47,179	8,816	2,545	360	1,519	509	4,896	-	65,824
Exchange differences	18,832	5,052	426	81	700	129	1,757	-	26,977
At 30 June 2013	(2,215)	(473)	(2,959)	(215)	(177)	(134)	(3,163)	-	(9,336)
Disposals	(767)	(1,060)	-	(7)	(55)	(18)	(916)	-	(2,823)
Write-off	24	(7)	-	(1)	-	-	1	-	17
Exchange differences	63,053	12,328	12	218	1,987	486	2,575	-	80,659
At 30 June 2014									
<b>Carrying amount:</b>									
At 30 June 2014	451,439	15,457	105	197	3,053	343	4,663	14,757	490,014
At 30 June 2013	387,477	10,175	9,889	136	3,305	485	4,332	36,091	451,890
At 30 June 2012	339,951	7,447	6,947	480	1,420	626	3,102	37,321	397,294

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**21. Property, plant and equipment (continued)**

The carrying amount of the Group's motor vehicles includes an amount of US\$55,000 (2013: US\$13,000) secured under finance leases.

During the financial year ended 30 June 2014, the Group has pledged the property, plant and equipment of certain subsidiaries amounting to US\$420,648,000 (2013: US\$395,862,000) to secure banking facilities granted to the Group (Note 25).

**22. Intangible assets**

	30 June 2014	(Restated) 30 June 2013	(Restated) 30 June 2012
	US\$'000	US\$'000	US\$'000
<u>Composition:</u>			
Goodwill (Note (a))	59,992	59,233	62,598
Licences (Note (b))	565	507	676
	<u>60,557</u>	<u>59,740</u>	<u>63,274</u>

**(a) Goodwill**

	30 June 2014	(Restated) 30 June 2013	(Restated) 30 June 2012
	US\$'000	US\$'000	US\$'000
<u>Cost and carrying amount:</u>			
Balance at beginning of year	59,233	62,598	51,423
Deemed divestment of a joint venture	-	-	(18,587)
Arising from acquisition of a subsidiary	-	-	28,554
Effect of foreign currency exchange differences	759	(3,365)	1,208
Balance at end of the year	<u>59,992</u>	<u>59,233</u>	<u>62,598</u>

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**22. Intangible assets (continued)****(a) Goodwill (continued)**Impairment tests for goodwill

Goodwill is allocated to the Group's cash generating units ("CGUs") identified according to business segments.

A segment-level summary of the goodwill allocation is as follows:

	30 June 2014	(Restated) 30 June 2013	(Restated) 30 June 2012
	US\$'000	US\$'000	US\$'000
Offshore support vessels	17,055	16,578	18,690
Crew/utility vessels	32,884	32,882	32,889
Tugs/barges	10,053	9,773	11,019
<b>Total</b>	<b>59,992</b>	<b>59,233</b>	<b>62,598</b>

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of each CGU is determined through value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to charter rates, direct costs and terminal value of equity during the financial year.

Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risk specific to the CGU. The growth rates are based on industry growth forecasts. Changes in charter rates and direct costs are based on expectations of future changes in the market. The management estimates a terminal value on equity based on the perpetuity growth model. Discount rate, growth rate and long-term growth rate of 10.9%, 3.0% and 3.0% (2013: 10.5%, 3.0% and 3.0%) are applied to the forecasted cash flows.

If management's estimate of discount rate increases or decreases by 0.5% (2013: 0.5%), the effect on the value in use will be as follows:

	30 June 2014		(Restated) 30 June 2013		(Restated) 30 June 2012	
	Increase US\$'000	(Decrease) US\$'000	Increase US\$'000	(Decrease) US\$'000	Increase US\$'000	(Decrease) US\$'000
Crew/utility vessels	(21,931)	24,978	(16,584)	19,637	(27,211)	34,744
Offshore support vessels	(41,177)	46,855	(41,895)	49,668	(47,480)	60,616
Tugs/barges	(6,299)	7,153	(11,668)	13,829	(20,093)	25,654

Based on the value in use calculations, management are of the opinion that the above is not likely to cause an impairment loss on goodwill.

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**22. Intangible assets (continued)****(b) Licences**

	30 June 2014	(Restated) 30 June 2013	(Restated) 30 June 2012
	US\$'000	US\$'000	US\$'000
Cost:			
Balance at beginning of year	1,369	1,267	1,267
Additions during the year	292	102	-
Balance at end of the year	1,661	1,369	1,267
Accumulated amortisation:			
Balance at beginning of year	(862)	(591)	(375)
Amortisation during the year	(234)	(271)	(216)
Balance at end of the year	(1,096)	(862)	(591)
Balance at end of the year	565	507	676

Licences represent the licence fees relating to the computer software.

**23. Derivative financial instruments**

	30 June 2014		30 June 2013		30 June 2012	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Forward foreign exchange contracts	2,317	-	-	-	-	-

The group utilises currency derivatives to hedge significant future transactions and cash flows. As at 30 June 2014, the Group is party to one forward foreign exchange contract which was entered into to hedge the foreign exchange movements in relation to the Singapore dollar denominated bond (Note 28).

At the end of the reporting period, the total notional amount of outstanding forward foreign contracts to which the company is committed is as follows:

	30 June 2014	30 June 2013	30 June 2012
	US\$'000	US\$'000	US\$'000
Forward foreign exchange contracts	155,836	-	-

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**23. Derivative financial instruments (continued)**

As at 30 June 2014, the total fair value of the forward foreign exchange contracts is estimated to be approximately US\$2,317,000 (2013: US\$Nil). The fair value of the forward foreign exchange contracts that are designated and effective as cash flow hedges amounting to US\$2,317,000 has been recognised in other comprehensive income.

The following table details the forward foreign currency contracts outstanding as at the end of the reporting period.

	Foreign Currency			Contract Value			Fair Value		
	30 June 2014	30 June 2013	30 June 2012	30 June 2014	30 June 2013	30 June 2012	30 June 2014	30 June 2013	30 June 2012
	S\$'000	S\$'000	S\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Buy S\$	200,000	-	-	158,153	-	-	2,317	-	-

**24. Trade and other payables**

	30 June 2014	(Restated) 30 June 2013	(Restated) 30 June 2012
	US\$'000	US\$'000	US\$'000
Trade payables			
- Outside parties	20,156	23,938	25,271
- Related parties (Note 41)	492	59	1,165
	20,648	23,997	26,436
Non-trade payables:			
- Related parties (Note 41)	228	195	37
Other payables	7,252	1,735	2,606
Accrued expenses	32,144	20,855	20,418
Loans payable to related parties (Note 41)	2,500	1,497	-
	62,772	48,279	49,497

The average credit period for trade payables is 91 days (2013: 77 days). No interest is charged on overdue balances.

In 2014, the loans payable to related parties are unsecured, bear fixed interest rate of 3.0% (2013: 3.1%) and are repayable on demand.

Trade payables principally comprise amounts outstanding for trade purchases and are largely denominated in United States dollars.

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**25. Borrowings**

	30 June 2014	(Restated) 30 June 2013	(Restated) 30 June 2012
	US\$'000	US\$'000	US\$'000
<b>Secured - at amortised cost</b>			
Bank loans	241,893	213,991	181,879
Finance lease liabilities (Note 26)	22	-	-
	<u>241,915</u>	<u>213,991</u>	<u>181,879</u>
Current	13,539	15,347	19,512
Non-current	228,376	198,644	162,367
	<u>241,915</u>	<u>213,991</u>	<u>181,879</u>
Non-current portion is payable as follows:			
Later than 1 year	19,369	64,434	31,219
In the 2 <sup>nd</sup> to 5 <sup>th</sup> year inclusive	209,007	134,210	131,148
	<u>228,376</u>	<u>198,644</u>	<u>162,367</u>
<b>Summary of bank loans:</b>			
	30 June 2014	(Restated) 30 June 2013	(Restated) 30 June 2012
	US\$'000	US\$'000	US\$'000
Balance at beginning of year	213,991	181,879	125,587
Acquisition of a subsidiary	-	-	8,692
Loans drawn during the financial year	335,289	324,205	65,314
Repayment of loans	(307,387)	(292,093)	(17,714)
Balance at end of year	<u>241,893</u>	<u>213,991</u>	<u>181,879</u>



## MICLYN EXPRESS OFFSHORE LIMITED

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### 25. Borrowings (continued)

Summary of bank loan arrangements as at:

#### 30 June 2014

Term loan facility amounting to US\$150,000,000 and a revolving credit facility amounting to US\$150,000,000 of which US\$248,500,000 was drawn as at 30 June 2014. The term loan facility is repayable on a semi-annual basis and both facilities mature in December 2018. The facilities had an effective interest rate of 5.53%. Interest is charged at LIBOR plus a fixed rate of 2.60% to 2.75% per annum. The undrawn portion of the revolving credit facility is subject to a commitment fee of 0.25%. The facilities are secured by pledges of share capital and assets of certain subsidiaries. The carrying amounts of assets pledged amounted to US\$420,648,000.

#### 30 June 2013

Term loan facility amounting to US\$160,000,000 and a revolving credit facility amounting to US\$140,000,000 of which US\$57,213,800 was drawn. The term loan facility was repayable on a semi-annual, amortised basis with one year grace period. Both facilities matured in June 2018. The facilities had an effective interest rate of range 2.90% to 3.25%. Interest was charged at LIBOR plus a fixed rate of 2.75% - 3.0% per annum. The undrawn portion of the revolving credit facility was subject to a commitment fee of 1.0%. The facilities were secured by pledges of share capital and assets of certain subsidiaries. The carrying amounts of assets pledged were US\$466,330,000. All amounts were settled during the financial year ended 30 June 2014.

#### 30 June 2012

Term loan facility amounting to US\$100,200,000 and a revolving credit facility amounting to US\$80,000,000 of which US\$65,000,000 was drawn. The term loan facility was repayable on a semi-annual, accelerating basis and both facilities matured in March 2015. The facilities had an effective interest rate of range 3.0% to 3.1%. Interest was charged at LIBOR plus a fixed rate of 2.75% per annum. The undrawn portion of the revolving credit facility was subject to a commitment fee of 1.0%. The facilities were secured by pledges of share capital and assets of certain subsidiaries. The carrying amounts of assets pledged were US\$306,712,000. All amounts were settled during the financial year ended 30 June 2014.

Term loan facility amounting to \$17,600,000 and an undrawn revolving credit facility amounting to \$5,800,000. Interest was charged at LIBOR plus 3.0% with the undrawn portion of the revolving credit facility subject to a commitment fee of 1.0%. Both facilities were repayable every quarter and matured in March 2015. The facilities were secured by pledges of share capital and assets of certain subsidiaries. All amounts were settled during the financial year ended 30 June 2014.

The carrying amounts of the borrowings above approximate their fair values. The fair value hierarchy for these financial instruments is Level 3.

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## **26. Obligations under finance lease**

### Leasing arrangements

Finance leases relate to vessel equipment with average lease terms of 3 years (Note 21). The Group has option to purchase the vehicle for a nominal amount at the conclusion of the lease arrangements. The Group's obligations under finance lease are secured by the lessors' title to the leased assets.

### Finance lease liabilities

	Minimum lease payments			Present value of minimum lease payments		
	Year ended 30 June 2014	(Restated) Year ended 30 June 2013	(Restated) Year ended 30 June 2012	Year ended 30 June 2014	(Restated) Year ended 30 June 2013	(Restated) Year ended 30 June 2012
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Amount payable under finance lease:						
Within one year	8	-	-	8	-	-
Later than one year but not later than five years	14	-	-	14	-	-
Present value of lease obligation	22	-	-	22	-	-
Less: Future finance charges	-	-	-	-	-	-
	22	-	-			

	30 June 2014	(Restated) 30 June 2013	(Restated) 30 June 2012
	US\$'000	US\$'000	US\$'000
Included in the financial statements as:			
- current borrowings	8	-	-
- non-current borrowings	14	-	-
	22	-	-

All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The fair value of the Group's finance lease obligations approximate their carrying amount.

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**27. Provisions**

Provisions represent the fair value of existing fixed rate contracts with customers at date of acquisition of subsidiaries. Amortisation is provided based on the remaining contract lease period of the off-market contracts, ranging from 5 to 9.5 years.

	30 June 2014 US\$'000	(Restated) 30 June 2013 US\$'000	(Restated) 30 June 2012 US\$'000
Cost:			
Balance at beginning and end of year	4,700	4,700	4,700
Accumulated amortisation:			
Balance at beginning of year	3,628	3,276	2,704
Amortisation for the year	333	352	572
Balance at end of year	3,961	3,628	3,276
Carrying amount:			
Balance at end of year	739	1,072	1,424
Current	289	331	373
Non-current	450	741	1,051

**28. Senior secured guaranteed bonds**

On 12 December 2013, MEOL issued senior secured guaranteed bonds which mature on 12 December 2016 for SGD200.0 million (US\$158.2 million). The bonds bear interest at a fixed rate of 8.50% per annum and are payable semi-annually in arrears on 12 June and 12 December in each year. Payments on the bonds will be made without withholding or deduction for any taxes of Bermuda.

The bonds are secured by 96 existing vessels flagged in Australia, Indonesia, Panama, Malaysia and Singapore. As at 30 June 2014, the effective interest rate was 11.44%.

The fair value of the 8.5% senior secured guaranteed bonds at June 30, 2014 amounting to US\$166 million. The fair value of these financial liabilities was based on the quoted closing market prices on the last market day of the financial year. The fair value hierarchy for these financial instruments is Level 1.

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**29. Share capital**

	Number of shares (Par value at A\$0.1)	Share capital US\$'000
At 1 July 2012	278,516,000	27,470
Issued for settlement of interim dividend reinvestment plan <sup>(1)</sup>	2,898,000	304
Issued for settlement of share grants to employees <sup>(2)</sup>	125,000	12
At 30 June 2013	281,539,000	27,786
	Number of shares (Par value at US\$0.1)	Share capital US\$'000
At 1 July 2013	281,539,000	27,786
Issue of share capital <sup>(3)</sup>	216,000	21
Adjustment for amalgamation (Note 3.3)	(281,755,000)	(27,807)
Issue of share capital <sup>(4)</sup>	1	-
At 30 June 2014	1	-*

\* Amount is less than US\$1,000

On 16 December 2013, Miclyn Express Offshore Limited ("MEOL") announced an amalgamation with Manta 2 Holdings Limited (a wholly-owned subsidiary of Manta Holding Limited, an entity jointly owned by two existing significant shareholders of MEOL). As described in Note 3.3, on amalgamation, the amount recognised as issued equity instruments in these consolidated financial statements is that of Manta Holding 2 Limited, being US\$0.1 of share capital.

<sup>(1)</sup> On 19 April 2013, the Company issued 2,898,000 shares of the Company to participants in the Dividend Reinvestment Plan ("DRP") for the interim dividend at A\$2.041 per share.

<sup>(2)</sup> On 26 September 2012, the Company issued 123,000 ordinary shares, determined by the market price (A\$1,450) for settlement of shares grant to employees.

On 31 May 2013, the Company issued 2,000 ordinary shares for settlement of shares grant to employees.

<sup>(3)</sup> On 26 September 2013, there was an issue of 216,000 ordinary shares with par value of US\$0.09 (A\$0.10) of the Company for settlement of consideration relating to share-based payments.

<sup>(4)</sup> On 16 December 2013, there was an issue of 1 ordinary share with par value of US\$0.10 of the Company as part of the amalgamation.

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**30. Share premium**

	30 June 2014	(Restated) 30 June 2013	(Restated) 30 June 2012
	US\$'000	US\$'000	US\$'000
Balance at the beginning of year	162,613	156,524	149,679
Issued for settlement of interim dividend reinvestment plan <sup>(1)</sup>	-	5,910	6,845
Issued for settlement of share grants to employees <sup>(2)</sup>	-	179	-
Issued share capital <sup>(3)</sup>	409	-	-
Adjustment for amalgamation (Note 3.3)	(163,022)	-	-
	-	162,613	156,524

- <sup>(1)</sup> In 2012, the share premium of US\$6,845,000, determined by the market price (A\$1.87) in excess of the par value from the shares issued for settlement of consideration, was recorded.

On 19 April 2013, the share premium of US\$5,910,000, determined by the market price (A\$2.041) in excess of the par value from the shares issued to participants in the Dividend Reinvestment Plan ("DRP") for the interim dividend at AUD 2.0410 per share.

- <sup>(2)</sup> On 26 September 2012, the Company issued 123,000 ordinary shares, determined by the market price (A\$1,450) for settlement of shares grant to employees.
- <sup>(3)</sup> On 26 September 2013, there was an issue of 216,000 ordinary shares with par value of US\$0.09 (A\$0.10) of the Company, with a premium of US\$1.89 per share, for settlement of consideration relating to share-based payments.

**31. Reserves**

	30 June 2014	(Restated) 30 June 2013	(Restated) 30 June 2012
	US\$'000	US\$'000	US\$'000
<u>Composition</u>			
Other equity reserves	142,752	(45,143)	(45,143)
Translation reserve	(6,394)	(4,047)	1,875
Share based payments reserve	-	2,353	1,724
Hedging reserve	33	-	-
	136,391	(46,837)	(41,544)

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## **31. Reserves (continued)**

	30 June 2014	(Restated) 30 June 2013	(Restated) 30 June 2012
	US\$'000	US\$'000	US\$'000
<u>Movements</u>			
<b>(a) Other equity reserves</b>			
Balance at the beginning of year	(45,143)	(45,143)	(45,143)
Adjustment for amalgamation	190,829	-	-
Transfer to other equity reserve	1,046	-	-
Acquisition of additional interest in a subsidiary (Note 19 (i))	(3,980)	-	-
	<u>142,752</u>	<u>(45,143)</u>	<u>(45,143)</u>
<b>(b) Translation reserve</b>			
Balance at beginning of year	(4,047)	1,875	4,498
Exchange differences arising on translation of foreign operations	(2,347)	(5,922)	(2,623)
	<u>(6,394)</u>	<u>(4,047)</u>	<u>1,875</u>
<b>(c) Share based payments reserve</b>			
Balance at beginning of year	2,353	1,724	615
Issue of share capital	(430)	(191)	-
Recognition of share-based payments (Note 33)	359	820	1,109
Transfer to other equity reserve	(1,046)	-	-
Settlement of share based payments	(1,236)	-	-
	<u>-</u>	<u>2,353</u>	<u>1,724</u>
<b>(d) Hedging reserve</b>			
Balance at beginning of year	-	-	-
Recognition of hedging reserve	33	-	-
Balance at end of year	<u>33</u>	<u>-</u>	<u>-</u>

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**32. Retained earnings**

	30 June 2014 US\$'000	(Restated) 30 June 2013 US\$'000	(Restated) 30 June 2012 US\$'000
Balance at beginning of year	238,271	206,427	156,421
Net profit attributable to owners of the Company	47,811	46,413	65,502
Payment of dividends to shareholders (Note 34)	-	(14,569)	(15,496)
Effect of acquiring part of non-controlling interests in a subsidiary	1,528	-	-
Balance at end of year	287,610	238,271	206,427

**33. Share-based payments****(a) Share option plan**

In 2013, the Group adopted an equity compensation plan ("Plan") to assist in the attraction, motivation, and retention of employees including Executive Directors ("Plan Participants") within the Company. The Plan enabled the Company to grant options ('Employee and Executive Options') to Plan Participants. Each Employee and Executive Option was a conditional entitlement to one Share, subject to the satisfaction of specified performance conditions. No amounts were paid or payable by the recipient on receipt of the option. The options carried neither rights to dividends nor voting rights. Options may be exercised at any time between the date of vesting and the date of their expiry. If the options remain unexercised after a period of 5 years from the date of grant, the options expire. Options forfeited if the employee leaves the Group before the options vested.

Under the Plan, the Group granted Employee and Executive Options to employees within the Group from time to time as determined by the Board in its discretion and in accordance with the rules of the Plan and applicable law. In respect of the initial grant of Employee and Executive options granted to the eligible Plan Participants, the grant date was the date of the Listing in March 2010.

An Employee and Executive Option vested and become exercisable to the extent that the performance conditions specified at the time of grant are satisfied. The Board had discretion under the Plan as to the terms upon which it offered options under the Plan, including the performance conditions.

It was proposed that the performance conditions attached to the initial grant of Employee and Executive Options involved an approximate three years employment service condition, earning per share ('EPS') growth target hurdles and comparative total shareholders return ('TSR') hurdle. In addition, the performance condition to be used to determine the number of TSR Employee and Executive Options that vest compares the TSR performance of the Company with the TSR performance of each of the individual entities in a comparator group of entities across the TSR performance. Broadly, TSR was the growth in share price plus dividend reinvested. The exercise price determined by the Board and usually equal the volume weighted average price of the Shares over the one week period up to and including the date of grant of the Employee and Executive Options.

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**33. Share-based payments (continued)****(a) Share option plan (continued)**

As such, no Employee and Executive option vested unless the Plan Participant is employed on the date of the financial year 30 June 2013 result announcement.

As part of the administrative restructuring as described in Note 3.3, all share options vested and settled in cash during the current year.

Details of the share options outstanding during the year are as follows:

	30 June 2014	(Restated) 30 June 2013	(Restated) 30 June 2012
	Number of share options		
Outstanding at the beginning of the year	2,858,635	2,850,437	2,049,154
Granted during the year	-	450,000	821,400
Forfeited during the year	(2,858,635)	(441,802)	(20,117)
Outstanding at the end of the year	-	2,858,635	2,850,437
Exercisable at end of the year	-	-	-

The fair value of the share options granted was as follows:

Grant date	Fair value
26 March 2010	A\$0.79
21 February 2011	A\$0.60
26 July 2011	A\$0.39
26 September 2011	A\$0.47
25 November 2011	A\$0.76
25 September 2012	A\$0.64

Options were priced using a combination of Monte-Carlo simulation technique and Binomial model.

The inputs into the valuation model as at the respective grants dates were as follows:

a)	Grant date: 26 March 2010	
	Share price	A\$1.90
	Exercise price	A\$1.90
	Expected volatility	50%
	Risk free rate	5.5%
	Expected dividend yield	2.5%



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**33. Share-based payments (continued)****(a) Share option plan (continued)**

b)	Grant date: 21 February 2011	
	Share price	A\$1.69
	Exercise price	A\$1.90
	Expected volatility	50%
	Risk free rate	5.4%
	Expected dividend yield	2.5%
c)	Grant date: 26 July 2011	
	Share price	A\$1.44
	Exercise price	A\$1.90
	Expected volatility	50%
	Risk free rate	4.6%
	Expected dividend yield	3.0%
d)	Grant date: 26 September 2011	
	Share price	A\$1.41
	Exercise price	A\$1.70
	Expected volatility	50%
	Risk free rate	3.7%
	Expected dividend yield	3.0%
e)	Grant date: 25 November 2011	
	Share price	A\$1.83
	Exercise price	A\$1.70
	Expected volatility	50%
	Risk free rate	3.3%
	Expected dividend yield	3.0%
f)	Grant date: 24 September 2012	
	Share price	A\$2.20
	Exercise price	A\$2.44
	Expected volatility	40%
	Risk free rate	2.8%
	Expected dividend yield	2.5%

Expected volatility was determined by the valuer by reference to the volatility of peer group of the Group, comprising companies in the same industry that are listed on the Australian Stock Exchange ("ASX").

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**33. Share-based payments (continued)****(b) Employee Retention Plan**

In 2012, the Group implemented a new equity based compensation plan, the Employee Retention Plan ("ERP"), to assist in the attraction, motivation and retention of employees. Eligible employees will be granted share rights to receive fully paid ordinary shares in the Company.

Under the plan, a profit-driven payment pool as determined by the Board and based on a percentage of the Company's net profit after tax for each financial year will be established each year. The annual grant of shares was based on the profit-driven payment pool, divided by the Company's volume weighted average price on the Australian Securities Exchange over the 1 month period after the date of announcement of the Company's full-year financial results. The grant date of the shares was the first business day after the 1 month period for determining the volume weighted average price. The employees' share rights vested in 2 tranches, 50% in 12 months and the remaining 50% in 24 months after the share grant date. All share grants not yet vested would lapse upon cessation of employment.

The Group recognised total expenses of US\$362,000 (2013: US\$820,000) related to equity-settled share based payment transaction during the year.

Details of the share rights outstanding during the year are as follows:

	30 June 2014	30 June 2013	30 June 2012
	Number of share rights		
Outstanding at the beginning of the year	336,339	292,615	-
Issued during the year	229,557	271,256	292,615
Released in the year	(565,896)	(125,543)	-
Forfeited during the year	-	(101,989)	-
Outstanding at the end of the year	-	336,339	292,615

As part of the administrative restructuring as described in Note 3.3, all share rights vested and settled in cash during the current year.

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**34. Dividends**

During the financial year ended 30 June 2014, the Group did not declare any dividend.

In 2013, the Group declared and paid an interim dividend of US\$0.022 per share as part of the Dividend Reinvestment Plan ("DRP") amounting to a total of US\$6,214,000, in respect of profits for the period from 1 July 2012 to 31 December 2012 by the issue of 2,898,000 shares (Note 30). No final dividend was declared / recommended by the Group for the financial year ended 30 June 2013.

In 2012, the Group proposed a final dividend of US\$0.03 per share amounting to a total of US\$8,355,000, in respect of profits for the period from 1 January 2012 to 30 June 2012. This dividend was recognised in the consolidated statement of changes in equity as an appropriation of retained earnings during the financial year ended 30 June 2013.

In 2012, the Group declared and paid interim dividend of US\$0.056 per share amounting to a total of US\$15,496,000, in respect of profits for the period from 1 January 2011 to 31 December 2011.

**35. Non-controlling interests**

	30 June 2014	(Restated) 30 June 2013	(Restated) 30 June 2012
	US\$'000	US\$'000	US\$'000
Balance at beginning of year	1,528	482	408
Share of profit for the year	1,615	1,046	426
Disposal of interest in a subsidiary	-	-	56
Repayment of capital to non-controlling interest	-	-	(408)
Acquisition of non-controlling interest in subsidiary (Note 20(i))	(2,890)	-	-
Balance at end of year	253	1,528	482

**36. Commitments**

The Group had the following outstanding commitments:

	30 June 2014	(Restated) 30 June 2013	(Restated) 30 June 2012
	US\$'000	US\$'000	UD\$'000
Capital commitments contracted but not provided for in respect of:			
Expenditure for vessels, contracted for	76,728	61,221	18,489

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**37. Operating lease arrangement**The Group as lessee

	30 June 2014	(Restated) 30 June 2013	(Restated) 30 June 2012
	US\$'000	US\$'000	US\$'000
Minimum lease payments under operating leases recognised as an expense in the financial year	8,820	8,170	33,165

At the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	30 June 2014	(Restated) 30 June 2013
	US\$'000	US\$'000
Within one year	13,352	5,631
In the second to fifth year inclusive	2,878	1,034
	16,230	6,665

Operating lease payments represent rentals payable by the Group for its office/warehouse premises, equipment and vessels. These leases have different terms and terminate at various dates.

The Group as lessor

	30 June 2014	(Restated) 30 June 2013
	US\$'000	US\$'000
Charter revenue	183,077	179,858

At the end of the reporting period, the future minimum lease receivables under non-cancellable operating leases contracted for but not recognised as receivables, are as follows:

	30 June 2014	(Restated) 30 June 2013
	US\$'000	US\$'000
Within one year	89,164	94,565
In the second to fifth year inclusive	110,914	55,020
	200,078	149,585

## MICLYN EXPRESS OFFSHORE LIMITED

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### 38. Contingent liabilities

As at 30 June 2014, subsidiaries of the Group have issued secured corporate guarantees to banks for borrowings of certain joint ventures amounting to US\$8,960,000 (2013: US\$9,800,000).

### 39. Financial instruments, financial risk and capital risk management

#### (a) Capital risk management policies and objectives

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

The Group is required to fulfil certain financial covenants under certain borrowing arrangements.

As at 30 June 2014, the Group is in compliance with all external imposed financial covenants pertaining to capital structure. The Group's overall strategy remains unchanged from the financial year ended 30 June 2013.

#### (b) Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in Note 3.

#### (c) Categories of financial instruments

The following table sets out the financial instruments as at the end of each reporting period:

	30 June 2014	(Restated) 30 June 2013	(Restated) 30 June 2012
	US\$'000	US\$'000	US\$'000
<b>Financial assets</b>			
Cash and cash equivalents	19,259	14,567	14,469
Loans and receivables	100,740	77,791	76,095
Loan to immediate holding company	139,165	-	-
Derivative financial instruments	2,317	-	-
	<u>261,481</u>	<u>92,358</u>	<u>90,564</u>
<b>Financial liabilities</b>			
Trade and other payables	62,772	48,279	49,497
Borrowings	241,915	213,991	181,879
Senior secured guaranteed bonds	151,212	-	-
	<u>455,899</u>	<u>262,270</u>	<u>231,376</u>

The fair value of the Group's financial assets and financial liabilities approximate their carrying amounts except as disclosed in the notes to the financial statements.

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for the year ended 30 June 2014

### 39. Financial instruments, financial risk and capital risk management (continued)

#### (d) Financial risk management policies and objectives

The Group's activities expose it to market risk (including currency risk and interest rate risk), credit risk and liquidity risk. During the financial year ended 30 June 2014, the Group did not hedge its interest rate exposure.

The Group's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operation of the Group through internal risk reports which analyse exposures by degree and magnitude risks. These risks include market risk (including currency risk, fair value and cash flow interest rate risk), credit risk and liquidity risk.

The Group seeks to minimise the effect of these risks by using derivative financial instruments to hedge significant risk exposures. The use of financial derivatives is governed by the Group policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliances with policies and exposure limits are reviewed by the management on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purpose.

The Corporate Treasury function reports quarterly to the Group's risk management committee, an independent party that monitor risk and policies implemented to mitigate risk exposures.

#### (e) Market risk management

The Group's activities expose it to the financial risks of changes in foreign currency exchange rates (Note 39(f)). The Group is also subject to interest rates risk (Note 39(g)).

During the financial year 30 June 2014, the Group is party to one forward foreign exchange contract which was entered into to hedge the foreign exchange movements in relation to the Singapore dollar denominated bond (Note 23).

#### (f) Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise.

The Group reviews its exposure to foreign currency risk and puts in place hedges on a needs basis, assessed with reference to the size and certainty to each exposure.

During the financial year 30 June 2014, the Group is party to one forward foreign exchange contract which was entered into to hedge the foreign exchange movements in relation to the Singapore dollar denominated bond (Note 23).

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## 39. Financial instruments, financial risk and capital risk management (continued)

### (f) Foreign currency risk management (continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Singapore Dollar US\$'000	Australian Dollar US\$'000	Malaysian Ringgit US\$'000	United Arab Emirates Dirham US\$'000	Others US\$'000
<b>The Group</b>					
<b>At 30 June 2014</b>					
<b>Financial assets</b>					
Cash and cash equivalents	785	2,829	560	180	491
Trade and other receivables	131	14,247	77	1,866	18,748
Total assets	916	17,076	637	2,046	19,239
<b>Financial liabilities</b>					
Trade and other payables	(3,409)	(9,788)	(12,979)	(1,417)	(3,867)
Senior secured guaranteed bonds	(151,212)	-	-	-	-
Total liabilities	(154,621)	(9,788)	(12,979)	(1,417)	(3,867)
<b>Net (Liabilities)/Assets</b>	<b>(153,705)</b>	<b>7,288</b>	<b>(12,342)</b>	<b>629</b>	<b>15,372</b>

	Singapore Dollar US\$'000	Australian Dollar US\$'000	Malaysian Ringgit US\$'000	United Arab Emirates Dirham US\$'000	Others US\$'000
<b>The Group</b>					
<b>At 30 June 2013 (Restated)</b>					
<b>Financial assets</b>					
Cash and cash equivalents	711	1,226	1,244	345	332
Trade and other receivables	2,001	13,836	2,184	5,677	3,709
Total assets	2,712	15,062	3,428	6,022	4,041
<b>Financial liabilities</b>					
Trade and other payables	(7,808)	(5,173)	(871)	(1,641)	(2,125)
Total liabilities	(7,808)	(5,173)	(871)	(1,641)	(2,125)
<b>Net (Liabilities)/Assets</b>	<b>(5,096)</b>	<b>9,889</b>	<b>2,557</b>	<b>4,381</b>	<b>1,916</b>

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for the year ended 30 June 2014

**39. Financial instruments, financial risk and capital risk management (continued)****(f) Foreign currency risk management (continued)****Foreign currency sensitivity analysis**

The Group is mainly exposed to the following currencies: Singapore Dollars ("SGD"), Australian Dollar ("AUD"), Malaysian Ringgit ("MYR") and United Arab Emirates Dirham ("AED") (2013: Singapore Dollars ("SGD"), Australian Dollar ("AUD"), Malaysian Ringgit ("MYR") and United Arab Emirates Dirham ("AED")).

The following table details the Group's sensitivity to a 5% (2013: 5%) increase and decrease in the SGD, AUD, MYR and AED (2013: SGD, AUD, MYR and AED). 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% (2013: 5%) change in foreign exchange rates. A positive number indicates an increase in profit and equity where the United States dollars strengthened 5% against the relevant currency. For a 5% (2013: 5%) weakening of the United States dollar against the relevant currency, there would be a comparable impact on the profit and equity, and the balances below would be negative.

If the SGD, AED, MYR and AUD change against the USD by 5% (2013: 5%) with all other variables including tax rate being held constant, the effects arising from the net financial liability/asset position will be as follows:

	30 June 2014	30 June 2013
	← Increase / (Decrease) →	
	Profit or loss	Profit or loss
	US\$'000	US\$'000
SGD against USD	127	255
AED against USD	(31)	(219)
AUD against USD	(364)	(494)
MYR against USD	617	(128)

The impact to profit or loss is mainly attributable to the exposure outstanding on SGD and MYR payables and both AUD and AED receivables as at the end of the reporting period.



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for the year ended 30 June 2014

### 39. Financial instruments, financial risk and capital risk management (continued)

#### (g) Cash flow and interest rate risk management

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The cash and cash equivalent balance at 30 June 2014 was US\$19,259,000 (2013: US\$14,567,000). The market sentiment is that interest rate is expected to continue to be low and the impact of any interest rate change has been assessed to be immaterial.

For the financial years ended 30 June 2014 and 30 June 2013, the Group's interest rate risk mainly arises from bank borrowings, which are at floating rates of interest pegged to LIBOR plus margin.

The Group did not enter into any interest rate hedging for its bank borrowings or fixed rate bond existing as at 30 June 2014 and 30 June 2013.

#### Interest rate sensitivity analysis

The Group's borrowings at variable rates on which effective hedges have not been entered into are denominated mainly in USD. If USD interest rates increase/decrease by 0.50% (2013: 0.50%) with all other variables including tax rate being held constant, the profit or loss will be lower/higher by US\$1,209,000 (2013: US\$1,070,000) as a result of higher/lower interest expense on these borrowings.

#### (h) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group are bank deposits and trade receivables.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Monthly accounts receivable status meetings are each attended by at least one of the Chief Executive Officer, Chief Commercial Officer and Chief Financial Officer. There is an adequate credit management policy in place and there is no significant concentration of credit risk of trade debts.

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**39. Financial instruments, financial risk and capital risk management (continued)****(h) Credit risk management (continued)**

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group.

There is no other class of financial assets that is past due and/or impaired except for trade receivables. As at 30 June 2014, trade receivables outstanding for more than 90 days is approximately US\$14,566,000 (2013: US\$22,293,000), out of which US\$217,000 (2013: US\$4,894,000) has been identified for impairment as at 30 June 2014. The majority of the balances are not impaired because these are from creditworthy customers in the oil and gas sector.

**(i) Liquidity risk management**

The Group manages liquidity risk by maintaining sufficient cash to enable it to meet normal operating commitments and having an adequate amount of committed credit facilities.

The table below analyses the maturity profile of the financial asset and liabilities of the Group based on contractual undiscounted cash flows.

	On demand or within <u>1 year</u> US\$'000	Between 1 and 2 <u>year</u> US\$'000	Between 2 and 5 <u>year</u> US\$'000	<u>Adjustments</u> US\$'000	<u>Total</u> US\$'000
<b>At 30 June 2014</b>					
<b>Financial liabilities</b>					
Trade and other payables	62,772	-	-	-	62,772
Borrowings	21,328	26,766	225,914	(32,093)	241,915
Senior secured guaranteed bonds	-	159,712	-	(8,500)	151,212
Contingent liabilities	-	-	8,960	-	8,960
	<u>84,100</u>	<u>186,478</u>	<u>234,874</u>	<u>(40,593)</u>	<u>464,859</u>

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for the year ended 30 June 2014

**39. Financial instruments, financial risk and capital risk management (continued)****(i) Liquidity risk management (continued)**

	On demand or within 1 year US\$'000	Between 1 and 2 year US\$'000	Between 2 and 5 year US\$'000	Adjustments US\$'000	Total US\$'000
<b>At 30 June 2013 (Restated)</b>					
<b>Financial liabilities</b>					
Trade and other payables	48,279	-	-	-	48,279
Borrowings	22,298	70,527	145,855	(24,689)	213,991
	70,577	70,527	145,855	(24,689)	262,270
<b>At 30 June 2012 (Restated)</b>					
<b>Financial liabilities</b>					
Trade and other payables	49,497	-	-	-	49,497
Borrowings	24,308	30,844	144,302	(17,575)	181,879
	73,805	30,844	144,302	(17,575)	231,376

**Financial assets**

All the non-derivative financial assets are expected to be repayable within one year and non-interest bearing except for derivative financial instruments (Note 23).

**(j) Fair values of financial assets and financial liabilities**

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements.

The fair values of financial assets and financial liabilities are determined as follows:

- (i) the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and

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Notes to financial statements  
for the year ended 30 June 2014

**39. Financial instruments, financial risk and capital risk management (continued)****(j) Fair values of financial assets and financial liabilities (continued)**

- (ii) the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Management is of the opinion that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values except as disclosed in the notes to the financial statement.

**40. Key management personnel compensation****Compensation of directors and key management personnel**

The remuneration of directors and other members of key management during the year are as follows:

	Year ended 30 June 2014 US\$'000	Year ended 30 June 2013 US\$'000
Short term benefits	1,449	1,925
Share-based payments	513	503
Post employment benefits	28	29
Long term benefits	-	86
	<u>1,990</u>	<u>2,543</u>

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**41. Related party transactions**

Some of the Group's transactions and arrangements are with related parties on terms agreed between the parties and the effect of these transactions is reflected in these financial statements on that basis. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

During the year, the Group entered into the following transactions with related parties:

	Year ended 30 June 2014	(Restated) Year ended 30 June 2013
	US\$'000	US\$'000
<u>Joint-ventures of the Group</u>		
Charter hire income	(277)	(1,928)
Repair income	(103)	(159)
Management fee income	(1,019)	(1,166)
Interest income	(57)	(24)
Sundry income	(44)	(109)
Charter hire expenses	24	2,118
Repair expenses	21	21
Interest paid	122	1
Management fee expenses paid	1,033	890

**42. Impact of adoption of IFRS 11 Joint Arrangements**

Certain adjustments have been made to the previous years' financial statements to conform to the current year's presentation in connection with the adoption of IFRS 11 Joint Arrangements.

As a result, certain line items have been restated as follows:

	Previously reported 30 June 2013	As restated 30 June 2013
	US\$'000	US\$'000
<b>Condensed consolidated statement of financial position</b>		
Non-current assets	561,751	545,098
Current assets	111,245	103,378
Non-current liabilities	(214,370)	(199,554)
Current liabilities	(75,201)	(65,561)
<b>Net assets</b>	<b>383,425</b>	<b>383,361</b>

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## 42. Impact of adoption of IFRS 11 Joint Arrangements (continued)

	Previously reported 30 June 2013 US\$'000	As restated 30 June 2013 US\$'000
<b>Condensed consolidated statement of comprehensive income</b>		
Revenue	245,338	231,897
Gross profit	96,211	88,045
Profit before tax	50,452	50,118
Income tax expense	(2,913)	(2,659)
<b>Profit for the period</b>	<b>47,539</b>	<b>47,459</b>
Other comprehensive income	(5,934)	(5,922)
<b>Total comprehensive income for the period</b>	<b>41,605</b>	<b>41,537</b>

	Previously reported 30 June 2013 US\$'000	As restated 30 June 2013 US\$'000
<b>Condensed consolidated statement of cash flows</b>		
Net cash from operating activities	67,420	60,767
Net cash used in investing activities	(94,498)	(79,553)
Net cash from financing activities	26,369	18,969
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(709)</b>	<b>183</b>

If the Group had continued to account on a proportionate consolidation basis, revenue and gross profit for year ended 30 June 2014 would have amounted to US\$265,165,000 and US\$105,541,000 respectively.

The following amounts are the details of joint ventures which have been aggregated into cost of investment in joint ventures as a result of the adoption of IFRS 11 Joint Arrangement.

	30 June 2013 US\$'000	30 June 2012 US\$'000
Non-current assets	47,062	34,269
Current assets	7,742	10,080
Non-current liabilities	(12,631)	(9,896)
Current liabilities	(9,146)	(7,405)
<b>Investment in joint ventures</b>	<b>33,027</b>	<b>27,048</b>

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