



## Annual Report 2008

*A Year of Focused  
Strategic Execution*



Mermaid Maritime  
Public Company Limited



## Business Highlights 2008

*A Year of Focused Strategic Execution*

Mermaid lists on the Singapore Stock Exchange

Mermaid orders newbuild tender rig 'KM-1' for delivery in 2009

BP Indonesia awards Mermaid contract for ROV and diving services

Mermaid orders newbuild DP2 ROV vessel 'Mermaid Sapphire' for delivery in 2009

Mermaid purchases strategic stake in Allied Marine & Equipment

Mermaid acquires majority stake in Seascope Surveys

Mermaid's tender rig 'MTR-2' commences Chevron drilling contract

Mermaid takes delivery of offshore support vessel 'Mermaid Sovereign'

Mermaid restructures drilling team to optimize efficiency and growth

CUEL awards Mermaid offshore sub-sea installation contract

Petronas awards Mermaid with 5 year drilling contract for 'KM-1'

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เมอร์เมด คอมมานเดอร์  
MERMAID COMMAN

# Financial Highlights

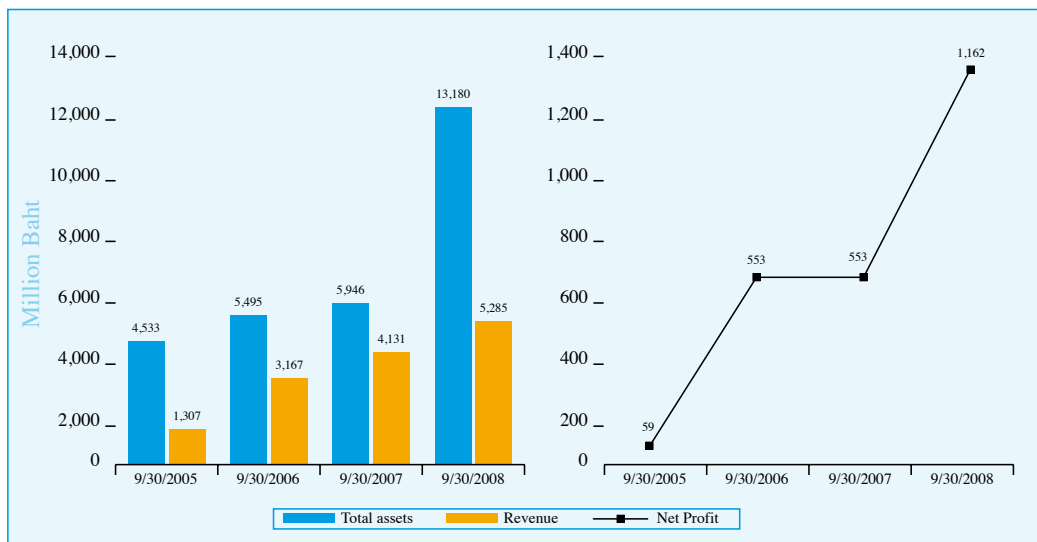
(Consolidated numbers)

	Year Ended 30 September		
	2008	2007	2006
	(Baht in millions, except share, per share data, and ratios)		
<b>Income Statement Data :</b>			
Service income and sales	5,285.44	4,131.27	3,167.36
Cost of service and sales	3,686.55	2,814.67	2,166.73
<b>Gross profit</b>	<b>1,598.89</b>	<b>1,316.60</b>	<b>1,000.63</b>
Service and administrative expenses	737.41	740.16	422.70
Inter expenses	123.99	175.26	189.30
Interest income	37.98	11.05	2.26
Other income	102.75	25.39	39.04
Income taxes	(91.96)	18.82	26.87
Equity income from associates	32.13	-	-
Gain on exchange rate	159.75	114.49	149.67
<b>Net income</b>	<b>1,162.06</b>	<b>533.29</b>	<b>552.73</b>
Profit and loss attributable to minority interests	(5.77)	7.79	(14.40)
<b>Net income attributable to shareholders of the parent</b>	<b>1,156.29</b>	<b>541.08</b>	<b>538.33</b>
<b>Per Share Data:</b>			
Net income attributable to shareholders of the parent- basic	2.17	1.41	1.40
Net book value	17.87	7.55	6.22
<b>Balance Sheet Data (at end of year):</b>			
Cash and cash equivalents	1,726.43	511.70	185.31
Property, plant and equipment, net of depreciation	7,492.28	4,011.34	4,072.27
Total assets	13,179.60	5,945.73	5,495.04
Total liabilities	3,505.66	3,050.70	3,109.67
Issued share capital	541,205,340	383,205,340	383,205,340
Total shareholders' equity	9,673.94	2,895.03	2,385.37
<b>Other Financial Data:</b>			
Net cash flows provided by operating activities	794.50	893.87	256.29
Net cash flows used in investing activities	(4,844.25)	(432.60)	(659.45)
Net cash flows provided by (used in) financing activities	5,183.32	(134.88)	455.21
Capital expenditures included in investing activities:			
Vessels and equipment purchases, gross	(3,124.87)	(716.91)	(690.54)
<b>Financial Ratios:</b>			
Return on shareholders' equity (%)	18.49	20.20	26.18
Return on total assets (%)	12.15	9.32	11.04
Net profit margin (%)	21.99	12.91	17.45
Total debt to total capitalisation	0.17	0.45	0.53
Net debt to total net capitalisation	0.02	0.40	0.51

## Message from Chairman of the Board

### 2008 – A Year of Focused Strategic Execution

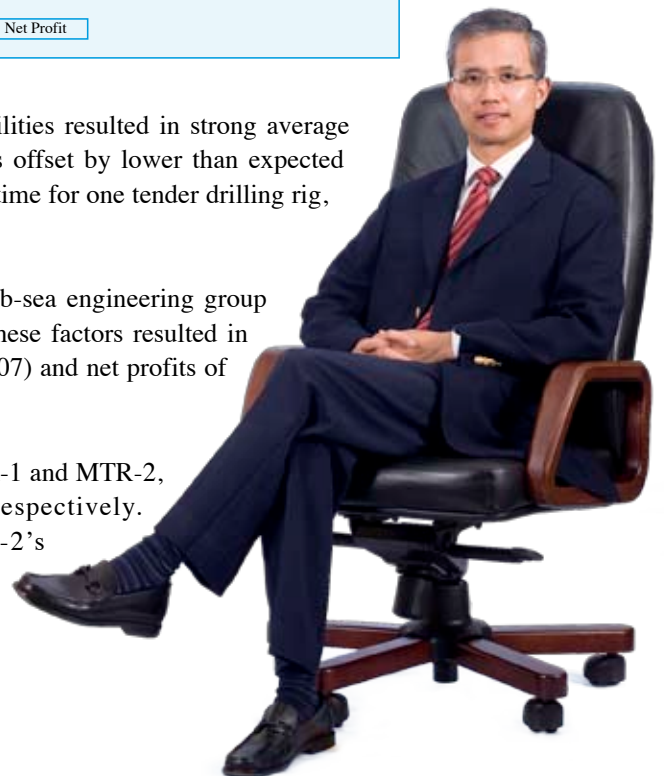
Mermaid Maritime Public Company Limited (“Mermaid”) continued its strong revenue and profit growth in 2008. Total revenues and profits were Baht 5,285.44 million and Baht 1,162.06 million, respectively. We have achieved a compound annual growth rate in revenues and net profits of 59.30 percent and 169.62 percent, respectively, since 2005.



Strong demand for our sub-sea engineering group’s capabilities resulted in strong average day rates and high asset utilisation. This performance was offset by lower than expected contributions in our drilling group due to extended off-hire time for one tender drilling rig, MTR-2.

In 2008, average day rates and asset utilisation for the sub-sea engineering group increased 16.73 percent and 11.53 percent, respectively. These factors resulted in revenues of Baht 3,927.19 million (+36.96 percent from 2007) and net profits of Baht 905.88 million (+64.65 percent from 2007).

The average day rates for our two tender drilling rigs, MTR-1 and MTR-2, were US\$ 74,506 per day and US\$ 76,010 per day, respectively. MTR-1’s utilisation was 96.84 percent, while MTR-2’s utilisation was 41.35 percent, given the off-hire time of 204 days for its special survey and upgrade program. These factors resulted in revenues of Baht 1,249.04 million (+0.73 percent from 2007) and net profit of Baht 36.99 million (+427 percent from 2007). The good news is that both rigs have been working close to full utilisation for the past four (4) months, which bodes well for 2009.



## Our Business Strategy: Active Fleet Management and Balanced Growth



Mermaid is pursuing a disciplined business strategy aimed at maximising our returns on capital. The key components of our business strategy include:

**Tactically managing our mix of spot and fixed-rate contracts :** The sub-sea engineering business is usually shorter term in nature than the drilling business. This business mix should allow us to comfortably meet our operating expenses, debt repayments, and dividends to our shareholders. We use our market knowledge to maintain a balanced risk and reward profile between contracting fixed medium-term cash flows and exposing ourselves to the upside of the spot markets.

**Renew and expand our fleet through accretive acquisitions :** Mermaid ordered one tender drilling rig, KM-1, one DP2 diving support vessel, M.V. Mermaid Asiana, and one DP2 ROV support vessel, M.V. Mermaid Sapphire, during the past twenty (20) months. These assets are scheduled for delivery in the next twelve (12) to fifteen (15) months. During the past twelve (12) months, Mermaid had also acquired 22.5 percent equity ownership of Allied Marine & Equipment Sdn. Bhd., a Petronas licensed sub-sea engineering services company based in Malaysia, and 80 percent equity ownership of Seascope Surveys Pte. Ltd., a hydrographic survey company based in Singapore with offices in Thailand and Indonesia. We also intend to opportunistically grow our business through further acquisition opportunities.

**Maintain significant financial flexibility :** By targeting a relatively low level of debt, Mermaid seeks to retain the financial flexibility to act whenever attractive growth opportunities arise. Low leverage will also serve to keep our cash flow break even point lower than many of our peers.

### Significant Growth Opportunities

We are excited about the significant growth opportunities that exist for Mermaid. One of the key growth paths involves our newbuild program. In June, 2008, Mermaid took delivery of a new anchor handling tug supply vessel, M.V. Mermaid Sovereign, which has been converted into a multi-purpose offshore vessel. In July, Allied Marine and Equipment Sdn. Bhd, Mermaid's associate company, took delivery of a new DP2 ROV support/multipurpose diving vessel, M.V. Allied Conquests. We have agreed to charter in a new DP2 diving support vessel, M.V. Mermaid Asiana, which will be delivered in the fourth quarter of our 2009 financial year and have one newbuild DP2 ROV air dive support vessel, M.V. Mermaid Sapphire, on order for scheduled delivery in the first quarter of our 2010 financial year. Furthermore, our newbuild tender drilling rig, KM-1, is proceeding on schedule and recently secured a five-year contract worth US\$ 235 million from Petronas Carigali Sdn. Bhd.



Mermaid has a proven track record of growth, building its asset base from Baht 4,532.83 million at the end of 2005 to Baht 13,179.60 million at the end of 2008, a compound annual growth rate of 42.73 percent. The proceeds from last year's initial public offering have been applied towards our newbuild program. Once these new assets are delivered, Mermaid's financial performance should increase substantially.

## Offshore Services Outlook

Even with the recent fall in oil prices, the offshore services market retains a solid medium-term outlook. Global offshore service demand continues to grow despite the lower economic outlook, since continued strong oil demand growth in developing economies, particularly China and India.

Infield Systems Ltd. projects up to 1,600 new offshore fields will come on stream by the end of 2012. The global drilling rig fleet is fully utilised and growing. R.S. Platou expects a fleet of more than 700 offshore drilling rigs by 2012. There are around thirty (30) contracts available for deepwater rigs before 2011, while only twenty-one (21) units are available during this time.

New seismic and reservoir technology is increasing output from many existing fields, and the lifespan of these installations must be extended. Older installations and increasingly tougher requirements by clients on their operational safety are increasing demand for inspection, repair, and maintenance services.

Continued demand for offshore services is likely to be met by an ageing asset base. For example, the average age of the jack-up fleet is twenty-two (22) years old, so the jack-up rigs on order can replace some older assets. According to R.S. Platou, 63 percent of the world's diving support vessels were built in the 1980's and are more than twenty (20) years old on average. These older assets are expected to be scrapped in the coming years due to a combination of regulatory and commercial challenges, such as growing client discrimination and increased repair costs.

Shipyards capacity is reasonably full through 2010, and this provides good visibility of how many new vessels and rigs are expected to join the fleet. In aggregate, the changes in demand and supply are expected to largely outweigh each other, resulting in a finely balanced offshore services market.

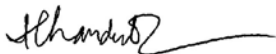
## In Summary

1. We are a high-quality niche subsea engineering and drilling services provider.
2. We continue to be in a rapid growth phase and will take delivery of three newbuild assets in the next twelve (12) to fifteen (15) months.
3. Our balanced business mix offers an attractive risk and reward proposition.
4. We continually seek a good balance between company growth and shareholder returns.

We thank our clients for the opportunity to expand our relationships and to meet their increasing business needs. We serve more than one hundred clients through our sub-sea engineering and drilling businesses. Our long-term success depends on our ability to provide safe, reliable, and responsive offshore services to our clients, and so this will continue to be our primary focus.

We wish to thank our colleagues for their commitment and hard work during a busy year. Finally, we extend our appreciation to you, our fellow shareholders, for your continued support. We believe that the business prospects are bright for Mermaid, which should result in attractive long-term returns for our shareholders.

Sincerely yours,



M.L. Chandchutha Chandratat

30 November 2008

## Board of Directors

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

The following table sets forth information regarding our Directors.

**Certain information on the business and work experience of our Directors is set out below:**



### **1 : M.L. Chandchutha Chandratat**

*Chairman and Non-Executive Director (age 41)*

has been a Director since 2005. He is the Managing Director of Thoresen Thai Agencies Public Company Limited (“TTA”), our controlling shareholder. Prior to joining TTA in February 2005, he was the Executive Director in the Special Situations Group of Morgan Stanley Dean Witter Asia (Singapore) Pte. from April 2002 to February 2005 and a Vice President in the Asia Credit Trading Group of J.P. Morgan Securities Asia Ltd. from February 2000 to March 2002. He is also a director of TTA and numerous direct and indirect subsidiaries of TTA. He received his M.B.A. from the University of California at Berkeley in 1989 and his B.S. in Economics from the University of Minnesota in 1987.



### **2 : David Stewart Simpson**

*Managing Director (age 47)*

has been our Managing Director since June 2006. From 2002 to May 2006, he was the Managing Director of Africa Oilfield Services Ltd., which was based in Nigeria. From 2000 to 2002, he was the Country Manager, Equatorial Guinea, for Transocean, providing drilling rig services. From 1998 to 2000, he was the Technical Manager for Transocean for Australia and South East Asia, based in Singapore. From 1996 to 1998, he was the Operations Manager for Sedco Forex Thailand. He has been working in the oil and gas services industry for over 25 years and received a National Safety Diploma from the British Safety Council and has taken numerous safeties, technical and managerial courses throughout his career.



### **3 : Surasak Khaoroptham**

*Non-Executive Director (age 42)*

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



#### **4 : Pichet Sithi-Amnuai**

*Independent Director (age 43)*

is our Independent Director. He was appointed to our Board of Directors on June 21, 2007. Since 2000, he has been the Managing Director of Play & Music Company Limited. He is currently also an independent director and member of the audit, compensation and remuneration committees of Bualuang Securities Public Company Limited. From 1994 to 2000, he was the First Vice President, Corporate Finance Department at Jardine Fleming Thanakom Securities Limited. He obtained a Bachelor Degree in Industrial Engineering from Chulalongkorn University in 1987, an M.B.A. from the University of Texas in 1991, and a Master of Education in Early Childhood Education from Chulalongkorn University in 2006.



#### **5 : Leslie George Merszei**

*Independent Director (age 61)*

is our Independent Director. He was appointed to our Board of Directors on June 26, 2007. He is currently the Managing Director of Corporate Performance Advisors Ltd. and XJET Ltd. He has since 1987 provided financial consulting, investment management, and restructuring advice in the development of commercial and financial projects in South East Asia. From 1986 to 1987, he was the President and Chief Executive Officer of Royal Trust International, a unit of Royal Trust Company, responsible for its international activities, and from 1971 to 1986, he held various senior positions, including President and Chief Executive Officer, of several former Dow Financial Services companies that were a part of Royal Trust International. In this capacity, Mr. Merszei also served as Vice Chairman of the Executive Committee of Royal Trust Bank (Switzerland), Vice Chairman of Royal Trust Merchant Bank Limited (Singapore), and Vice Chairman of Royal Trust Limited (Hong Kong). Mr. Merszei is a graduate of Purdue University.



#### **6 : Ng Chee Keong**

*Independent Director (age 59)*

is our Independent Director. He was appointed to our Board of Directors on June 26, 2007. He is currently a special advisor to PSA International Pte Ltd. Mr. Ng joined PSA in 1971 and held various positions, including Group President & Chief Executive Officer, President & Chief Executive Officer, Singapore region and global head of technical and operations development. He retired from PSA in January 2005. Mr. Ng received a Bachelor of Social Science degree in Economics from the University of Singapore in 1971 and graduated from the advanced management program, Stanford University in 1988 and the advanced management program, INSEAD in 1994. He was awarded the Public Administration Medal (Gold) by the Singapore Government in 1997.



#### **7 : Lim How Teck**

*Independent Director (age 58)*

is our Independent Director. He was appointed to our Board of Directors on June 26, 2007. He is the Chairman of Certis CISCO Security Pte. Ltd. and Deputy Chairman of Tuas Power Ltd. He is also Executive Chairman of Redwood International Pte. Ltd., an investment and consultancy company, and was the former Chairman of the Singapore Commodity Exchange. He joined Neptune Orient Lines Ltd (“NOL”) in 1979 and held various positions, including Executive Director, Group Chief Financial Officer, Group Chief Operating Officer, and Group Deputy Chief Executive Officer. He retired from NOL in 2005. Prior to joining NOL, he worked with Coopers & Lybrand and Plessey Singapore. Mr. Lim obtained a Bachelor of Accountancy Degree from the University of Singapore in 1975. He also completed the Harvard Graduate School of Business Corporate Financial Management Course and Advanced Management Program. He was awarded the Public Service Medal by the Singapore Government in 1999.

## Management Structure



(as at 9 December 2008)

## Executives

Our executive officers are responsible for day-to-day management and operations. The following table sets forth information regarding our executive officers. Certain information on the business and work experience of our executive officers is set out below:



### 1 : *David Stewart Simpson*

*Managing Director (age 47)*

Please see “Board of Directors” for information on the business and working experience of our Managing Director, David Stewart Simpson.



### 2 : *Mark Andrew Shepherd*

*Executive Director, Mermaid Offshore Services (age 46)*

has been with Mermaid since 1994 and is currently Executive Director for both Mermaid Offshore Services and Mermaid Training and Technical Services. He has over 20 years experience in sub-sea engineering gained in Europe, West Africa and Asia. He is a Chartered Engineer and holds a Master’s Degree in Engineering in addition to a range of industry specific qualifications.



### **3 : Stephen Gregor Lenz**

*Executive Director, Mermaid Drilling (age 54)*

has been with Mermaid since July 2008 as Executive Director of Mermaid Drilling. He started his career with ODE in 1977 on land rigs in Australasia and then moved offshore to Sedco in 1980. In this time he moved from an Electrician on a DP drill ship, to Operations Manager with Transocean looking after 5 offshore rigs in Thailand and Vietnam. He then had 2 years as Rig Manager with Apexindo in Balikpapan before moving to Songa Offshore and bringing the Songa Venus into Australia and setting up the base and operations there. Later he brought the Songa Mercur into Australia and moved to Australian Country Manager. He then took up the challenge with Mermaid Drilling, and in the last 4 months, reorganized the management and offices to concentrate on giving full support to the efficiency and safety of the two operating rigs, and set up a project team to monitor the KM-1 newbuild in Malaysia.



### **4 : Simon Mathew Turner**

*General Manager, Mermaid Offshore Services (age 43)*

has been the General Manager of our subsidiary, Mermaid Offshore Services, since June 2003. He was our Operations Manager from September 1993 to June 2003. He has over 23 years of experience in underwater construction, inspection and maintenance activities. He is an HSE approved Part 1 offshore diver and a saturation qualified HSE part 2 diver, with various inspection (CSWIP 3.1u and 3.2u) qualifications. He completed a CSWIP 3.4u qualification in 2000, which is still current and as a holder of this qualification is a member of the Welding Institute in the UK and is authorised to use the style or title of "Engineering Technician".



### **5 : Jeffery Allen Breal**

*General Manager, Mermaid Drilling (age 52)*

started his career with Santa Fe Drilling in 1975 on offshore rigs in the United States Gulf of Mexico and then moved to Sedco Inc. in 1984. In this time he moved from offshore to management positions finishing up as Rig Manager of various rigs with Transocean. He then had 1 ½ years as Rig Manager with Apexindo in Balikpapan before leaving the industry to achieve personal goals. In March 2008 he took up the challenge with Mermaid Drilling, as rig manager of the MTR-2. In September of 2008, he was promoted to General Manager for Mermaid Drilling.



### **6 : Sataporn Amornvorapak**

*Chief Financial Officer (age 36)*

was appointed Chief Financial Officer in September 2008. He joined Mermaid in February 2007 as senior finance and accounting manager and prior to joining Mermaid, he was an internal audit manager and a secretary of audit committee from July 2003 to September 2005 and an accounting manager from October 2005 to January 2007 at Thoresen Thai Agencies Public Company Limited. He also worked in the audit assurance department at PricewaterhouseCoopers ABAS Ltd. in Bangkok from April 1994 to June 2003, with his last position as audit manager. He graduated with a Bachelor of Business (Major Accounting) from Rajamagala Institute of Technology, Bangkok in 1994 and is presently studying for his Masters of Business Administration (Finance) at Kasetsart University in Bangkok. He is a Certified Public Accounting (CPA) in Thailand.

## Corporate Structure



**Mermaid Offshore Services Group**  
 *Holding & Operating Companies*

**MERMAID  
MARITIME PLC**  
(Thailand)

(100%)  
**Mermaid  
Offshore Services Ltd.**  
(Thailand)

(100%)  
**Mermaid Training &  
Technical Services Ltd.**  
(Thailand)

(80%)  
**Seascope Surveys  
(Thailand) Ltd.**  
(Thailand)

(80%)  
**Seascope Surveys  
Pte. Ltd.**  
(Singapore)

(25%)  
**Worldclass Inspiration  
Sdn. Bhd.**  
(Malaysia)

(97%)  
**PT Seascope  
Surveys Indonesia**  
(Indonesia)

(90%)  
**Allied Marine &  
Equipment Sdn. Bhd.**  
(Malaysia)

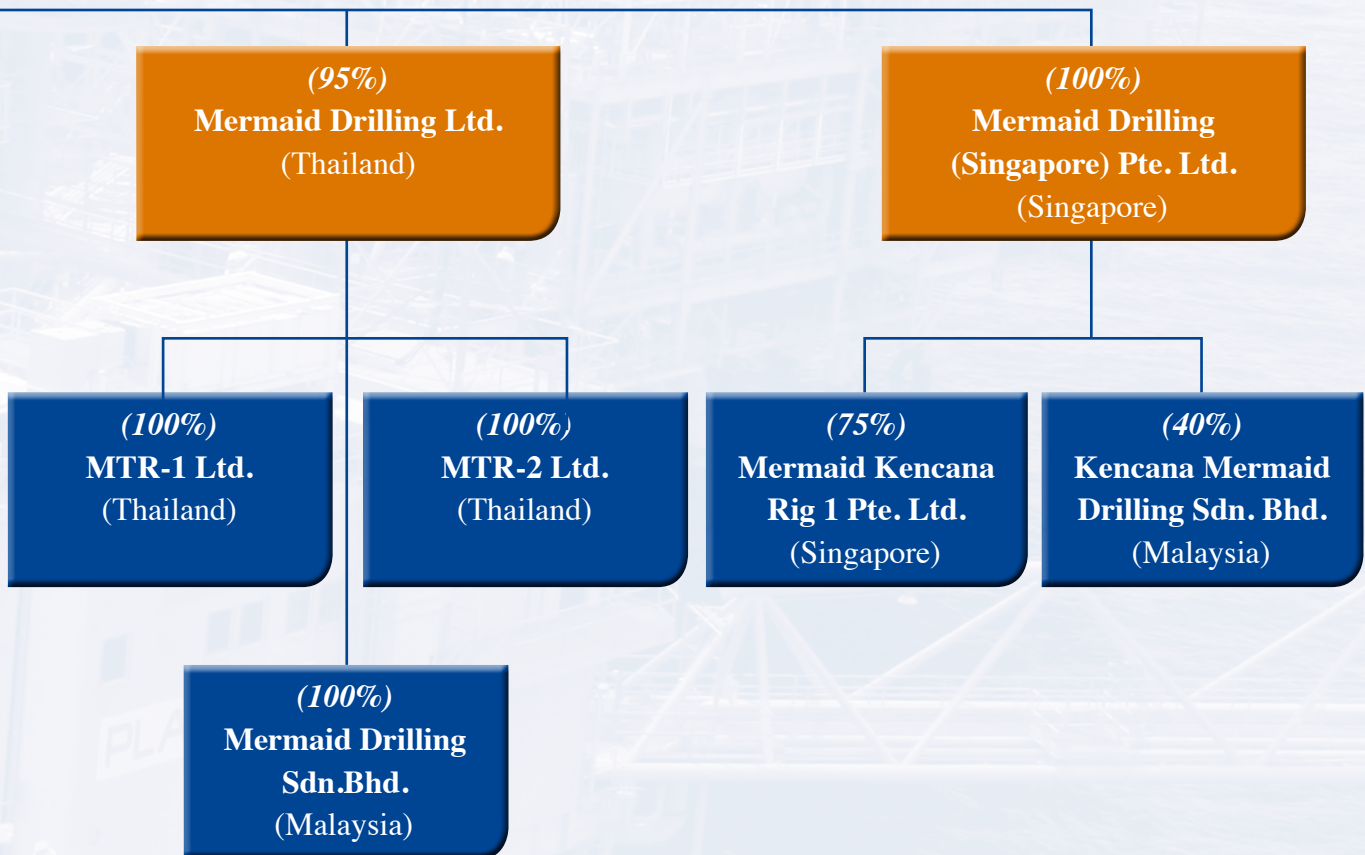
(100%)  
**Allied Marine  
Services Sdn. Bhd.**  
(Malaysia)

(100%)  
**Maju Hydro  
Sdn. Bhd.**  
(Malaysia)

(100%)  
**Allied Support  
Corporation**  
(Labuan, Malaysia)



**Mermaid Drilling Group**  
*Holding & Operating Companies*



## Mermaid Fleet

### Mermaid Offshore's Subsea Vessels

#### M.V. Mermaid Commander

- DP2 Construction Support Vessel
- Twin Bell 16 man Sat System
- 60 Ton Capacity Crane
- Two Moonpools
- Proven Work History
- Strong Weather Capabilities



#### M.V. Mermaid Performer

- Survey / ROV / Dive Support Vessel
- Proven Work History



#### M.V. Mermaid Responder

- Dive / ROV Support Vessel
- Air & Gas Diving System
- Optional ROV Systems
- 4-Point Mooring Capability
- Proven Work History



#### M.V. Mermaid Supporter

- Air & Mix Gas Diving Support
- ROV & Survey Support
- Safety & Standby Vessel
- Hydrophone Moon Pool
- Slow-Speed Maneuvering
- Built in Dive System



## M.V. Mermaid Sovereign

- Offshore Support Vessel
- 65 Ton Bollard Pull
- Fi-Fi 1 Rated
- Joystick Control



## M.V. Team Siam (Chartered)

- DP2 Construction Support
- Saturation Diving System
- Central Moonpool
- 4 Point Mooring Capability
- Heavy Lift Capability
- Built 2002 / Singapore



## M.V. Binh Minh (Chartered)

- Survey / ROV / Dive Support Vessel
- DP2
- Proven Work History



## Mermaid Drilling's Tender Rigs

### MTR-1



**Rig Design** : Self Erecting Tender Barge  
**Built** : Marathon Le Tourneau, Singapore, 1978  
**Class** : ABS – +A1 Barge  
**Upgraded** : 1998, Last SPS – 2006  
**Certification** : MODU Code, IOPP, Load line, Radio

**Maximum Water Depth** : 100/180 m  
(600 ft Pre – laid Mooring)  
**Minimum Water Depth** : 10 m (30 ft)  
**Drilling Capacity** : 20,000 ft (6,100 m w/ 5” DP)

### MTR-2



**Rig Design** : Self Erecting Tender Barge  
**Builder** : ACSO, Bordeaux, built in 1981  
**Class** : Bureau Veritas Maltese Cross 1 3/3  
**Upgraded** : 1997, Last SPS – 2008  
**Certification** : MODU Code, SOLAS 1974,  
Marpol 73-78

**Maximum Water Depth** : 100 m ( 330 ft)  
**Minimum Water Depth** : 5.5 m (18 ft)  
**Drilling Capacity** : 4846 m (15,900 ft) w/ 5” DP  
or 5943 m (19,500 ft) w/4” DP

*Always at Your Service*





## Summary of Companies in the Mermaid Group

No.	Company	Type of Business	Place of Incorporation	Type of Share	Paid-up Capital	Shares Issued	% of Shareholding
1.	Mermaid Maritime Public Company Limited	Holding Co.	Thailand	Ordinary	THB541,205,340	541,205,340	-
2.	Mermaid Offshore Services Ltd.	Sub-sea engineering	Thailand	Ordinary	THB550,000,000	55,000,000	100.00%
3.	Mermaid Training & Technical Services Ltd.	Vocational training	Thailand	Ordinary	THB2,000,000	2,000,000	100.00%
4.	Darium Thai Offshore Ltd. (under dissolution)	AHTS	Thailand	Ordinary	THB212,400,000	212,400	51.00%
5.	Mermaid Drilling Ltd.	Holding Co.	Thailand	Ordinary	THB410,000,000	41,000,000	95.00%
6.	Mermaid Drilling (Malaysia) Sdn. Bhd.	Drilling	Malaysia	Ordinary	RM250,000	250,000	95.00% (indirect)
7.	MTR-1 Ltd.	Drilling	Thailand	Ordinary	THB240,000,000	24,000,000	95.00% (indirect)
8.	MTR-2 Ltd.	Drilling	Thailand	Ordinary	THB350,000,000	35,000,000	95.00% (indirect)
9.	Mermaid Drilling (Singapore) Pte. Ltd.	Holding Co.	Singapore	Ordinary	USD24,001,876	24,001,876	100.00%
10.	MTR-1 (Singapore) Pte. Ltd. (dormant)	Drilling	Singapore	Ordinary	USD1	1	100.00% (indirect)
11.	MTR-2 (Singapore) Pte. Ltd. (dormant)	Drilling	Singapore	Ordinary	USD1	1	100.00% (indirect)
12.	Mermaid Kencana Rig 1 Pte. Ltd.	Drilling	Singapore	Ordinary	USD32,002,600	32,002,600	75.00% (indirect)
13.	Mermaid Kencana Rig 2 Pte. Ltd. (dormant)	Drilling	Singapore	Ordinary	USD100	100	100.00% (indirect)
14.	Kencana Mermaid Drilling Sdn. Bhd.	Drilling	Malaysia	Ordinary	RM100,000	100,000	40.00% (indirect)
15.	Seascope Surveys (Thailand) Ltd.	Survey & positioning	Thailand	Ordinary	THB34,000,000	34,000,000	80.00% (indirect)
16.	Seascope Surveys Pte. Ltd.	Survey & positioning	Singapore	Ordinary	SGD100	100	80.00% (indirect)
17.	Seascope Inspection Services Pte. Ltd. (under dissolution)	Inspection	Singapore	Ordinary	SGD2,500	100	80.00% (indirect)
18.	PT Seascope Surveys Indonesia	Survey & positioning	Indonesia	Ordinary	Rp916,000,000	100	80.00% (indirect)
19.	Worldclass Inspiration Sdn. Bhd.	Holding Co.	Malaysia	Ordinary	RM36,029,629	36,029,629	25.00% (indirect)
20.	Allied Marine & Equipment Sdn. Bhd.	Sub-sea engineering	Malaysia	Ordinary	RM8,700,000	8,700,000	22.50% (indirect)
21.	Maju Hydro Sdn. Bhd.	Survey & positioning	Malaysia	Ordinary	RM250,000	250,000	22.50% (indirect)
22.	AME Marine Services Sdn. Bhd.	Management	Malaysia	Ordinary	RM1,000	1,000	22.50% (indirect)
23.	Allied Support Corporation	Bareboat owner	Labuan, Malaysia	Ordinary	USD1	1	22.50% (indirect)
24.	Allied Marine Robotics Sdn. Bhd. (dormant)	Underwater equipment	Malaysia	Ordinary	RM150,000	150,000	22.50% (indirect)

## Business Overview

Mermaid is a leading provider of tender rig drilling and sub-sea engineering services for the oil and gas industry in South East Asia. Over the last five years, we have grown significantly in the areas of sub-sea engineering, drilling services and training and technical services for the offshore oil and gas industry. We have established ourselves as a company recognised by the industry for high quality services, delivered safely and efficiently. We have developed a strong blue chip client base that includes some of the world's largest oil and gas-related companies. Clients, such as BP, Chevron, CUEL, and PTT Exploration and Production PLC, each accounted for 5% or more of our revenues in any one year. Some of our other clients include Shell, ExxonMobil, Saipem, Transocean, Petronas, and Amerada Hess. We operate throughout South East Asia, primarily in Thailand, Indonesia, Malaysia, and Vietnam, and have recently conducted sub-sea services in China, India and Sakhalin.

Mermaid provides drilling services through our majority-owned (95%) subsidiary, Mermaid Drilling Ltd. ("MDL"), which currently owns two tender rigs. We provide sub-sea engineering services through our wholly owned subsidiary, Mermaid Offshore Services Ltd. ("MOS"). MOS provides sub-sea inspection, repair and maintenance services, light construction services, and emergency repair and call out services. MOS's fleet consists of five vessels which it owns, in addition to one dynamically positioned ("DP") construction vessel and one remotely operated vehicle ("ROV")/air dive support vessel, both of which it charters. The flagship vessel in our fleet is the Mermaid Commander, which has an in-built saturation diving system and rough weather capabilities. In addition, MOS owns one portable saturation diving system, nine air diving systems, and seven ROVs.

Mermaid operates a world class facility at our operational base in Chonburi, Thailand. This facility allows us to control our own maintenance and refurbishment requirements of equipment and more importantly, the facility's geographical location allows us to mobilise expeditiously and efficiently to our clients' locations. We have also established shore base support functions in (i) Kuala Lumpur, Malaysia; (ii) Songkhla, Thailand; and (iii) Jakarta, Indonesia to support our geographical expansion. To support our mobile operations, additional shore base operations using a network of local contacts can be set up at short notice.

During the development into the tender rig drilling and sub-sea engineering markets, we identified opportunities that demanded local presence in some countries. Recognising this, we reacted and appointed local agent representatives that hold the required licenses and permits, thereby increasing our market opportunities outside Thailand. To date, this has proven successful with operations performed or ongoing in Indonesia, Myanmar, China, Russia, India and Vietnam. To improve our market penetration in Malaysia, we acquired a 22.5% indirect stake in Allied Marine and Equipment Sdn. Bhd. ("AME"), a sub-sea engineering company, and formed a partnership with Kencana Petroleum Berhad ("Kencana") to jointly own drilling rigs (through a company owned 75% by Mermaid and 25% by Kencana) and to market and operate them in Malaysia (through a company 60% owned by Kencana and 40% by Mermaid). In early 2008 MOS also acquired an 80% stake in the Seascope Survey group of companies ("Seascope"), a South East Asian based provider of hydrographic and positioning services, complimenting the 'one stop shop' philosophy for MOS's services.

For the financial year that ended on 30 September 2008, drilling services and sub-sea engineering services contributed 23.6% and 74.3% of our total revenues, respectively.

### Competitive Strengths

**We believe our competitive strengths are as follows :**

***Established operational track record in South East Asia.*** Mermaid is one of the largest sub-sea engineering services providers operating in South East Asia. We have over 10 years of experience in providing sub-sea engineering services and over 25 years experience in servicing the oil and gas industry in South East Asia. In 2005,

we commenced the provision of drilling services to the South East Asia market. We have successfully built a client base of independent and national oil and gas companies providing repeat business in Thailand, Indonesia, China, Myanmar, Russia, Malaysia, and Vietnam. Our geographical base in South East Asia allows us to respond in a timely and efficient manner to our clients' needs. We believe our emphasis on quality and safety and our operational track record provide us with a competitive advantage in our business.

***Strong client relationships and reputation.*** Mermaid has built a reputation with our client base in South East Asia as a leader in providing sub-sea engineering services, by consistently delivering high quality services, safely and efficiently. Our efficient tender rigs and experienced personnel with strong technical expertise and commitment to safety have also enabled us to develop strong relationships with major oil and gas companies operating in South East Asia. We believe our relationships and reputation will result in the continued demand for our services, which can be measured by the volume of repeat business.

***Superior service and cost effectiveness through ownership of assets and facilities.*** Mermaid owns and operates two tender rigs, five sub-sea vessels, air and saturation dive systems, and a fleet of ROVs. We operate a world class facility at our operational base in Chonburi, Thailand. This facility allows us to control our own maintenance and refurbishment requirements of equipment, and, more importantly, the facility's geographical location allows us to mobilise expeditiously and efficiently to our clients' locations. We also have our entire senior management team based here allowing for regular reviews of our business. We believe the ownership of our drilling and sub-sea engineering assets as opposed to chartering provides us with the ability to: (i) provide superior and customised services to our clients; (ii) maintain better control of our operating costs; and (iii) provide competitive market pricing. Asset ownership also results in client recognition that we are a committed drilling and sub-sea engineering services provider. This allows for longer-term relationships with our clients.

However, under certain market conditions, chartering vessels may be financially attractive. By chartering vessels, we are able to increase our capacity without incurring additional capital expenditure. Further, in periods of excess capacity, we would also be able to reduce any unnecessary capacity by terminating such charter arrangements, subject to contractual terms. We operate one DP2 construction vessel and an additional DP2 ROV/air dive support vessel under such charters.

***Our two principal business operations reduce our earnings volatility.*** The drilling business services both the drilling and production sectors, while the sub-sea engineering business typically services the production sector. By servicing both sectors, we seek to reduce the volatility in our earnings. Our drilling services contracts are generally longer-term in nature, while our sub-sea engineering contracts are generally shorter-term in nature. By having a mix of both longer and shorter-term contracts, we seek to reduce the volatility in our sales and maximise our profits by locking in longer-term contracts when rates are favourable, particularly in relation to our drilling contracts, and using shorter-term contracts when they are not.

***Experienced management.*** Mermaid's senior management has an average of over 25 years of experience in providing drilling or sub-sea engineering services internationally. Members of our senior management have extensive operational experience with recognised industry leaders operating in all major offshore oil and gas locations. Our management and employees have undergone extensive training and development programs in order for us to meet our clients' needs and provide safe and efficient drilling and sub-sea engineering services.

Our management has a proven track record of growing businesses through acquisitions and organically. Our management has overseen the acquisition and successful integration of our two tender rigs and five support vessels. As a result, our service income and sales have grown significantly from THB 1,307.46 million in the financial year that ended on 30 September 2005 to THB 5,285.44 million in the financial year that ended on 30 September 2008, equal to a compounded annual growth rate of 59.3%

## Strategies and Key Objectives

Mermaid's long-term strategy is to grow our drilling and sub-sea engineering businesses by acquiring assets and expanding the scope of our services geographically. The principal elements of this strategy are as follows:

**Further expand our tender rig drilling operations.** Mermaid commenced the tender rig drilling services business in 2005 with the acquisition of two tender rigs. We plan to continue to expand our fleet through acquisitions, if appropriate opportunities arise, and/or the construction of new build tender rigs, as market conditions warrant. MDL has committed to one new tender rig to be built by Kencana HL Sdn. Bhd. at a cost of US\$ 136 million. MDL expects to take delivery of the new build tender rig by end 2009. The new tender rig already has a letter of award for a five year contract in Malaysia with Petronas Carigali Sdn. Bhd.

**Further expand our sub-sea engineering operations.** Mermaid plans to continue to expand the sub-sea engineering services business through the expansion of our fleet by acquisitions, if appropriate opportunities arise, and/or the construction of new vessels. MOS has committed to a new DP2 ROV/air dive support vessel to be built by Jaya Shipbuilding and Engineering Pte. Ltd. MOS expects to take delivery of the vessel by late 2009. MOS also acquired a 22.5% indirect stake in AME to improve its business in Malaysia and access a greater pool of assets and employees, and acquired an 80% stake in Seascope, its largest sub-contractor thus bringing all client services 'in-house'.

MOS has also entered into a contract with a ship owner to charter a new DP2 diving support vessel (DSV) due for delivery mid 2009. MOS has an option to purchase this vessel following an initial three year charter. Based on client indications and our market assessments, we expect high demand for this vessel's capabilities and believe it will achieve high utilisation. Further ROV, diving and other equipment in support of new vessels is currently on order.

**Exploit opportunities outside our primary focus area.** Although Mermaid's primary focus has been in South East Asia, MDL and MOS are well placed to take advantage of global market opportunities as they arise. In 2008 we have also successfully operated in China, Sakhalin and India. We have an established reputation with our existing client base, many of which are blue chip companies who operate globally. MOS also plans to continue to expand the geographic focus of its operations from the markets it currently serves, to other regions in Asia.

**Continue to develop strong client relationships.** Mermaid's objective is to be a preferred provider of drilling and sub-sea engineering services to clients. We will continue to focus on consistently delivering high quality services, safely and efficiently. Contracts with major oil and gas companies constitute the majority of our business. We continually monitor our clients' current and future needs and seek to recognise opportunities to capitalise on our strengths.

**Optimise mix of longer-term and shorter-term contracts in our portfolio.** Mermaid believes that longer-term contracts provide it with greater stability and utilisation rates in our operations. Entering into longer-term contracts, however, also poses the risk of locking into below-market rates if market rates continue to rise. As a result, we will seek to actively manage our portfolio of client contracts by entering into both longer-term and shorter-term contracts, thus enabling us to benefit from changes in the cyclical nature of our business. When rates approach higher levels that we believe provide favourable returns, we will seek to obtain longer-term contracts, which provide us with more predictable cash flow. When rates approach lower levels, we will seek shorter-term contracts, so that we will be well positioned to benefit from increasing rates in favourable market cycles. We believe this strategy will allow us to maintain high fleet utilisation levels and strong financial performance in down cycles, while taking advantage of improving markets and rates during up cycles.

## Industry Overview

Investments and level of activity in exploration, development and production of crude oil and natural gas are the main demand drivers for the offshore services industry. The investment level depends on oil companies' cash flow, revenues and financing, areas available for exploration and development, and the oil and gas price.

Oil and gas companies have aggressively increased exploration and production spending after a period of little investment to increase oil and gas production when prices have been increasing. A number of field development projects have been started the last years, resulting in very high drilling activity and demand for offshore services. Exploration and production budgets have seen double-digit growth from 2003 to 2008, which has led to exceptionally high levels of activity in the drilling and sub-sea engineering services markets. We now expect slower growth as energy prices are retreating due to softening demand, combined with more expensive financing.

The Asian market for drilling and sub-sea engineering services offers the potential for high utilization and favorable day-rates as a result of: (i) stronger demand for oil and gas in the region; (ii) still strong growth in regional economies, especially in China and India; and (iii) new projects planned by exploration and production companies in Asia. In most cases project viability would still seem possible at oil prices above US\$40-45 per barrel.

The market for drilling services is both cyclical and volatile, ranging from the more volatile exploration sector to the more stable oil and gas production services market. Tender rig drilling and sub-sea engineering services cater to the more stable niche of the oil and gas production market.

### *Oil and Gas Prices*

Oil and gas prices have up until late 2008 been at the top end of their historical range and well above the hurdle rates that oil and gas companies have established for both their committed and uncommitted development projects to be economically viable. However, lately prices for both oil and gas have decreased to a level where planned projects might no longer be lucrative.

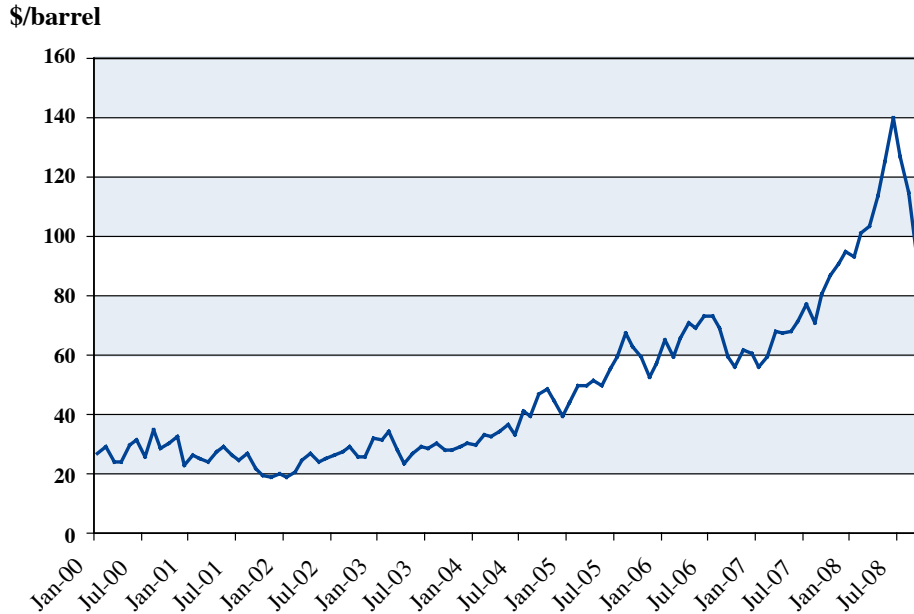
Factors such as increased global demand, declining production levels, extreme weather conditions and political instability in some oil and gas producing countries have contributed to rising oil and gas prices. But due to the current global economic slowdown, demand for oil and gas has fallen, and consequently also prices.

In 2007, the annual average price measured in nominal terms for a barrel of Brent crude oil exceeded US\$70 per barrel for the first time, representing an increase of close to 15 per cent over the 2006 figure. Further, in 2008, the price of a barrel of Brent crude oil touched a high of above US\$140 per barrel. Since that peak, the oil price has declined substantially.

The charts below illustrate historical oil and gas prices.

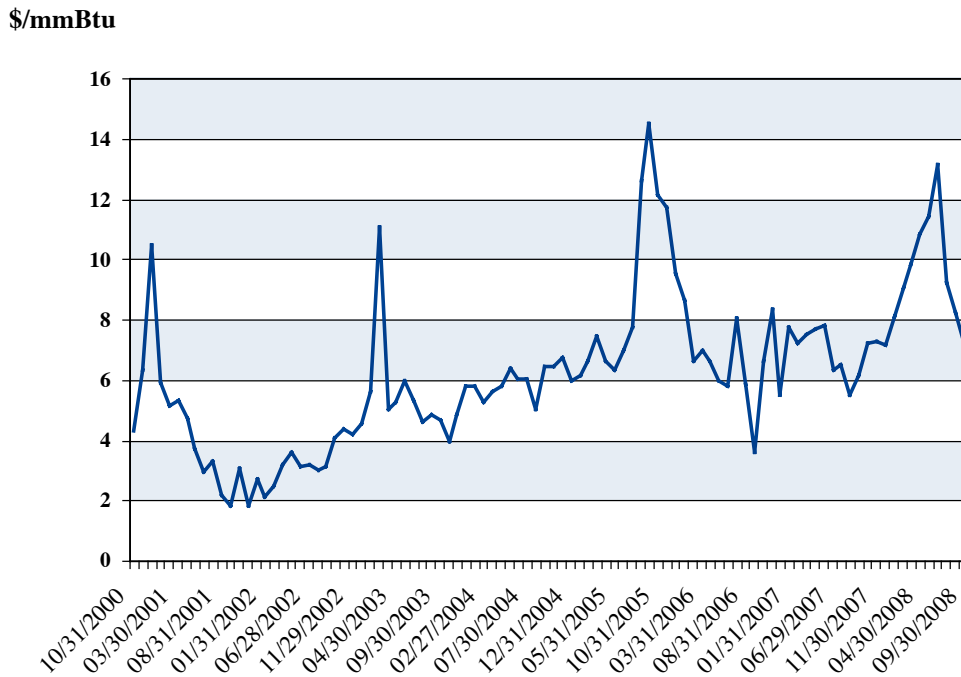
**Historical Oil Price**

**Brent crude Oil Price**



Source : Fearnleys

**History Hub Natural Gas Price**



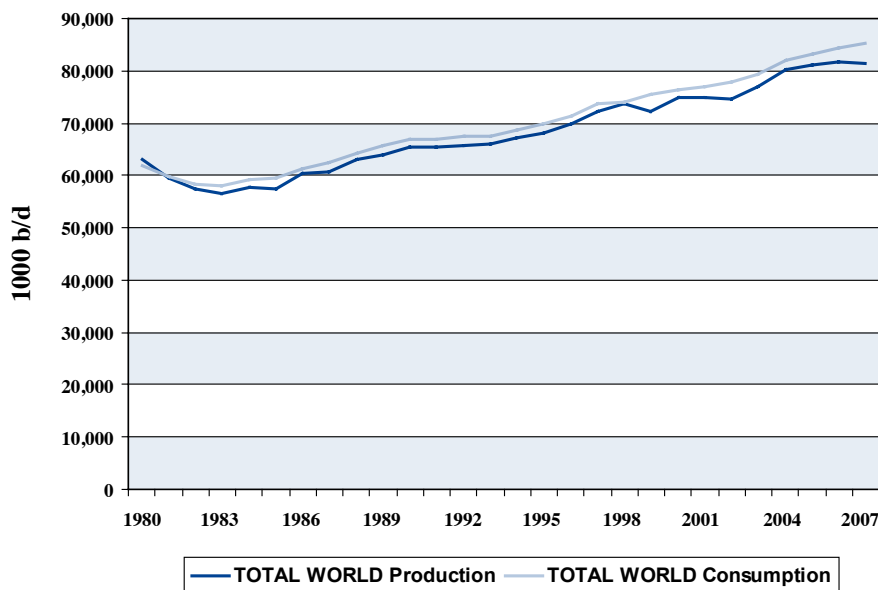
Source : Fearnleys

### Oil and Gas Production and Consumption

From 1995 to 2007, consumption of oil increased from 69,841 to 85,220 million barrels per day, while production of oil increased from 68,132 to 81,533 million barrels per day. Similarly, from 1995 to 2007, consumption of gas increased from 2,145 to 2,922 billion cubic meters, while production of gas increased from 2,135 to 2,940 billion cubic meters.

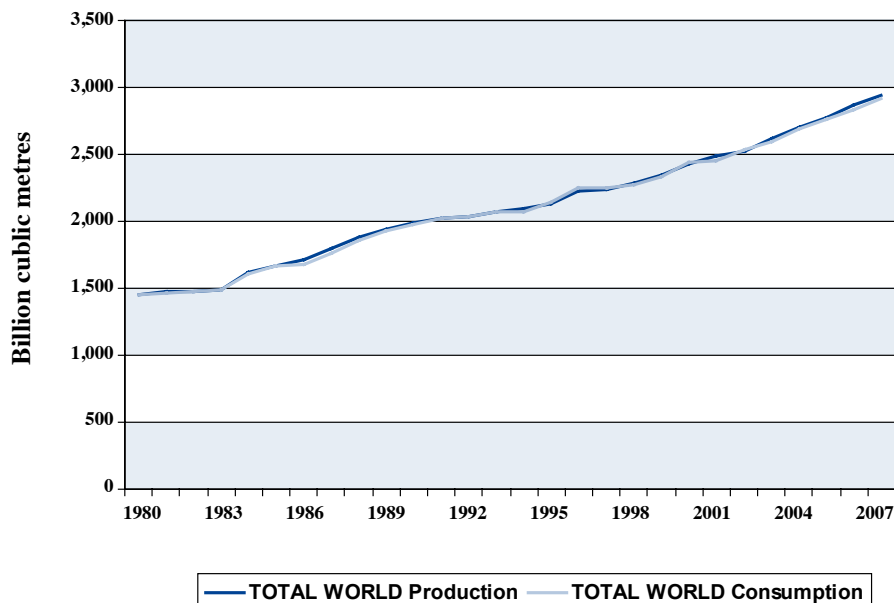
The next charts illustrate global oil and gas production and consumption for the periods indicated.

**Global Oil Production And Consumption (1980-2007)**



Source : BP Statistical Review of World Energy June 2008

**World Gas Production And Consumption (1980-2007)**



Source : BP Statistical Review of World Energy June 2008

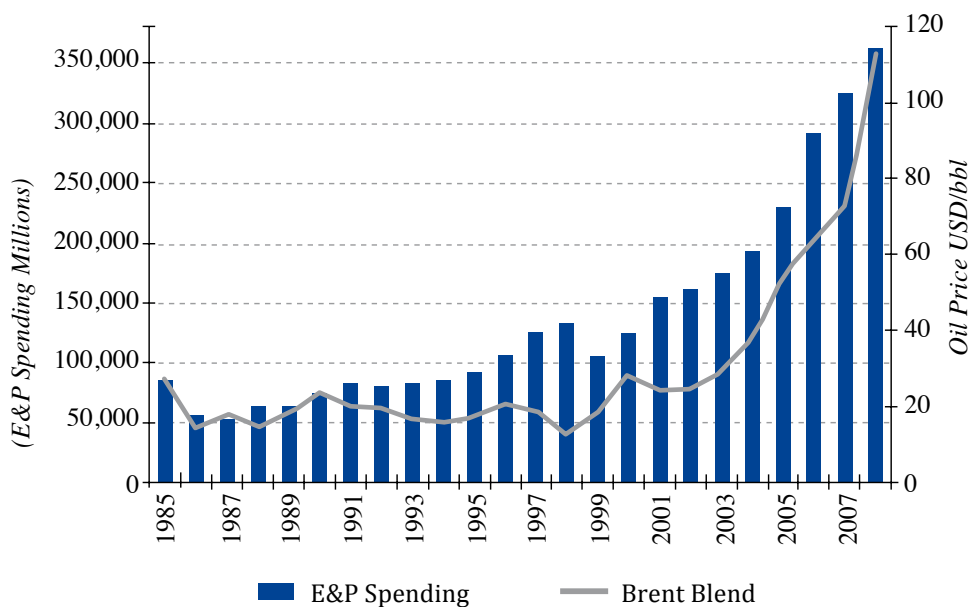
During the last four years, there has been a greater focus on offshore exploration and production to meet the rising global oil demand and to compensate against depleting onshore reserves. Offshore oil production has been dominated by shallow water drilling and resources. Deepwater areas represent the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

**Exploration and Production Spending**

Exploration and production spending is mainly driven by oil and gas prices. In turn, exploration and production spending is a driver of drilling and sub-sea engineering services. However as large investment decisions are difficult to reverse, declines in the oil prices can take one or more years before impacting E&P spending. Between 2003 and 2008, we have seen double-digit growth in E&P spending with an increasing oil price. We are expecting to see a reduction in how much oil companies will spend on exploration and development in 2009, as weaker GDP growth assumptions trigger lower oil demand growth and accordingly lower oil and gas prices. In addition, the credit crunch will make it tougher for many oil companies to finance further expansion. The chart below illustrates global exploration and production spending and oil price.

**Exploration And Production Spending And Oil Price**

**Nominal terms**



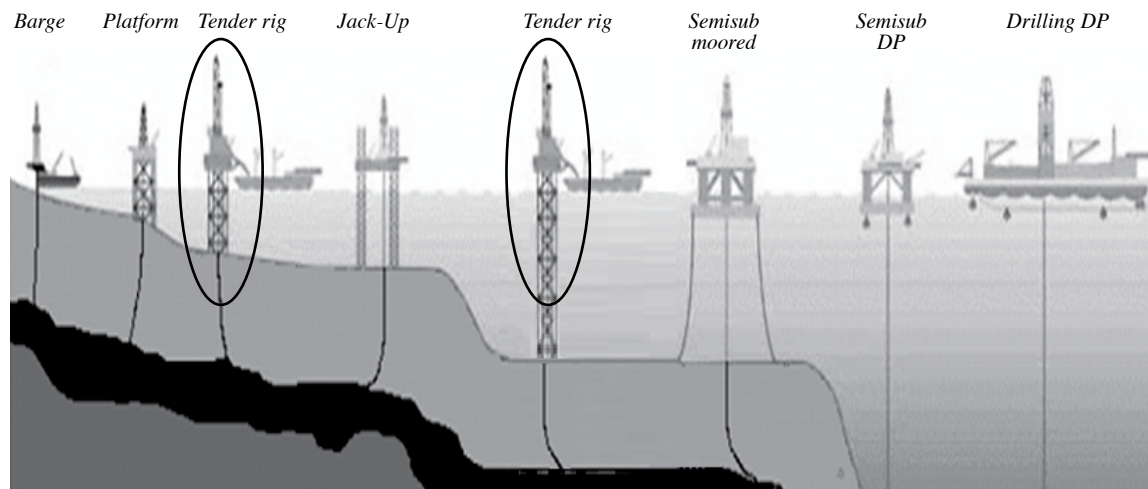
Source : Fearnleys

## Drilling Services Industry

The drilling services industry is highly competitive. Demand for drilling and related services is influenced by a number of factors, including the current and expected prices of oil and gas, as well as the level of activity in oil and gas exploration and production.

Drilling operations are geographically dispersed in oil and gas exploration and production areas throughout the world. Rigs can be moved from one region to another, but the cost of moving a rig and the availability of rig-moving vessels may cause the supply and demand balance to vary between regions. However, significant variations between regions generally do not exist in the long-term because of rig mobility.

### Types of Drilling Units



### Tender rigs

A tender rig is a barge or semi-tender moored alongside a platform and contains crew quarters, mud tanks, mud pumps, and power generation systems. The only equipment transferred to the platform for drilling operations is the drilling equipment set. A tender rig carries its own drilling equipment and has a crane capable of erecting the derrick on the platform, thereby eliminating the need for a separate derrick barge and related equipment.

The tender rig was developed to operate from a central platform, which serves a number of smaller wellhead platforms. A tender rig moves from platform to platform using its own drilling equipment set. A typical tender barge has dimensions of 300 feet by 80 feet with a gross tonnage of about 4,500 tons. Typical water depths it can operate in are between 30 to 400 feet. Tender rigs can also be moored in up to 6,500 feet by use of a pre-laid mooring arrangement. Accommodation is in excess of 100 beds.

### Jack-up rigs

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

A modern jack-up rig will normally have the ability to move its drill floor aft of its own hull (cantilever), so that multiple wells can be drilled without re-positioning the rig. Ultra premium jack-up rigs have capabilities enabling them to work in water depths in excess of 300 feet.

### *Semi-submersible rigs*

A semi-submersible rig is a floating vessel that can be submerged by a water ballast system such that the lower hulls are below the water surface during drilling operations. This reduces the rig's exposure to ocean conditions (waves, winds, and currents) and increases its stability. A semi-submersible rig is capable of maintaining its position over the well through the use of an anchoring system or a computer controlled dynamic positioning ("DP") thruster system. Some semi-submersible rigs are DP self-propelled and move between locations under their own power, although most rigs are relocated by AHTS vessels.

### *Drillships*

Drillships are generally self-propelled and shaped like conventional vessels, and are the most mobile of the major rig types. Drilling operations are conducted through openings in the hull ("moon pools"). Drillships normally have a higher load capacity than semi-submersible rigs and are well suited to offshore drilling in remote areas due to their mobility and high load capacity. Like semi-submersible rigs, drillships can be equipped with conventional mooring systems or DP systems to maintain position over a well.

### *Global Mobile Offshore Drilling Market*

The utilization of mobile offshore drilling units ("MODUs") is still at a very high level, but we might see a decrease in future employment as investment in exploration and development is decreased as oil companies are taking a wait-and-see approach to the credit markets and the oil price. Day-rates for MODUs have continued to increase for the better part of 2008, but lately we have been seeing a bit of a slowdown. As a result of limited rig availability, oil and gas companies have been entering into contracts for rig capacity well ahead of contract commencement. Industry consensus suggests that utilization level of MODUs should still remain relatively high supported by the fact that oil and gas companies have secured MODUs for long-term periods of up to three to five years.

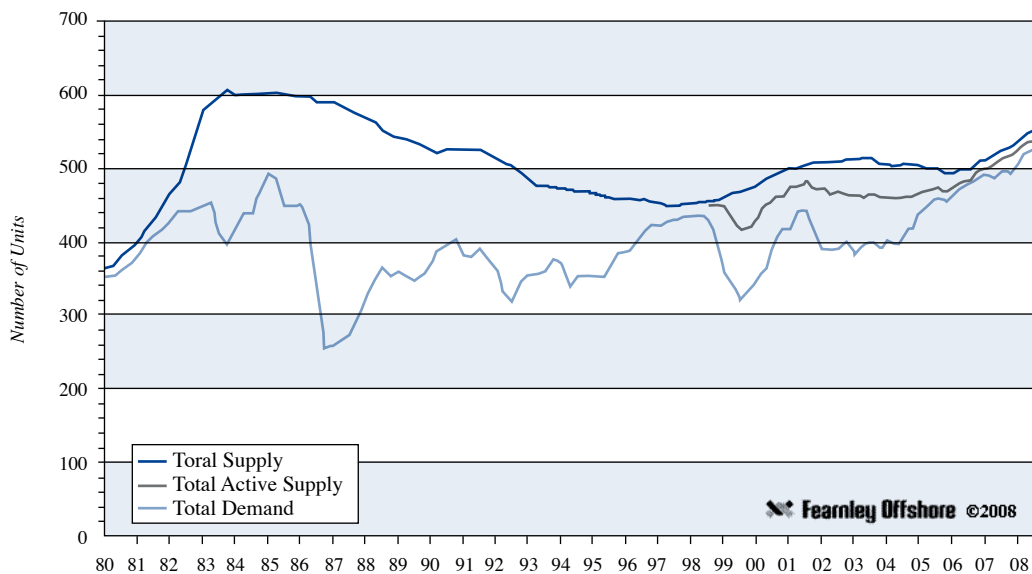
**Global MODU Fleet as of October 2008**

Areas:	Jackups	Semisubmersibles	Drillships	Tenders
Africa - Other		3		
Africa - West	27	23	9	6
Asia - Caspian	9	7		
Asia - Far East	28	25	39	
Asia - South	35	2	8	
Asia - SouthEast	78	32	4	25
Australia	6	10	1	
Black Sea	5			
Europe - East	7	2		
Europe - North Sea	33	41	2	
Mediterranean	13	6	2	
MidEast - Persian Gulf	105	5		2
MidEast - Red Sea	16			
N. America - Canadian Atlantic		2		
N. America - Mexico	32	5		
N. America - US GOM	92	29	6	
S. America - Brazil	8	31	9	
S. America - Other & Carib.	5	1		
S. America - Venezuela	4		1	2
Worldwide (No Region)		3		
<b>Total</b>	<b>503</b>	<b>227</b>	<b>81</b>	<b>35</b>

Source : Fearnleys

The charts below illustrate supply and demand for MODUs.

**Supply And Demand Worldwide  
Semisubmersibles, Jackups And Drillships**

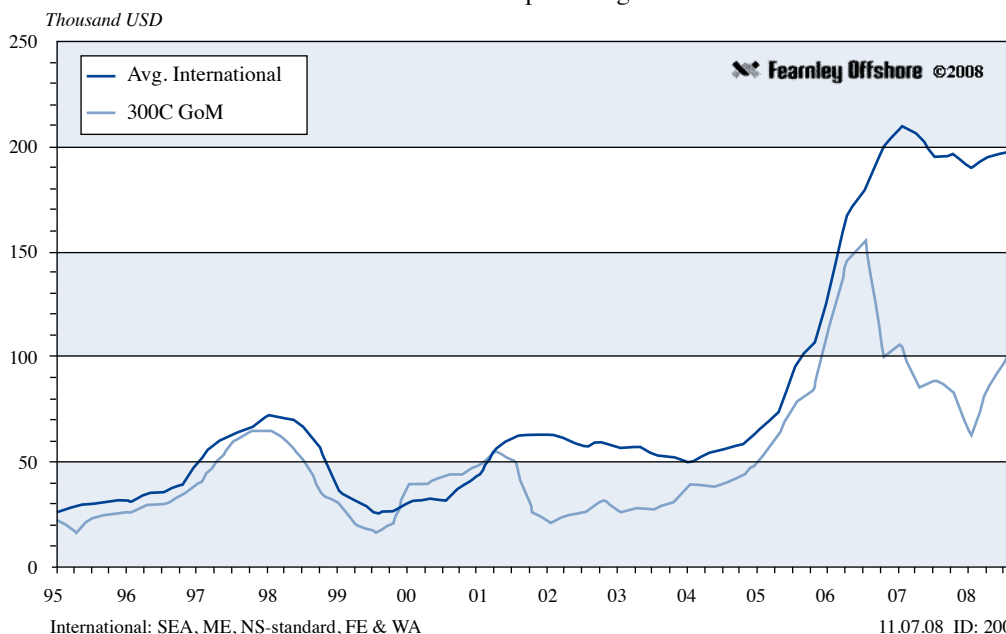


11.07.08 ID: 8

Source: Fearnleys

**Historical Jack-Ups Day Rates**

**Average Dayrates  
300IC Jackup Drilling Units**



11.07.08 ID: 200

Source: Fearnleys

Drilling contracts are typically awarded on a competitive bid or negotiated basis. Price is often the primary factor in determining the award for a drilling contract. Rig availability and each contractor's safety performance record and reputation for quality are also key factors in the selection process.

#### *Tender Rig Market*

According to Fearnleys, the global fleet of tender rigs comprises 35 units, including new builds under construction, as of October 2008. The majority of these operates in South East Asia and has been contracted for the next one to three years by oil and gas companies in the region.

The market for tender rigs is a niche market that generally goes through the same cycles as the market for other MODUs in general, and with jack-ups in particular.

However, tender rigs are normally preferred by oil and gas companies that have oil platforms which are able to accommodate both tender rigs and jack-up rigs. This is because of the lower day rates applicable to tender rigs. The use of tender rigs also tend to reduce costs for oil and gas companies by allowing specialized lighter weight platforms to be utilized thus shortening the construction period. It also reduces the complexity of the oil platform and, as a result, reduces construction risk.

While tender rigs have their own niche in water depths where jack-ups cannot be used, high jack-up day-rates create more opportunities for tender rigs that can perform the same tasks at lower day-rates. As such, as jack-up rig utilization increases and day-rates rise, tender rig demand should also grow, and vice versa.

South East Asia is the biggest market for tender rigs, followed by West Africa. The level of activity for tender rigs in South East Asia has remained high, with industry consensus suggesting that this relatively high level of activity will continue for at least the next one to three years.

#### **World Fleet of Tender Drilling Rigs**

<b>Rig Name</b>	<b>Manager</b>	<b>Current Region</b>	<b>Current Status</b>
Seahawk	Atwood Oceanics	Africa - West	Drilling
BassDrill Tender TBN 1	BassDrill Ltd.	MidEast - Persian Gulf	Under Construction
BassDrill Tender TBN 2	BassDrill Ltd.	MidEast - Persian Gulf	Under Construction
Al Baraka	KCA Deutag	Asia - SouthEast	Drilling
Alligator	KCA Deutag	Africa - West	Drilling
Barracuda	KCA Deutag	Asia - SouthEast	Drilling
Charley Graves	KCA Deutag	Asia - SouthEast	Drilling
Searex 10	KCA Deutag	Africa - West	Drilling
Searex 9	KCA Deutag	Asia - SouthEast	Drilling
W D Kent	KCA Deutag	Asia - SouthEast	Ready Stacked
KM-1	Mermaid Drilling	Asia - SouthEast	Under Construction
MTR-1	Mermaid Drilling	Asia - SouthEast	Drilling
MTR-2	Mermaid Drilling	Asia - SouthEast	Drilling

Rig Name	Manager	Current Region	Current Status
GP-14	PDVSA (NOC)	S. America - Venezuela	Ready Stacked
GP-18	PDVSA (NOC)	S. America - Venezuela	Ready Stacked
Baruna I	PT Patra	Asia - SouthEast	Ready Stacked
TAD-1	Saipem	Africa - West	Drilling
T-10	Seadrill Ltd	Asia - SouthEast	Drilling
T-11	Seadrill Ltd	Asia - SouthEast	Drilling
T-12	Seadrill Ltd	Asia - SouthEast	Under Construction
T-3	Seadrill Ltd	Asia - SouthEast	Drilling
T-4	Seadrill Ltd	Asia - SouthEast	Drilling
T-6	Seadrill Ltd	Asia - SouthEast	Drilling
T-7	Seadrill Ltd	Asia - SouthEast	Drilling
T-8	Seadrill Ltd	Africa - West	Drilling
T-9	Seadrill Ltd	Asia - SouthEast	Drilling
Teknik Berkat	Seadrill Ltd	Asia - SouthEast	Drilling
West Alliance	Seadrill Ltd	Asia - SouthEast	Drilling
West Berani I	Seadrill Ltd	Asia - SouthEast	Drilling
West Berani II	Seadrill Ltd	Asia - SouthEast	Under Construction
West Berani III	Seadrill Ltd	Asia - SouthEast	Under Construction
West Menang	Seadrill Ltd	Africa - West	Drilling
West Pelaut	Seadrill Ltd	Asia - SouthEast	Drilling
West Setia	Seadrill Ltd	Asia - SouthEast	Drilling

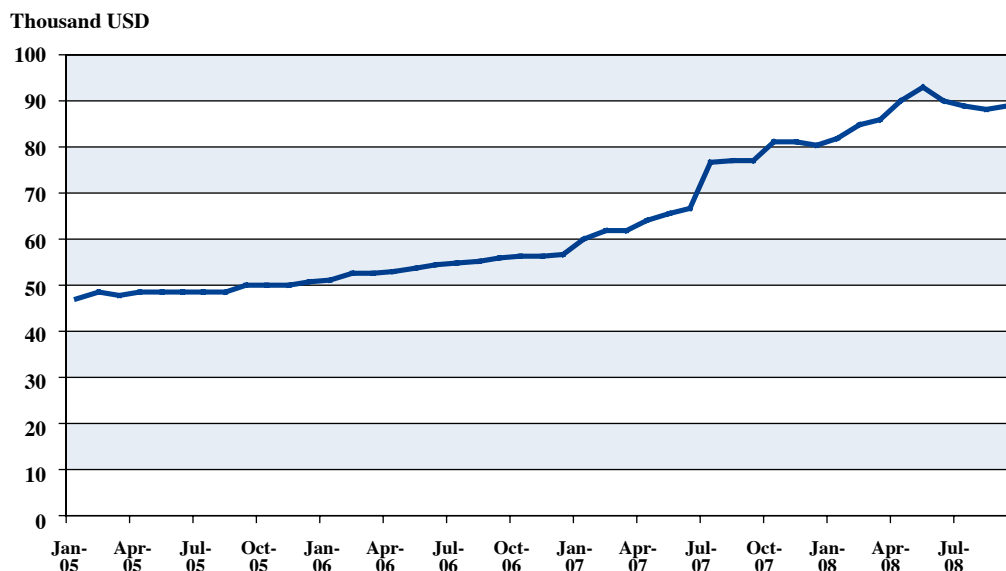
Source : Fearnleys and Mermaid

The tender rigs in the market were operating at near full utilization as of October 2008, with indications suggesting that utilization is expected to continue at fairly high levels for at least the next one to three years.

Contracts for tender rigs can range between six months to three years. As a result, there is typically a large variance in contracted day-rates depending on when contracts were entered into. In addition, geographic location may also affect contracted day-rates.

Notwithstanding this, contracted day rates in the tender rig market generally track rates in the jack-up market, as both these market segments are driven by cycles in the oil and gas industry. According to Fearnleys, current rates in the tender rig market range between US\$70,000-140,000/day, depending on the location and rig specifications.

### Day-rate Development of Tender Rigs



Source : Fearnleys

### Sub-Sea Engineering Service Industry

The sub-sea engineering industry with respect to oil and gas exploration covers a wide range of activities that encompass all offshore developments from 'cradle to grave'. Whilst there is currently a large focus on the buoyant exploration and production activity, this is only one element in the life of an offshore oil or gas field. Once installed, ongoing repair and maintenance, in addition to upgrades and planned inspection programs, provide an ongoing requirement for sub-sea work for the life of a field, and eventual decommissioning (it is usual for oil and gas companies to be liable for the complete removal of all offshore facilities at end of life), provide regular and ongoing work programs. Further, sub-sea engineering services also include emergency repair and call out services using a combination of air/saturation diving and ROV services. Typical work undertaken would include:

- inspection and non-destructive testing of submerged parts of offshore structures and vessels;
- inspection of oil and gas pipeline systems on the seabed;
- repair of any underwater sub-sea pipe system and structure;
- offshore tie-ins;
- salvage and underwater repairs; and
- cleaning and marine growth removal.

Sub-sea work in the oil and gas industry has a relatively short history with major developments dating back to the early development of the North Sea oil and gas fields in the 1960s.

Some of the key value drivers for the sub-sea market going forward are dependant on relatively robust oil and gas prices, development of new facilities in mid to deep water, expansion of existing installations, and increased maintenance activity on ageing offshore oil and gas fields.

Whilst data relating to volume and geographical location of exploration and production activities is available from various market sources, 'in-service', decommissioning and particularly repair costs, which are the main indicators of the size of the sub-sea engineering services market, are less readily available, although there is an obvious link between increased exploration and production and these activities.

With respect to the South East Asian market (notably Thailand), it should also be noted that production of gas is far more predominant than oil production and therefore, far less exposed to dramatic price fluctuations such as those experienced in oil production. This is partly attributable to gas being less of a global commodity, being more difficult to transport over long distances than oil, with more localized consumption and less exposure to regional political volatility.

Charter rates for sub-sea engineering vessels have been strong for 2008. The long lead-time on these projects means that it may take 1–2 years before a slowdown in new projects is evident in earnings. Based on this, demand for sub-sea engineering services is expected to remain quite strong.

## Management Discussion & Analysis

The discussion and analysis of Mermaid's operating results is based upon our consolidated financial statements, which have been prepared in accordance with Thai Generally Accepted Accounting Principles ("Thai GAAP"), with the adoption of certain accounting policies based on International Financial Reporting Standards ("IFRS"). We use a variety of financial and operational terms and concepts to analyse our performance. These include the following:

- **Calendar-vessel-days/Calendar-rig-days.** We define calendar-vessel-days and calendar-rig-days as the total number of days during which the vessels and drilling rigs in our fleet have been owned and operated by us.
- **Available days.** We define available days as the number of calendar-vessel-days or calendar-rig-days less the total number of days that our vessels and drilling rigs are off-hire due to scheduled repairs or repairs under guarantee, upgrades or special surveys, and the amount of time that we spend positioning our fleet. Available days match up to the number of days during which our fleet is capable of generating revenues.
- **Operating days.** We define operating days as the number of available days less the total number of days that our fleet is off-hire due to any reason, including unforeseen circumstances. Operating days match up to the number of days during which our fleet actually generate revenues.
- **Fleet utilisation.** We calculate fleet utilisation by dividing the number of operating days by the number of available days. Fleet utilisation measures our efficiency in finding suitable employment for our vessels and drilling rigs and minimising the amount of days that they are off-hire for reasons other than scheduled repairs or repairs under guarantee, upgrades, special surveys, or positioning.
- **Dry-docking.** We must periodically dry-dock each of our vessels and drilling rigs for inspection, repairs and maintenance, and any modifications to comply with industry certification or government requirements. Generally, we dry-dock each of our vessels and drilling rigs every five years. We capitalise a substantial portion of the dry-docking costs and amortise them on a straight-line basis from the completion of a dry-docking to the estimated completion of the next dry-docking. Dry-docking is considered a separate component of a vessel's or drilling rig's total investment costs that have a different pattern of economic benefits and are therefore depreciated separately. We expense costs related to routine repairs and maintenance that do not improve or extend a vessel's or a drilling rig's useful life during the quarter in which the expenses are incurred.
- **Depreciation.** Depreciation of our vessels and drilling rigs is calculated on a component basis, whereby each major component of a vessel or drilling rig is depreciated over its useful life. As components have different useful lives, the total of these component depreciation expenses is reported in our financial statements.
- **Service and administrative expenses.** Service and administrative expenses include our onshore fleet related expenses such as payroll, rent, legal and professional expenses, and other general expenses and also include depreciation of building and office equipment.

## Subsea Engineering Services

The following table provides a summary of the changes in calendar-vessel-days by owned and chartered-in vessels for our offshore service vessels.

### Calendar-Vessel-Days for Offshore Service Vessels (Mermaid Offshore)

Unit: Days

Calendar-Vessel-Days	FY 2007		FY 2008	
	No. of Days	% Change	No. of Days	% Change
Owned Vessels	1,460	11.20%	1,583	8.42%
Chartered in Vessels	365	14.06%	732	100.55%
<b>Total</b>	<b>1,825</b>	<b>11.76%</b>	<b>2,315</b>	<b>26.85%</b>

The average calendar vessel days for our own offshore services fleet increased 8.42% in 2008, as the newbuild vessel, M.V. Mermaid Sovereign, was delivered in June 2008. For a similar reason, the chartered-in calendar vessel days also increased due to the chartering in of an additional vessel, M.V. Binh Minh, in the beginning of 2008.

**Service Revenues:** Service revenues increased 36.96% to Baht 3,927.19 million in 2008, or US\$ 51,377 per calendar-vessel-day, from Baht 2,867.44 million, or US\$ 44,012 per calendar-vessel-day in 2007. Vessel utilisation days improved from 1,349 days in 2007 to 1,884 days in 2008, resulting in a 86.07% utilisation rate. This reflected strong demand and a higher number of sub-sea engineering projects. In 2008, we worked on forty-two (42) major projects, as compared to forty (40) major projects in 2007. The 2008 average project duration was longer, and more valued-added services, like ROV's, were provided as we owned more equipment.

### Fleet Utilisation for Offshore Service Vessels

Unit: Days

Item	FY 2007		FY 2008	
	No. of Days	% Change	No. of Days	% Change
Calendar-Vessel-Days	1,825	11.76%	2,315	26.85%
Planned Off-Hire Days	77	100%	126	63.64%
<b>Available Days</b>	<b>1,748</b>	<b>7.04%</b>	<b>2,189</b>	<b>25.23%</b>
<b>Operating Days</b>	<b>1,349</b>	<b>39.07%</b>	<b>1,884</b>	<b>39.66%</b>
<b>Fleet Utilisation</b>	<b>77.17%</b>	<b>29.92%</b>	<b>86.07%</b>	<b>11.53%</b>

(Note: Vessel planned off-hire days in 2008 increased due to major (once every five years) dry-docking of the Mermaid Commander, which is our most sophisticated vessel.)

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

**Service Expenses :** Service expenses increased 32.77% to Baht 2,561.66 million, or US\$ 33,513 per calendar-vessel-day, in 2008 from Baht 1,929.43 million or US\$ 29,668 per calendar-vessel-day, in 2007. The increase in service expenses was primarily due to a high utilisation rate, larger crew, and higher insurance premiums.

**Depreciation :** Depreciation expenses increased 23.24% to Baht 209.10 million in 2008, from Baht 169.67 million in 2007. An increase of Baht 39.43 million is attributable to the partial year depreciation of our new newbuild vessel and additional assets in 2008.

## Offshore Drilling Services

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

### Calendar-Rig-Days for Drilling Rigs (Mermaid Drilling)

Unit: Days

Calendar-Rig-Days	FY 2007		FY 2008	
	No. of Days	% Change	No. of Days	% Change
Owned Rigs	730	11.96%	732	0.27%
Chartered in Rigs	0	0	0	0
<b>Total</b>	<b>730</b>	<b>11.96%</b>	<b>732</b>	<b>0.27%</b>

### Fleet Utilisation for Drilling Rigs

Unit: Days

Item	FY 2007		FY 2008	
	No. of Days	% Change	No. of Days	% Change
Calendar-Rig-Days	730	11.96%	732	0.27%
Planned Off-Hire Days	70	100%	0	(100%)
<b>Available Days</b>	<b>660</b>	<b>1.23%</b>	<b>732</b>	<b>(10.91%)</b>
Unplanned Off-Hire Days	178	673.91%	226	(26.97%)
<b>Operating Days</b>	<b>482</b>	<b>(23.37%)</b>	<b>506</b>	<b>4.98%</b>
<b>Fleet Utilisation</b>	<b>73.03%</b>	<b>(24.30%)</b>	<b>69.13%</b>	<b>(5.34%)</b>

**Service Revenues** : Service revenues increased insignificantly to Baht 1,249.04 million, or US\$ 51,678 per calendar-rig-day, in 2008, compared to Baht 1,240.02 million, or US\$ 47,691 per calendar-rig-day, in 2007. The slight increase was primarily due to a longer than expected downtime for the MTR-2 resulting from delays in receiving certain long lead time items to upgrade the rig as required by client specifications, and the completion of the special periodic survey.

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

**Service Expenses** : Service expenses increased 70.50% to Baht 715.59 million, or US\$ 29,607 per calendar-rig-day, in 2008 compared to Baht 419.70 million, or US\$ 16,119 per calendar-rig-day, in 2007. The increase in expenses primarily resulted from personnel costs as they were brought in line with the market.

**Depreciation** : Depreciation decreased 12.97% to Baht 238.69 million in 2008, from Baht 274.26 million in 2007. This was primarily due to changes in the estimated useful life and residual value of assets to be in line with market practice.

## Other Operating Results

**General and administrative expenses** : General and administrative expenses increased 0.22% to Baht 731.56 million in 2008, from Baht 729.97 million in 2007. The increase was insignificant and mainly due to a re-classification of crew and operating costs of one drilling rig and the vessels during its off-hire period from cost of services to administrative expenses both in 2008 and 2007.

**Interest expenses :** Interest expenses decreased 29.25% to Baht 123.99 million in 2008, from Baht 175.26 million in 2007. US\$ 9.42 million and Baht 82.2 million of loans were repaid in 2008, and the Baht strengthened relative to the US dollar, reducing the Baht-equivalent amount. Since our revenues are primarily denominated in U.S. dollars, we elected to fund our acquisitions in U.S. dollars.

**Interest income :** Interest income increased 243.71% to Baht 37.98 million in 2008, from Baht 11.05 million in 2007. An increase in cash occurred from the Initial Public Offering of our shares (“IPO”) on the Singapore Exchange Securities Trading Limited (“SGX-ST”) in October 2007. Our average cash balance in 2008 was Baht 1,119.07 million, compared to Baht 348.51 million in 2007.

**Foreign Exchange Gains (Losses) :** Foreign exchange gains of Baht 159.75 million were recorded in 2008, as a result of the strengthening of the Baht relative to US dollar. Most of our foreign exchange gains or losses were attributed to the revaluation of our US dollar denominated term loans at the end of each financial reporting period, and substantially all of the gains or losses are unrealised. As of the date of this report, our US dollar denominated revenues generally approximate our US dollar denominated operating expenses and interest and principal repayments.

**Net gain (loss) on disposal and write off of property, plant, and equipment :** In 2008, a net loss of Baht 5.86 million occurred primarily due to asset write offs from the MTR-2 refurbishment. In 2007, a net loss of Baht 10.20 million occurred primarily due to asset write offs of Baht 24.6 million from the fire incident on MTR-1. This loss was partially offset by gains on the sale of the two anchor handling tug and supply (“AHTS”) vessels owned by our subsidiary Darium Thai Offshore Ltd. (under dissolution) for Baht 12.3 million.

**Other Income :** Other revenues increased 358.91% to Baht 102.75 million in 2008, mainly from claims recovery related to the fire incident on MTR-1 of US\$ 2,773,876, or Baht 95.12 million. In 2007, other income of Baht 22.39 million was mainly from claims recovery related to the crane boom accident of US\$ 379,437.70, or Baht 12.90 million..

As a result of the factors discussed above and the elimination of various inter-company transactions, our net income increased to Baht 1,162.06 million in 2008 from Baht 533.28 million in 2007.

## Liquidity and Capital Resources

The following table sets forth our consolidated capitalisation for the two previous financial years.

### Total Capitalisation

Unit: Baht'000

Item	As of 30 September	
	2007	2008
Debt		
Bank overdrafts	20,274	-
Short-term debt	201,578	-
Current portion, long-term debt (including finance leases)	412,255	421,157
Long-term debt (including finance leases)	1,778,559	1,527,840
<b>Total Debt</b>	<b>2,412,666</b>	<b>1,948,997</b>

Item	As of 30 September	
	2007	2008
<b>Shareholders' Equity</b>		
Ordinary shares, Baht 1 par value, 383.21 million shares issued and fully paid-up;	383,205	
Ordinary shares, Baht 1 par value, 541.21 million shares issued and fully paid-up;		541,205
Additional paid-in capital	1,226,352	6,470,791
Retained earnings	1,144,937	2,301,228
Others	140,540	360,718
<b>Total Shareholders' Equity</b>	<b>2,895,034</b>	<b>9,673,942</b>
<b>Total Capitalisation</b>	<b>5,307,700</b>	<b>11,622,939</b>
<b>Total Debt to Total Capitalisation</b>	<b>0.45</b>	<b>0.17</b>
<b>Net Debt to Total Net Capitalisation</b>	<b>0.40</b>	<b>0.02</b>

As of 30 September 2008, our total cash and cash equivalents equalled Baht 1,726.43 million, compared to Baht 511.70 million at 30 September 2007. Our total liquidity, including cash, cash equivalents, and undrawn borrowings, was Baht 2,139.78 million as of 30 September 2008, a 252.85% increase from Baht 606.43 million as of 30 September 2007. The increase in total liquidity was mainly the result of net cashflows from the IPO plus cashflows from operations and offset by cash used for capital expenditures and investments. In our opinion, working capital is sufficient for our present requirements.

Net cash flows from operating activities decreased to Baht 794.50 million in 2008 from Baht 893.87 million in 2007, mainly reflecting the decrease in lower asset utilisation in the drilling group.

Net cash flows used in investing activities were Baht 4,844.25 million in 2008, of which Baht 1,327.68 million was used for payments for the ongoing construction of our newbuild rig, KM-1, Baht 369.43 million was used for the ongoing construction of our newbuild DP2 ROV vessel, Baht 94.31 million was used for the final payment for a new AHTS vessel, Baht 372.15 was used for the purchase of two new ROVs and a saturation/diving system, Baht 575.54 million was used for investment in an associate company Worldclass Inspiration Sdn. Bhd. and our subsidiaries, Seascope Surveys Pte. Ltd. and Seascope Surveys (Thailand) Ltd., Baht 303.11 million was used for drydocking and special periodic survey for vessels and rigs, and Baht 1,147.99 million was used for short-term loans to an associate company.

Net cash flows from financing activities were Baht 5,183.32 million in 2008, primarily as a result of proceeds from the IPO fund of Baht 5,402.44 million, from issuance of share capital received from minorities of Baht 325.19 million, and from loans of Baht 212.08 million offset by loan repayments of Baht 665.84 million.

As of 30 September 2008, Mermaid had total long-term debt including financial leases of Baht 1,949.00 million, which comprised US dollar loans of USD 49.66 million and Baht loans of Baht 251.72 million, compared to Baht 2,190.81 million, which comprised US dollar loans of USD 53.99 million and Baht loans of Baht 334.51 million as of 30 September 2007. Outstanding loans were mainly for acquisitions of vessels, rigs, and equipment.

## Use of IPO Proceeds

Mermaid received an equivalent of Baht 5,402.44 million from its IPO on 09 October 2007.

The actual accumulative uses of IPO proceeds as at 19 December 2008 is summarised as follows:-

- Baht 372.76 million for subscription of shares in Worldclass Inspiration Sdn Bhd.
- Baht 1,646.11 million for payments for the on going construction of newbuild rig, KM-1.
- Baht 202.78 million for subscription of shares in the Seascope Surveys group.
- Baht 436.86 million for payments for the newbuild DP2 ROV vessel.
- Baht 327.73 million for the purchase of ROVs and a saturation and dive system.

## Capital Expenditures

In 2008, Mermaid had ongoing milestone payments on one newbuild tender rig and one newbuild vessel, whose total cost is expected to be US\$ 165.19 million. As at 30 September 2008, the remaining cost was US\$ 88.87 million, all of which is scheduled to be paid in 2009 through utilization of IPO funds and long-term loans.

In addition to acquisitions that we may undertake in future periods where opportunity arises, we are expected to incur additional capital expenditure in 2009 when the MTR-1 undergoes scheduled upgrades to its electrical systems.

## Qualitative and Quantitative Market Risks

### *Foreign Currency Fluctuation Risk*

The international offshore oil and gas industry utilises the U.S. dollar as its functional currency. Consequently, virtually all of our revenues and most of our operating costs are in U.S. dollars. We incur certain crew, vessel and rig operating expenses, dry-docking and overhead costs in foreign currencies.

We realise foreign exchange gains or losses from this hedge on the settlement date of each forward contract.

### *Interest Rate Risk*

We are subject to market risks relating to changes in U.S. dollar and Baht interest rates, because almost all of our loans are denominated in U.S. dollars and set against LIBOR. We pay interest on debt incurred under our existing credit facilities at a rate of LIBOR or MLR plus or less an agreed margin.

We do not intend to enter into foreign exchange or interest rate derivative transactions for speculative purposes.

## Risk Factors

Mermaid and its subsidiaries and affiliates (the “Group”) are subject to a number of risks that could materially affect its business, financial condition, and results of operations, and those of the Group.

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

The Group provides offshore services to the oil and gas industry, and its offshore business is affected by fluctuations in the global demand for assets and prices of oil and gas, in particular the level of activity in oil and gas exploration, development, and production in South-East Asia, where Mermaid is active.

Depending on the market price of oil and gas, companies exploring for oil and gas may cancel or reduce their activities, thus reducing the demand for the Group. Although the level of offshore drilling and production activity improved from 2005 to 2008, there can be no assurance that activity levels will remain the same or increase. Any prolonged period of low drilling and production activity would likely have an adverse effect on the Group’s business and operations.

The Group’s focus on niche businesses like sub-sea engineering and tender drilling rigs should lower earnings volatility. The Group’s sub-sea engineering business focuses on the downstream sectors, particularly inspection, repair, and maintenance of existing facilities, which must meet safety standards, regardless of the underlying oil and gas prices. Tender drilling rigs are used primarily in production drilling, which is the more stable part of drilling.

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

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

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

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

The Group is subject to various risks inherent in the oil and gas industry, such as fires, natural disasters, explosions, encountering formations with abnormal pressures, blowouts, cratering, pipeline ruptures and spills. A number of these risks could have severe consequences, including loss of human life or serious injury, significant damage to the Group’s or its clients’ assets and equipment, environmental pollution, personal injury litigation, political consequences and damage to the Group’s reputation.

The Group is also subject to equipment failure risks, which may require long periods to repair and result in loss of revenue. The Group may be forced to cease part of its operations if any of its key assets break down until it can replace and/or repair such key assets. A major system failure could result in substantial loss of life and or serious injury, damage to or loss of vessels and equipment and protracted legal or political disputes and damage to the Group's reputation.

Any of these events could have a material adverse effect on the Group's reputation, financial condition and results of operations, and on its ability to continue to operate its offshore services business. The Group's policy is to invest substantial capital to maintain the fleet at high standards to limit any downtime. Furthermore, given the increased focus on safety, clients regularly inspect the fleet and provide their input to ongoing repair and maintenance programmes.

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

There are a limited number of potential clients, particularly for the drilling business, and a limited number of projects available in the niche markets that the Group's drilling services business operates in. In any given year, a small number of contracts and projects account for a significant portion of revenues of the Group. Further, given that the Group has a total of two tender drilling rigs, the drilling services business can only have a maximum of two clients at any point in time. The loss of any single existing client for the drilling business could thus have a material adverse impact on the drilling services business, if the Group's drilling service business is unable to secure new clients to replace such a client. Accordingly, this may have an adverse effect on the Group's revenues and profitability as a whole. To mitigate the impact of downtime of any single rig, the Group is undertaking expansion of the rig fleet. Given the existing short supply of tender rigs, the Group's intention is to secure firm contracts for its newbuild rigs prior to each rig's completion.

The Group's financial results could be materially and adversely affected if any of the major clients terminate its contracts or refuse to award new contracts to the Group's drilling service business and it is unable to secure new clients to replace these clients.

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

Since 1 October 2003, the Group has purchased two tender drilling rigs and four vessels. The Group has confirmed plans to purchase one newbuild tender drilling rig, one newbuild ROV support vessel and one diving support vessel (through a bareboat charter with purchase option). There will be a time lag between the time the Group purchases a newbuild tender drilling rig or vessel and the time such tender drilling rig or vessel becomes operational. In that time, the conditions affecting the industry may change such that the Group may be unable to achieve its projected returns. If the Group fails to effectively manage its current and future acquisitions and newbuilds, its results of operations could be adversely affected.

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

The Group's policy is to continually improve its core people and systems foundation. Senior managers follow a "pay for performance" concept linked to short and medium-terms goals.

***The Group industry is highly competitive with intense price competition.***

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

The Group's policy is to expand the sub-sea engineering and drilling businesses to achieve sufficient economies of scale to withstand intense price competition.

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

All of the contracts of the Group with its clients for its drilling services and some of its contracts for its sub-sea engineering services are on a long-term fixed rate basis. Long-term fixed rate contracts limit the Group's ability to adjust rates in response to any increase in its costs, such as salary costs and costs for spare parts and consumables, which are unpredictable and fluctuate based on events beyond its control. Any substantial increase in such costs would adversely impact the Group's profitability. To mitigate these risks, the Group endeavors to the greatest extent possible to negotiate contracts which enable a "pass through" of many of these variable costs for parts, consumables, and in certain cases (such as divers' costs for our sub-sea business) personnel.

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

The operations of the Group business rely on assets such as tender drilling rigs and vessels. The Group is required to maintain its tender drilling rigs and vessels to certain standards and to maintain the certification of such tender drilling rigs and vessels. For example, its tender drilling rigs and vessels are required to be dry-docked every five years. Such dry-docking requires major capital expenditures and there can be no assurance that there will not be any cost overruns. The Group may have to repair or refurbish its tender drilling rigs or vessels or incur substantial expenditures for the acquisition of additional spare parts and assets. Further, as many of the Group's tender drilling rigs and vessels are not new, the cost of maintenance and repair may be higher than for newbuilds.

There can be no assurance that cash from operations or debt or equity financing on terms acceptable to the Group will be available or sufficient to meet these requirements. Any inability to access sufficient capital for its operations could have a material adverse effect on the performance of the Group's offshore services business.

Mermaid completed its SG\$ 246 million initial public offering and with its strong balance sheet can access the debt markets efficiently to meet its capital investment obligations.

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

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

*The Group's business is subject to various inherent risks of loss and liability, and to the extent it does not have sufficient insurance coverage in the event of actual loss or liability, its financial condition and results of operations may be materially and adversely affected.*

Maritime property and casualty losses may arise from a variety of causes, including severe weather, collision, stranding, fire, mechanical failure, human error, the possibility of being grounded or even a vessel sinking and spills or leaks resulting in pollution, and may result in third party claims. In addition, the cargoes carried by its vessels may be flammable, explosive, and toxic and may be harmful to vessels, people, and the environment. While the Group places safety as a high priority in the design and operation of its fleet, the Group has experienced accidents and other incidents involving its vessels. There can be no assurance that similar events will not occur in the future.

Although the Group may be able to recover most of its damages from its insurers, claims may be subject to deductibles, exclusions, caps, and other limitations and there can be no assurance that the Group's insurance will always cover the costs of incidents or that it will fulfil the conditions under the terms of the relevant insurance for recovery from its insurers. The occurrence of similar events in the future could result in direct losses or liabilities, loss of profits or increased costs, which could have a material adverse effect on the Group's business, financial condition, and results of operations.

Furthermore, the Group does not maintain insurance with respect to loss of profits, loss of hire, delays, consequential loss or loss of income resulting from a vessel being removed from operation, except to a limited extent in the case of claims against third parties. In addition, certain risks, such as those related to biochemical damage, are not insurable. As there has been an increase in insurance claims made throughout the shipping industry, a general increase in insurance premiums could be imposed by insurers and P&I clubs. The Group inability to secure insurance on terms favourable to it, or at all, or any substantial liabilities suffered by it which are not fully covered by insurance, could have a material adverse effect on its business, prospects, financial condition, and results of operations.

*The Group's failure to attract and retain skilled personnel for its businesses, could adversely affect its operations or business.*

An important factor to the success of the Group's business is its ability to recruit, train, and retain qualified and experienced officers to crew its vessels and shore-based staff. The Group's offshore services business also requires highly skilled personnel to operate its tender drilling rigs and vessels. The market for qualified and experienced officers is extremely competitive and has grown more so in recent periods as a result of the growth in world economies and other employment opportunities and rising salaries. There can be no assurance that the Group will be successful in its efforts to recruit and retain properly skilled personnel at reasonable costs. Any failure to do so could adversely affect its reputation and ability to operate safely and cost-effectively.

*The Group's performance is exposed to the creditworthiness of its clients.*

The Group is subject to risks of loss resulting from non-payment or non-performance by its clients. Any material non-payment or non-performance by any of the Group's key clients, especially during periods of downturn, could adversely affect the Group's financial condition or results of operations. If any of the Group's key clients defaults on its obligations to the Group, the Group's financial results could be adversely affected. The potential impact of any client defaults would be greater in the Group's offshore services business where the duration of contracts are long, the value of the contracts are greater and there are fewer contracts.

The Group's policy is to work primarily with high-quality clients, who are screened internally, or, where possibly request advance payment before beginning and assignment.

*The Group's ability to grow its business through further asset acquisitions could be affected by the global credit crisis.*

Past expansion activities of the Group had been driven by ready access to credit lines, among other things. The Group's future asset expansion plans may be subject to the systemic risks arising from the credit crunch of late 2008 which has resulted in reducing financing availability generally across all sectors, including those associated with funding capital expenditure in rigs and vessels and other related acquisitions. With financing situations of banks and other financial institutions generally deteriorating sharply, availability of credit lines to the Group for such expansion activities may become strained. Where available, securing credit may come with higher funding costs which, coupled with the recent fall in oil prices and uncertainty regarding the economic slowdown, may in turn result in investment economics becoming less attractive. This could materially and adversely affect the Group's ability to expand its revenue generating asset base.

Further expansion aside, the financing of the Group's existing key revenue generating assets have been mainly secured through Thai commercial banks that are relatively less exposed to the global credit crisis. The Group has also secured credit financing for all its newbuild projects presently under construction with both Thai commercial banks and major international banks. However, the Group's ability to continue to finance such committed acquisitions could be materially and adversely affected if any of these banks withdraw their credit lines, or increase its pass through costs.

The Group's policy is to ensure that committed acquisitions continue to be supported financially and that future expansion plans take into consideration the present global financial crisis including any new acquisition opportunities that may arise from it.

## General Disclosures

### 1. Mermaid Shares held by Directors

As at 31 October 2008, Mermaid had a total of 541,205,340 ordinary shares issued and fully paid. Mermaid has no convertible securities. The direct and deemed interests of each Director of Mermaid in Mermaid's ordinary shares were as follows:

Name	Direct	% of Issued Share Capital	Deemed	% of Issued Share Capital
M.L. Chandchutha Chandratat	260,000	0.0481	None	n/a
Mr. David Stewart Simpson	607,000	0.1121	None	n/a
Mr. Surasak Khaoroptham	None	n/a	None	n/a
Mr. Pichet Sithi-Amnuai	None	n/a	None	n/a
Mr. Leslie George Merszei	None	n/a	None	n/a
Mr. Lim How Teck	None	n/a	None	n/a
Mr. Ng Chee Keong	None	n/a	None	n/a

### 2. Material Contracts Involving Interested Persons

There were no material contracts of Mermaid or its subsidiaries involving the interests of the Mermaid's chief executive officer, each Director of Mermaid, or any of the controlling shareholders of Mermaid, entered into during the financial year ended 30 September 2008 or still subsisting as at 30 September 2008.

### 3. Shareholder Base and Voting Rights

The only class of equity securities in Mermaid are ordinary shares. As at 31 October 2008, there were 1,353 shareholders holding a total of 541,205,340 ordinary shares in Mermaid.

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

- the sale or transfer of all or a substantial part of Mermaid's business to any other person or the purchase by Mermaid or acceptance of transfer of the businesses of other companies to Mermaid;
- the making, amendment or termination of contracts relating to the leasing out of all or a substantial part of Mermaid's business, the assignment to any other person to manage Mermaid's business or the consolidation of Mermaid with other persons with an objective towards profit and loss sharing; and
- the increase or reduction of registered capital, issuance of bonds for offer to the public, amalgamation with another company, dissolution or the amendment to the Memorandum of Association and Articles of Association of Mermaid.
- To remove a Director before his/her term requires a resolution of a general meeting of shareholders of not less than three-fourths of the number of shareholders who attend the meeting, who have the right to vote, and hold shares in aggregate of not less than half of the total number of shares held by shareholders attending the meeting and entitled to vote.

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

#### 4. Shareholder Spread

As at 31 October 2008, the distribution of ordinary shares amongst all shareholders were as follows:

No. of Shares	No. of Shareholders
1-999	4
1,000-10,000	1,109
10,001-1,000,000	223
1,000,001 and above	17

#### 5. Details of Substantial Shareholders

As at 31 October 2008, the names of substantial shareholders and a breakdown of their direct and deemed interests as recorded in Mermaid's register of substantial shareholders were as follows:

Name	Direct	Deemed	Total
Thoresen Thai Agencies Public Company Limited ("TTA") (see Note 1)	191,602,670 (35.40%)	117,648,600 (21.74%)	309,251,270 (57.14%)
Thoresen Chartering (HK) Limited	107,648,600 (19.89%)	-	107,648,600 (19.89%)
Thailand Equity Fund ("TEF") (see Notes 2, 3, 4 and 5)	81,576,020 (15.07%)	-	81,576,020 (15.07%)

**Note 1 :** The deemed interest arises from shares of Mermaid held by Thoresen Chartering (HK) Limited and Thoresen Shipping Singapore Pte. Ltd. Both are wholly owned subsidiaries of TTA.

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

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

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

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

## 6. Top 20 Largest Shareholders

As at 31 October 2008, the 20 largest holders of ordinary shares in Mermaid on record and the number of shares held by such shareholders were as follows:

No.	Name	Shares	%	Culm. %
1	Thoresen Thai Agencies PLC	191,602,670	35.403	35.403
2	Thoresen Chartering (HK) Ltd.	107,648,600	19.891	55.293
3	Thailand Equity Fund	81,576,020	15.073	70.367
4	Raffles Nominees Pte Ltd.	32,658,000	6.034	76.401
5	HSBC (Singapore) Noms Pte. Ltd.	30,541,500	5.643	82.044
6	DBS Nominees Pte. Ltd.	20,264,884	3.744	85.788
7	Citibank Noms S'pore Pte. Ltd.	15,502,503	2.864	88.653
8	Thoresen Shipping Singapore Pte. Ltd.	10,000,000	1.848	90.501
9	HL Bank Nominees (S) Pte. Ltd.	8,632,000	1.595	92.096
10	UOB Kay Hian Pte. Ltd.	7,005,500	1.294	93.390
11	DB Nominees (S) Pte. Ltd.	6,597,000	1.219	94.609
12	Kim Eng Securities Pte. Ltd.	3,716,000	0.687	95.296
13	Merrill Lynch (S'pore) Pte. Ltd.	2,954,000	0.546	95.841
14	ING Nominees (S'pore) Pte. Ltd.	1,740,000	0.322	96.163
15	Morgan Stanley Asia (S'pore)	1,177,497	0.218	96.380
16	DBSN Services Pte. Ltd.	1,046,000	0.193	96.574
17	DBS Vickers Secs (S) Pte. Ltd.	790,000	0.146	96.720
18	Sarasin-Rabo Nominees (S) Pte. Ltd.	750,000	0.139	96.858
19	Mr. David Stewart Simpson	607,000	0.112	96.970
20	Mr. Kam Yat Tin	452,000	0.084	97.054

## 7. Shareholding Held by Public

As at 31 October 2008, the percentage of ordinary shares held in the hand of the public was 27.62%. This is in compliance with Rule 723 of the SGX-ST Listing Manual which requires that at least 10% of ordinary shares in Mermaid to be at all times held by the public.

## 8. Dealings in Securities

Based on best practice recommendations in Rule 1207(18) of the STX-ST Listing Manual, Mermaid introduced a Code of Business Conduct that, among other things, prohibits its officers from using or sharing non-public information for trading purposes in the securities of Mermaid, or for any non-business purpose. Such prohibition should also have the effect of deterring such persons from trading in Mermaid's securities on short-term considerations.

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

## 9. Non-Audit Fees

Non-audit fees paid to PricewaterhouseCoopers ABAS Ltd. during the financial year that ended on 30 September 2008 amounted to Baht 6,315,310. This was for work related to Mermaid's initial public offering ("IPO") of shares on the SGX-ST. The Audit Committee had reviewed this transaction and was of the opinion that this transaction did not affect to the independence of PricewaterhouseCoopers ABAS Ltd. conducting the audit, nor did it affect the independence of their audit signatory's review and certification of the financial statements.

## 10. Interested Person Transactions

Pursuant to Rule 907 of the SGX-ST Listing Manual, Mermaid's interested person transactions for the year that ended on 30 September 2008 were as follows:

	Baht
<b>Revenues</b>	
Service income	506,236
Rental income	1,686,827
<b>Expenses</b>	
Training expenses	7,515
Crew expenses	159,941
Vessel expenses	24,429,901

Company	Type of revenue/expense	Baht
Thor Venture Shipping Co., Ltd.	Service income	5,346
Thor Master Shipping Co., Ltd.	Service income	93,458
Thor Mariner Shipping Co., Ltd.	Service income	142,000
ISS Thoresen Agencies Ltd.	Service income	265,432
		<b>506,236</b>

Company	Type of revenue/expense	Baht
ISS Thoresen Agencies Ltd.	Rental income	13,067
Gulf Agency Company (Thailand) Ltd.	Rental income	1,673,760
		<b>1,686,827</b>

Company	Type of revenue/expense	Baht
Thoresen Thai Agencies Public Company Ltd.	Training expenses	7,515
		<b>7,515</b>

Company	Type of revenue/expense	Baht
Gulf Agency Company (Thailand) Ltd.	Crew expenses	159,941
		<b>159,941</b>

Company	Type of revenue/expense	Baht
T.S.C. Maritime Ltd.	Vessel consumables	300
Gulf Agency Company (Thailand) Ltd.	Vessel port due	1,296,128
	Vessel mobilisation and demobilisation	3,857,783
	Vessels freight expenses	19,275,690
		<b>24,429,901</b>

## 11. Land, Buildings and Key Movable Assets

As at September 30, 2008, land and buildings owned by Mermaid and held for investment purposes were as follows:

*Unit: Baht Million*

No.	Description	Location	Purchase Year	Cost	Net Book Value	Ownership
1.	Land	Pinthong Industrial Estate, Chonburi, Thailand	2003	24.72	24.72	Freehold
2.	Land	Laem Chabang, Chonburi, Thailand	2001	10.41	10.41	Freehold
3.	Building A&B	Built on land at no. (1) above	2005	128.09	102.87	On freehold land
4.	Building C	Built on land at no. (1) above	2005	61.02	50.26	On freehold land

As at 30 September 2008, Mermaid's key movable assets were five vessels and two tender rigs owned by its subsidiaries as follows:

*Unit: Baht Million*

No.	Subsidiary Name	Name of Vessels/Rigs	Year of Build	Year of Purchase	Cost	Net Book Value
1.	Mermaid Offshore Services Ltd.	Mermaid Supporter	1982	2003	34.15	15.94
2.	Mermaid Offshore Services Ltd.	Mermaid Commander	1987	2005	956.41	748.82
3.	Mermaid Offshore Services Ltd.	Mermaid Responder	1993	2005	153.32	98.43
4.	Mermaid Offshore Services Ltd.	Mermaid Performer	1982	2006	127.82	72.70
5.	Mermaid Offshore Services Ltd.	Mermaid Sovereign	2008	2008	641.32	628.82
6.	MTR-1 Ltd.	MTR-1	1978	2005	891.16	530.30
7.	MTR-2 Ltd.	MTR-2	1976	2005	1,254.20	775.73

# Corporate Governance Report

## Statement of General Compliance

The Board of Directors (“Board”) recognise the importance of corporate governance and the offering of high standards of accountability to shareholders. As at 30 September 2008, Mermaid is generally in compliance with the principles and guidelines of the Singapore Code of Corporate Governance 2005 (“Code”).

## Specific Disclosures pursuant to the Code

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

There are three (3) committees on the Board: the Audit Committee, the Nomination Committee, and the Remuneration Committee. These Board committees were formed on 26 June 2007. Details of the responsibilities of each Board committee are as follows:

#### Audit Committee:

Responsibilities of the Audit Committee include, among other things:

- assisting the Board in the discharge of its responsibilities on financial and accounting matters;
- periodically reviewing and ensuring that Mermaid’s finance team is well-advised on the relevant International Financial Reporting Standards (“IFRS”) principles;
- reviewing audit plans, scope of work and results of the audits compiled by internal and external auditors;
- reviewing the co-operation given by the officers to external auditors;
- considering and recommending the appointment or re-appointment of external auditors and matters relating to the resignation or dismissal of the auditors;
- reviewing the integrity of any financial information presented to shareholders;
- reviewing interested person transactions (including, but not limited to, the payment terms, payment period(s), and settlement of interested person transactions), if any;
- reviewing and evaluating administrative, operating and internal accounting controls and procedures;
- reviewing the consolidated and company financial statements and the external auditors’ report on those financial statements, and discussing any significant adjustments, major risk areas, changes in accounting policies, compliance with the applicable reporting standards, concerns and issues arising from their audits including any matters which the auditors may wish to discuss in the absence of management, where necessary, before submission to the Board for approval;
- reviewing and discussing with auditors any suspected fraud, irregularity or infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group’s operating results or financial position and the management’s response;
- reviewing any potential conflicts of interest;

- approving and reviewing all hedging policies and instruments to be implemented by Mermaid and its subsidiaries (collectively the “Group”), if any;
- undertaking such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the Audit Committee;
- reviewing and establishing procedures for receipt, retention and treatment of complaints received by the Group regarding inter alia, criminal offences involving the Group or its employees, questionable accounting, auditing, business, safety or other matters that impact negatively on the Group; and
- undertaking generally such other functions and duties as may be required by law or the SGX-ST Listing Manual, and by such amendments made thereto from time to time.

In addition to the duties listed above, the Audit Committee shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any law, rule or regulation which has or is likely to have a material impact on the results of operations and/or financial position. Each member of the Audit Committee shall abstain from voting on any resolution in respect of matters in which he or she is interested.

#### **Nomination Committee:**

Responsibilities of the Nomination Committee include, among other things, to:

- review and assess candidates for directorships (including executive directorships) before making recommendations to the Board for appointment of Directors;
- review and recommend to the Board the retirement or re-election of Directors in accordance with the Articles of Association at each annual general meeting;
- review the composition of the Board annually to ensure that the Board has an appropriate balance of independent Directors and to ensure an appropriate balance of expertise, skills, attributes and ability among the Directors;
- determine annually the independence of Directors, in accordance with applicable codes and guidelines; and
- decide whether the Directors can continue to contribute effectively and demonstrate commitment to their roles.

If a member of the Nomination Committee has an interest in a matter being deliberated upon by the Committee, he or she will abstain from participating in the review and approval process of the Nomination Committee in relation to that matter.

#### **Remuneration Committee:**

Responsibilities of the Remuneration Committee include, among other things to:

- recommend to the Board for endorsement the remuneration policies and guidelines for setting remuneration for the Directors and key executives;
- approve performance targets for assessing the performance of executive Directors and key executives and administer incentive and equity-based compensation plans; and
- recommend specific remuneration packages for each executive Director for endorsement by the Board.

If a member of the Remuneration Committee has an interest in a matter being deliberated upon by the Remuneration Committee, he or she will abstain from participating in the review and approval process of the Remuneration Committee in relation to that matter.

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

Name of Director	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings
M.L. Chandchutha Chandratat	6/6	-	3/3	1/1
Mr. David Stewart Simpson	6/6	-	-	-
Mr. Surasak Khaoroptham	5/6	-	-	-
Mr. Pichet Sithi-Amnuai	6/6	4/4	-	-
Mr. Lim How Teck	5/6	4/4	-	-
Mr. Ng Chee Keong	4/6	-	3/3	1/1
Mr. Leslie George Merszei	5/6	3/4	3/3	1/1

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

All material transactions of the Group require approval of the Board. All loans to the Group and corporate guarantees issued by the Group with a value of above US\$ 500,000 are also subject to Board approval.

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

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

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

Not applicable. There is no relationship between the Chairman and the Chief Executive Officer (Managing Director) of Mermaid.

**6. Composition of Nominating Committee.**

The Nomination Committee members are Mr. Ng Chee Keong, M.L. Chandchutha Chandratat, and Mr. Leslie George Merszei. The Chairman of the Nomination Committee is Mr. Ng Chee Keong.

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

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

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

Name	Position	Audit Committee	Remuneration Committee	Nomination Committee
M.L. Chandchutha Chandratat	Chairman / Non- Executive Director	-	✓	✓
Mr. David Stewart Simpson	Managing Director	-	-	-
Mr. Surasak Khaoroptham	Non-Executive Director	-	-	-
Mr. Pichet Sithi-Amnuai	Independent Director	✓ (chair)	-	-
Mr. Lim How Teck	Independent Director	✓	-	-
Mr. Ng Chee Keong	Independent Director	-	✓ (chair)	✓ (chair)
Mr. Leslie George Merszei	Independent Director	✓	✓	✓

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

The Audit Committee has recommended that each Director undertake a self-assessment exercise of the performance of the Board as a whole and of himself/herself taking into relevant consideration the roles and responsibilities of directors pursuant to the Code and the results of the business operations.

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

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

**11. Composition of remuneration committee.**

The Remuneration Committee members are Mr. Ng Chee Keong, M.L. Chandchutha Chandratat, and Mr. Leslie George Merszei. The Chairman of the Remuneration Committee is Mr. Ng Chee Keong.

**12. The name and remuneration of each person who is/was a Director of the company during the financial year ending 30 September 2007 in bands of SGD 250,000.**

Name	Below SGD 250,000	SGD 250,000 to SGD 499,999	SGD 500,000 and above
M.L. Chandchutha Chandratat	x		
Mr. David Stewart Simpson			x
Mr. Surasak Khaoroptham	x		
Mr. Pichet Sithi-Amnuai	x		
Mr. Lim How Teck	x		
Mr. Ng Chee Keong	x		
Mr. Leslie George Merszei	x		

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

Name	[1]	[2]	[3]	[4]
M.L. Chandchutha Chandratat	0%	0%	100%	0%
Mr. David Stewart Simpson	59%	13%	21%	7%
Mr. Surasak Khaoroptham	0%	0%	100%	0%
Mr. Pichet Sithi-Amnuai	0%	0%	100%	0%
Mr. Lim How Teck	0%	0%	100%	0%
Mr. Ng Chee Keong	0%	0%	100%	0%
Mr. Leslie George Merszei	0%	0%	100%	0%

**14. The names and remunerations of the top 5 key executives (who are not also directors) in bands of SGD 250,000.**

Key Executives (see note below)	Below SGD 250,000	SGD 250,000 to SGD 499,999	SGD 500,000 and above
Mr. John Willoughby Crane III	x		
Mr. Sataporn Amornvorapak	x		
Mr. Mark Andrew Shepherd		x	
Mr. Simon Matthew Turner	x		
Mr. Svein Nodland		x	
Mr. Stephen Gregor Lenz	x		
Mr. Magne Hovden		x	
Mr. Jeffery Allen Breal	x		

*Note* : For the financial year that ended on 30 September 2008, Mr. Sataporn Amornvorapak succeeded Mr. John Willoughby Crane III as Chief Financial Officer, Mr. Stephen Gregor Lenz succeeded Mr. Svein Nodland as Executive Director for Mermaid Drilling and Mr. Jeffery Allen Breal succeeded Mr. Magne Hovden as General Manager for Mermaid Drilling. Mr. John Willoughby Crane III's remuneration was calculated based on the term of his employment from 01 October 2007 to 31 August 2008, Mr. Sataporn Amornvorapak's remuneration was calculated based on his term as key executive from 01 September 2008 to 30 September 2008, Mr. Svein Nodland's remuneration was calculated based on the term of his employment from 01 October 2007 to 08 August 2008, Mr. Stephen Gregor Lenz's remuneration was calculated based on the term of his employment from 14 July 2008 to 30 September 2008 and Mr. Jeffery Allen Breal's remuneration was calculated based on the term of his employment from 12 March 2008 to 30 September 2008.

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

Key Executives	[1]	[2]	[3]	[4]
Mr. John Willoughby Crane III	100%	0%	0%	0%
Mr. Sataporn Amornvorapak	50%	0%	9%	41%
Mr. Mark Andrew Shepherd	66%	17%	5%	12%
Mr. Simon Matthew Turner	70%	14%	5%	11%
Mr. Svein Nodland	49%	0%	51%	0%
Mr. Stephen Gregor Lenz	63%	0%	14%	24%
Mr. Magne Hovden	72%	0%	28%	0%
Mr. Jeffery Allen Breal	71%	0%	25%	4%

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

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

**17. Details of Employee Share Option Plan.**

Mermaid’s first employee share option plan was approved by Mermaid’s shareholders on 11 July 2007 and the Thai Securities and Exchange Commission on 25 June 2008 (“ESOP”). The following is a summary of the principal rules of the Plan.

*(a) Objectives of the Plan*

Mermaid recognises that the contributions and continued dedication of its executives and employees are significant to its future growth and development. The Plan is offered by Mermaid to advance the best interests of the Group by providing employees of the Group with additional incentives through the grant of options (“Options”) based on the performance of the Group.

The objectives of the Plan are as follows: (a) to retain key employees whose contributions are essential to the long-term growth and profitability of the Group; and (b) to align the interests of participants with the interests of the shareholders.

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

*(b) Summary of the Plan*

A summary of the rules of the Plan is set out below. Full details of the Plan were disclosed to shareholders in Appendix-C of Mermaid's Initial Public Offering ("IPO") prospectus dated 09 October 2007.

*Plan administration* : The Plan shall be administered by the Remuneration Committee ("Committee"), which will have powers to determine, among others, the persons to be granted Options, number of Options to be granted, recommendations for modifications to the Plan; and determination of exercise price of the Options.

*Option participants* : Under the rules of the Plan, only employees of Mermaid and its subsidiaries (including executive Directors) are eligible to participate in the Plan, at the absolute discretion of the Remuneration Committee. The non-Executive Directors of Mermaid, and persons who are controlling shareholders and their associates, are not eligible to participate in the Plan.

*Size of the Plan* : The aggregate number of new shares that may be granted under the Plan was limited to 1.0% of the issued share capital of Mermaid.

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

*Options, exercise period and exercise price* : The exercise price for each share in respect of which an Option is exercisable shall be at the price equal to the weighted average closing price of Mermaid's shares traded on the SGX-ST for 15 consecutive trading days immediately preceding the date the Option is granted.

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

*Grant of Options* : Under the rules of the Thai Securities and Exchange Commission, the Options must be granted within one (1) year from the approval date of 25 June 2008.

*Termination of Options* : Special provisions in the rules of the Plan deal with the lapse or earlier exercise of Options in circumstances which include the termination of the employment of the participant.

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

*(c) Financial Effects of the Plan*

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

*Costs to the Company* : Under Thai Generally Accepted Accounting Principles (“GAAP”), the granting of options under the Plan will not result in the having to recognise any expenses in the income statement.

**(d) Status of the Plan**

Allocation of Options pursuant to the Plan was made by the Committee on 20 November 2008. In accordance with Rule 704(27) of the SGX-ST Listing Manual, Mermaid had on 20 November 2008 disclosed to the SGX-ST the following details of the grant of Options as follows:

(a)	Date of grant	20 November 2008
(b)	Exercise price of options granted	SGD 0.30 per share
(c)	Number of options granted	698,000
(d)	Market price on the date of the grant	SGD 0.26 per share
(e)	Number of options granted to Mermaid’s directors and controlling shareholders (and their associates)	160,000
(f)	Validity period of the options	5 years from date of grant

The Remuneration Committee who administered the Plan comprised of: Mr. Ng Chee Keong, M.L. Chandchutha Chandratat, and Mr. Leslie George Merszei. The Chairman of the Remuneration Committee was Mr. Ng Chee Keong.

As at 20 November 2008, Directors of Mermaid who are participants of the ESOP were as follows:

Name of participant	Options granted	Aggregate options granted since commencement of ESOP	Aggregate options exercised since commencement of ESOP	Aggregate options outstanding
Mr. David Stewart Simpson	160,000	160,000	-nil-	160,000

As at 20 November 2008, no participant received more than 5% or more of the total number of options available under the ESOP and no options were granted at a discount. Furthermore, as at 20 November 2008, no controlling shareholders or their associates were granted options under the ESOP and no options were granted to Mermaid’s parent company or other subsidiaries of the parent company outside Mermaid, nor any of its or their directors and employees.

## **18. Composition of Audit Committee and details of the committee’s activities.**

The Audit Committee members are: Mr. Pichet Sithi-Amnuai, Mr. Leslie George Merszei and Mr. Lim How Teck. The Chairman of the Audit Committee is Mr. Pichet Sithi-Amnuai.

The Audit Committee held four meetings during the financial year. The executive management of the Company including the Chief Financial Officer, Senior Finance and Accounting Manager, and Legal Counsel also participated in those meetings when invited. The Company’s external auditors from PricewaterhouseCoopers ABAS Limited were also present at the meetings to review the Company’s financial statements and reports with the Audit Committee and management during the financial year. The Company’s internal auditor attended the meetings to review the internal audit activities and results with the Audit Committee during the financial year. The meeting agenda and minutes were prepared.

The Audit Committee is satisfied with the independence and objectives of the external auditors and recommended the Board the nomination of the external auditors for re-appointment.

The Audit Committee carried out its functions stated in the Audit Committee Charter as follows :

- Reviewed the audit plans of the Internal Audit function of the Company to ensure the adequacy of internal control systems in the Company;
- Reviewed the interim consolidated and company financial statements, annual audited consolidated and company financial statements and the related auditors' reports before their submission to the Board of Directors;
- Reviewed the effectiveness of the Company's internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditors; and
- Separately met with the external auditors and internal auditor, without the presence of the management of the Company, to discuss any matters and concerns.

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

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

The Internal Audit function was formed on 7 January 2008. The Head of the Internal Audit is independent of management and has a direct and primary reporting line to the Chairman of the Audit Committee. The Head of Internal Audit assists the Audit Committee in the discharge of its duties and responsibilities by being responsible for all regulatory compliances, internal audits, corporate governance matters, and risk management systems of the Company. The Company Secretary, who is also the Legal Counsel, assists in overseeing compliances with all law and regulations concerning public companies.

The Company has set in place a Code of Business Conduct pursuant to which its employees and officers must conduct themselves accordingly, seek to avoid even the appearance of improper behaviour, and may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The objective for such arrangement is to set out the basic principles to guide all employee and officers of the Company.

The Audit Committee has been working with the Internal Audit function to continuously improve the Company's internal control systems.

#### **20. Specific Case of non-Compliance with the Code of Corporate Governance due to Legal Requirement**

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

However, Mermaid is in compliance with this recommendation insofar as it relates to its subsidiaries and affiliates incorporated in Malaysia and Singapore.

# Audited Consolidated and Company Financial Statements



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## AUDITOR'S REPORT

To the Shareholders of Mermaid Maritime Public Company Limited

I have audited the accompanying consolidated and company balance sheets as at 30 September 2008, and the related consolidated and company statements of income, changes in shareholders' equity, and cash flows for the year then ended of Mermaid Maritime Public Company Limited and its subsidiaries, and of Mermaid Maritime Public Company Limited, respectively. The company's management is responsible for the correctness and completeness of information in these financial statements. My responsibility is to express an opinion on these financial statements based on my audit. The consolidated and company financial statements for the year ended 30 September 2007 (before restatement) of Mermaid Maritime Public Company Limited and its subsidiaries, and of Mermaid Maritime Public Company Limited, respectively, presented herewith for comparative purposes, were audited by another auditor in the same firm as myself whose report dated 11 December 2007, expressed an unqualified opinion on those statements.

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

In my opinion, the consolidated and company financial statements referred to above present fairly, in all material respects, the consolidated and company financial position as at 30 September 2008, and the consolidated and the company results of operations and cash flows for the year then ended of Mermaid Maritime Public Company Limited and its subsidiaries, and of Mermaid Maritime Public Company Limited, respectively, in accordance with generally accepted accounting principles.

A handwritten signature in black ink, appearing to read 'Kajornkiet Aroonpirodkul', is written over a light blue circular background.

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

Bangkok  
19 November 2008

# Balance Sheets

Mermaid Maritime Public Company Limited  
As at 30 September 2008 and 2007

	Notes	Consolidated		Company	
		2008 Baht'000	2007 Baht'000	2008 Baht'000	2007 Restated Baht'000
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	5	1,726,430	511,700	1,141,842	21,139
Trade accounts receivable - others, net	6	1,461,783	966,140	-	-
- related parties	26.2	152	260	-	56
Amounts due from related parties	26.2	14,252	89	275,692	107,470
Short-term loans to related parties	26.3	1,147,989	-	2,080,811	108,000
Supplies and spare parts		147,515	113,581	-	-
Other current assets	8	358,112	226,892	16,955	89,952
<b>Total current assets</b>		<b>4,856,233</b>	<b>1,818,662</b>	<b>3,515,300</b>	<b>326,617</b>
<b>Non-current assets</b>					
Investments in subsidiaries - cost method	7	-	-	3,543,392	1,228,824
Investments in associates - equity method	7	405,296	-	-	-
Property, plant and equipment, net	9	7,492,276	4,011,342	208,054	237,363
Goodwill		180,898	-	-	-
Intangible assets, net	10	16,942	10,317	4,097	9,131
Deferred tax assets	11	213,605	59,606	-	-
Other non-current assets		14,352	45,803	569	569
<b>Total non-current assets</b>		<b>8,323,369</b>	<b>4,127,068</b>	<b>3,756,112</b>	<b>1,475,887</b>
<b>Total assets</b>		<b>13,179,602</b>	<b>5,945,730</b>	<b>7,271,412</b>	<b>1,802,504</b>

The notes to the consolidated and Company financial statements on page 66 to 99 form an integral part of these consolidated financial statements

# Balance Sheets (Cont'd)

Mermaid Maritime Public Company Limited  
As at 30 September 2008 and 2007

	Notes	Consolidated		Company	
		2008 Baht'000	2007 Baht'000	2008 Baht'000	2007 Restated Baht'000
<b>Liabilities and shareholders' equity</b>					
<b>Current liabilities</b>					
Bank overdrafts	12	-	20,274	-	-
Short-term loans from financial institutions	13	-	201,578	-	-
Trade accounts payable - others		327,150	353,796	-	-
- related parties	26.2	-	46,778	-	16
Other accounts payable		952,140	20,898	2,312	8,682
Amounts due to related parties	26.2	51	1,269	17	-
Current portion of long-term loans					
from financial institutions	14	416,570	406,245	24,800	24,800
Current portion of finance lease liabilities	15	4,587	6,010	1,845	2,584
Income taxes payable		20,210	14,154	-	-
Accrued expenses		74,813	104,446	606	41,826
Other current liabilities		176,926	93,330	10,865	9,109
<b>Total current liabilities</b>		<b>1,972,447</b>	<b>1,268,778</b>	<b>40,445</b>	<b>87,017</b>
<b>Non-current liabilities</b>					
Long-term loans from financial institutions	14	1,521,857	1,773,410	60,800	85,600
Finance lease liabilities	15	5,983	5,149	659	2,200
Retirement benefit obligations	16	5,373	3,359	2,065	1,545
<b>Total non-current liabilities</b>		<b>1,533,213</b>	<b>1,781,918</b>	<b>63,524</b>	<b>89,345</b>
<b>Total liabilities</b>		<b>3,505,660</b>	<b>3,050,696</b>	<b>103,969</b>	<b>176,362</b>
<b>Shareholders' equity</b>					
Share capital	17				
Registered share capital		674,537	674,537	674,537	674,537
Issued and fully paid up		541,205	383,205	541,205	383,205
Premium on share capital	17	6,470,791	1,226,352	6,470,791	1,226,352
Translation adjustments for investments in foreign subsidiaries		(24,536)	496	-	-
Retained earnings					
Appropriated - legal reserve	18	39,717	5,720	39,717	5,720
Unappropriated		2,261,511	1,139,217	115,730	10,865
Total parent's shareholders' equity		9,288,688	2,754,990	7,167,443	1,626,142
Minority interests		385,254	140,044	-	-
<b>Total shareholders' equity</b>		<b>9,673,942</b>	<b>2,895,034</b>	<b>7,167,443</b>	<b>1,626,142</b>
<b>Total liabilities and shareholders' equity</b>		<b>13,179,602</b>	<b>5,945,730</b>	<b>7,271,412</b>	<b>1,802,504</b>

The notes to the consolidated and Company financial statements on page 66 to 99 form an integral part of these consolidated financial statements

# Statements of Income

Mermaid Maritime Public Company Limited

For the years that ended on 30 September 2008 and 2007

	Notes	Consolidated		Company	
		2008	2007	2008	2007
		Baht'000	Baht'000	Baht'000	Restated Baht'000
Service income	4	5,285,443	4,130,309	-	-
Sales	4	-	964	-	-
<b>Total service income and sales</b>		<b>5,285,443</b>	<b>4,131,273</b>	<b>-</b>	<b>-</b>
Cost of services	19	(3,686,546)	(2,813,739)	-	-
Cost of sales		-	(931)	-	-
<b>Total cost of services and sales</b>		<b>(3,686,546)</b>	<b>(2,814,670)</b>	<b>-</b>	<b>-</b>
<b>Gross profit from services and sales</b>		<b>1,598,897</b>	<b>1,316,603</b>	<b>-</b>	<b>-</b>
Service and administrative expenses	19	(731,561)	(729,968)	(90,031)	(103,591)
Management fee income	26	-	-	70,320	93,776
Dividend income		-	-	-	30,331
Interest income		37,975	11,053	44,216	8,664
Gains on exchange rates		159,750	114,493	106,678	127
Net gains (losses) on disposal and write off of property, plant and equipment		(5,855)	(10,198)	1,298	699
Gains on disposal of investments	7	-	2,995	-	4,307
Other income		102,751	22,389	12,743	13,455
<b>Operating profit</b>	19	<b>1,161,957</b>	<b>727,367</b>	<b>145,224</b>	<b>47,768</b>
Profit share of investments in associates - equity method	7	32,132	-	-	-
<b>Profit before interest expenses and income taxes</b>		<b>1,194,089</b>	<b>727,367</b>	<b>145,224</b>	<b>47,768</b>
Interest expenses		(123,994)	(175,263)	(6,362)	(9,427)
<b>Profit before income taxes</b>		<b>1,070,095</b>	<b>552,104</b>	<b>138,862</b>	<b>38,341</b>
Income taxes	20	91,962	(18,817)	-	(2,419)
<b>Net profit for the year</b>		<b>1,162,057</b>	<b>533,287</b>	<b>138,862</b>	<b>35,922</b>
<b>Attributable to:</b>					
Shareholders of the parent		1,156,291	541,082	138,862	35,922
Minority interests		5,766	(7,795)	-	-
		<b>1,162,057</b>	<b>533,287</b>	<b>138,862</b>	<b>35,922</b>
<b>Earnings per share for profit attributable to the shareholders of the parent</b>					
Basic (Baht)	21	2.17	1.41	0.26	0.09

The notes to the consolidated and Company financial statements on page 66 to 99 form an integral part of these consolidated financial statements



# Statements of Changes in Shareholders' Equity (Cont'd)

Mermaid Maritime Public Company Limited  
For the years that ended on 30 September 2008 and 2007

	Consolidated 2007					Unit: Baht'000	
	Issued and paid-up share capital	Premium on share capital	Translation adjustments for investments in foreign subsidiaries	Legal reserves	Unappropriated retained earnings		Minority interests
<b>Beginning balance as at 1 October 2006</b>	383,205	1,226,352	(4,138)	5,720	598,135	176,094	2,385,368
Net profit for the year	-	-	-	-	541,082	(7,795)	533,287
Dividends paid by a subsidiary	-	-	-	-	-	(29,141)	(29,141)
Translation adjustments for investments in foreign subsidiaries	-	-	4,634	-	-	886	5,520
<b>Ending balance as at 30 September 2007</b>	<u>383,205</u>	<u>1,226,352</u>	<u>496</u>	<u>5,720</u>	<u>1,139,217</u>	<u>140,044</u>	<u>2,895,034</u>

	Company 2007 (Restated)					Unit: Baht'000	
	Issued and paid-up share capital	Premium on share capital	Translation adjustments for investments in foreign subsidiaries	Legal reserves	Unappropriated retained earnings		Total
<b>Beginning balance as at 1 October 2006</b>	383,205	1,226,352	(4,138)	5,720	598,135	2,209,274	
Retrospective adjustments due to change in accounting policy	-	-	4,138	-	-	(623,192)	(619,054)
Beginning balance after retrospective adjustment	383,205	1,226,352	-	5,720	(25,057)	1,590,220	
Net profit for the year	-	-	-	-	35,922	35,922	35,922
<b>Ending balance as at 30 September 2007</b>	<u>383,205</u>	<u>1,226,352</u>	<u>-</u>	<u>5,720</u>	<u>10,865</u>	<u>1,626,142</u>	

The notes to the consolidated and Company financial statements on page 66 to 99 form an integral part of these consolidated financial statements

# Statements of Cash Flows

Mermaid Maritime Public Company Limited

For the years that ended on 30 September 2008 and 2007

	Notes	Consolidated		Company	
		2008	2007	2008	2007
		Baht'000	Baht'000	Baht'000	Restated Baht'000
<b>Cash flows from operating activities</b>					
Profit before income taxes		1,070,095	552,104	138,862	38,341
Adjustments for:					
Depreciation	9	561,255	498,872	20,499	21,707
Amortisation of intangible assets	10	8,580	8,589	6,680	8,198
Interest expenses		123,994	175,263	6,362	9,427
Net (gains) losses on disposal and write off of property, plant and equipment		5,988	10,198	(1,298)	(699)
Gains on disposals of investments in subsidiaries	7	-	(2,995)	-	(4,307)
Realised gains on exchange rates		(10,363)	(16,303)	-	-
Unrealised gains on exchange rates		(86,709)	(165,290)	(106,496)	-
Provision (reversal) of bad and doubtful accounts receivable		9,468	1,706	-	(1,044)
Retirement benefit obligations		2,014	(2,010)	520	(2,830)
Dividends received from a subsidiary		-	-	-	(30,331)
Profit share of investments in associates	7	(32,132)	-	-	-
Changes in operating assets and liabilities (excluding the effects of acquisitions and disposals as described in Note 7)					
- Trade accounts receivable - others		(452,870)	(45,614)	-	1,317
- Trade accounts receivable - related parties		109	15,244	56	194
- Amounts due from related parties		(14,163)	(12)	(168,221)	(39,006)
- Inventories		-	864	-	-
- Supplies and spare parts		(33,934)	(29,348)	-	-
- Other current assets		(111,690)	(90,220)	76,043	(71,751)
- Other non-current assets		32,376	(36,120)	-	20
- Trade accounts payable - others		(46,354)	138,401	(6,369)	-
- Trade accounts payable - related parties		(46,778)	10,896	(16)	(609)
- Other accounts payable		3,215	(7,778)	-	7,086
- Amounts due to related parties		(1,218)	468	17	-
- Accrued expenses		(43,517)	83,854	(41,172)	38,783
- Other current liabilities		44,410	28,310	1,754	6,028
Cash generated from operations		981,776	1,129,079	(72,779)	(19,476)
- Interest paid		(123,502)	(175,263)	(6,412)	(9,416)
- Income taxes paid		(63,773)	(59,948)	(3,045)	(2,420)
<b>Net cash inflows (outflows) from operating activities</b>		<b>794,501</b>	<b>893,868</b>	<b>(82,236)</b>	<b>(31,312)</b>

The notes to the consolidated and Company financial statements on page 66 to 99 form an integral part of these consolidated financial statements

# Statements of Cash Flows (Cont'd)

Mermaid Maritime Public Company Limited

For the years that ended on 30 September 2008 and 2007

	Notes	Consolidated		Company	
		2008	2007	2008	2007
		Baht'000	Baht'000	Baht'000	Restated Baht'000
<b>Cash flows from investing activities</b>					
Proceeds of short-term loans to related parties		-	-	659,208	666,000
Payments of short-term loans to related parties		(1,147,989)	-	(2,597,593)	(654,000)
Proceeds from disposal of investment in subsidiaries		-	31,763	-	42,394
Payments for investments in subsidiaries	7	(202,784)	-	(2,408,572)	-
Payments for investments in associates	7	(373,164)	-	-	-
Proceeds from return of capital investment from a subsidiary being liquidated	7	-	-	94,004	-
Dividends received from a subsidiary		-	-	-	30,331
Proceeds from disposals of property, plant and equipment		17,494	254,211	13,683	4,096
Purchases of property, plant and equipment		(3,124,869)	(716,910)	(3,574)	(2,243)
Purchases of intangible assets		(12,941)	(1,666)	(1,646)	(251)
<b>Net cash inflows (outflows) from investing activities</b>		<b>(4,844,253)</b>	<b>(432,602)</b>	<b>(4,244,490)</b>	<b>86,327</b>
<b>Cash flows from financing activities</b>					
Net payments from bank overdrafts		(20,274)	(19,785)	-	-
Proceeds of short-term loans from financial institutions	13	41,514	202,704	-	-
Payments on short-term loans from financial institutions	13	(243,092)	(160,000)	-	(20,000)
Payments on finance lease liabilities		(6,590)	(8,466)	(2,280)	(4,224)
Proceeds from long-term loans from financial institutions	14	170,565	144,036	-	-
Payments on long-term loans from financial institutions	14	(395,882)	(264,227)	(24,800)	(24,800)
Dividends paid to minorities		-	(29,141)	-	-
Payments on capital investment to minorities		(90,547)	-	-	-
Proceeds from issuance of share capital	17	158,000	-	158,000	-
Proceeds from share premium	17	5,244,439	-	5,244,439	-
Proceeds from issuance of share capital received from minorities		325,188	-	-	-
<b>Net cash inflows (outflows) from financing activities</b>		<b>5,183,321</b>	<b>(134,879)</b>	<b>5,375,359</b>	<b>(49,024)</b>

The notes to the consolidated and Company financial statements on page 66 to 99 form an integral part of these consolidated financial statements

# Statements of Cash Flows (Cont'd)

Mermaid Maritime Public Company Limited  
For the years that ended on 30 September 2008 and 2007

	Consolidated		Company	
	2008	2007	2008	2007
	Baht'000	Baht'000	Baht'000	Restated Baht'000
Net increase in cash and cash equivalents	1,133,569	326,387	1,048,633	5,991
Cash and cash equivalents at the beginning of year	511,700	185,313	21,139	15,148
Effects of exchange rate changes	81,161	-	72,070	-
<b>Cash and cash equivalents at the end of year</b>	<b>1,726,430</b>	<b>511,700</b>	<b>1,141,842</b>	<b>21,139</b>

## Non-cash transactions

During the years that ended on 30 September 2008 and 2007, the following significant non-cash transactions occurred:

Unpaid liabilities under finance lease agreements for purchase of fixed assets	10,570	11,159	2,504	4,784
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The notes to the consolidated and Company financial statements on page 66 to 99 form an integral part of these consolidated financial statements

# Notes to the Audited Consolidated and Company Financial Statements

Mermaid Maritime Public Company Limited  
For the years that ended on 30 September 2008 and 2007

## 1 General information

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

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

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

As at 30 September 2008, the Group employed 376 persons. (30 September 2007 : 288 persons).

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

The Board of Directors approved the issue of the audited consolidated and Company financial statements on 19 November 2008.

## 2 Summary of significant accounting policies

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

### 2.1 Basis of preparation

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

The consolidated and Company financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the amounts of revenues and expenses in the reported periods. Although these estimates are based on management’s best knowledge of current events and actions, actual results may differ from those estimates.

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

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

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

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

#### **2.1.1 Amendments to Thai Accounting Standards**

The following standards were revised and are mandatory for accounting periods beginning on or after 1 January 2007.

TAS 44 :	Consolidated and separate financial statements
TAS 45 :	Investments in associates
TAS 46 :	Interest in joint ventures

The amendments relating to TAS 44 “Consolidated and separate financial statements”, TAS 45 “Investments in associates”, and TAS 46 “Interests in joint ventures” are effective for the period beginning on or after 1 January 2007. Such amendments to accounting standards No. 44, 45, and 46 require a change from the equity method to the cost method for investments in subsidiaries, associates, and joint ventures presented in the Company separate financial statements. Under the cost method, income from investments will be recorded when dividends are declared. This change has an impact to the Company financial statements only and will not have an impact to the consolidated financial statements as described in Note 3.

The following standards were revised and are mandatory for accounting periods beginning on or after 1 January 2008. These have not been early adopted by the Group.

TAS 25 :	Cash flow statements
TAS 29 :	Leases
TAS 31 :	Inventories
TAS 33 :	Borrowing costs
TAS 35 :	Presentation of financial statements
TAS 39 :	Accounting policies, changes in accounting estimates and errors
TAS 41 :	Interim financial reporting
TAS 49 :	Construction contracts

The management assessed and determined that there is no significant impact to the consolidated and Company financial statements being presented related to the revised standards.

#### **2.1.2 Early adoption of new accounting standards**

New accounting policies applied during the year are set out below:

TAS 43 :	Business combinations
TAS 51 :	Intangible assets

#### **Investments in associates**

An investment in an associate is an investment in a company in which the Group exercises significant influence but not control. The equity method of accounting for associated enterprises is adopted in the consolidated financial statements. In applying the equity method, account is taken of the Group’s share of accumulated retained earnings and movements in reserves from the effective date on which the enterprise became an associate and up to the effective date of disposal.

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

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

#### **2.1.2 Early adoption of new accounting standards (Cont'd)**

Goodwill arising on the acquisition of associates is included in the carrying amount of the investment in associate and is treated in accordance with the Group's accounting policy for goodwill. The share of associated retained earnings and reserves is generally determined from the associate's latest annual financial statements or interim financial statements when appropriate. Dividends received from associates are deducted from the carrying value of the investment. Where the Group's share of losses of an associate exceeds the carrying amount of the associate, the associate is carried at zero value. Additional losses are only recognised to the extent that the Group has incurred obligations or made payments on behalf of the associates.

A list of the Group's principal associates and the effects of acquisitions and disposals of associates are shown in Note 7.

#### **Intangible assets**

##### **Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of associates is included in 'investments in associates' and is tested for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

Goodwill is allocated to forecast future cash-generating units and is no longer amortised but is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired.

### **2.2 Critical accounting estimates, assumptions, and judgments**

Estimates, assumptions, and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### **2.2.1 Property, plant, and equipment and intangible assets**

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

#### **2.2.2 Deferred income taxes**

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

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

### **2.3 Accounting policies**

#### **2.3.1 Investments in subsidiaries**

Subsidiaries, which are those entities (including special purpose entities) in which the Group has power to govern the financial and operating policies, are consolidated. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition and costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill. Intercompany transactions, balances, and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated, unless costs cannot be recovered. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

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

A list of the Group's principal subsidiaries is set out in Note 7.

#### **2.3.2 Foreign currencies translation**

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

Transactions denominated in foreign currencies are translated into the entity's reporting currency at the rates of exchange ruling on the transaction dates. Realised gains and losses on foreign exchange transactions are recognised in the statements of income as incurred. Monetary assets and liabilities at the balance sheet date denominated in foreign currencies are translated into Baht at the rate prevailing on that date. Unrealised gains and losses on foreign exchange are recognised in the statements of income as incurred.

Statements of income of foreign entities are translated into the Group's reporting currency at the weighted average exchange rates for the year, and balance sheets are translated at the exchange rates on the balance sheet date. Exchange differences arising from the retranslation of the net investment in foreign entities are taken to shareholders' equity. On disposal of a foreign entity, accumulated exchange differences are recognised in the statements of income as part of the gain or loss on sale.

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

### 2.3 Accounting policies (Cont'd)

#### 2.3.3 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits at call with banks, and other short-term highly liquid investments with maturities of three months or less from the date of acquisition.

#### 2.3.4 Trade accounts receivable

Trade accounts receivable are carried at original invoice amount and subsequently measured as the remaining amount less an allowance for doubtful receivables based on a review of all outstanding amounts at year-end. The amount of the allowance is the difference between the carrying amount of the receivable and the amount expected to be collected. Bad debts are written off in the statements of income within service and administrative expenses.

#### 2.3.5 Supplies and spare parts

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

#### 2.3.6 Property, plant, and equipment

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

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

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

Buildings and building improvement	10 and 20 years
Second-hand supply and support vessels	5 to 16 years
Second-hand tender rigs	1 to 20 years
Motor launches	10 years
Tools and equipment	3 to 10 years
Office equipment	5 years
Motor vehicles	5 years

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

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

### **2.3 Accounting policies (Cont'd)**

#### **2.3.6 Property, plant, and equipment**

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

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

Interest costs on borrowings to finance the construction of property, plant, and equipment are capitalised as part of cost of the asset, during the period of time required to complete and prepare the property for its intended use. All other borrowing costs are expensed. The borrowing costs include interest on bank short-term and long-term borrowings. Others borrowing costs are recorded in the statements of income.

#### **2.3.7 Intangible assets**

##### *Computer software*

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

#### **2.3.8 Leases - where the Group is the lessee**

Leases of assets, which substantially transfer all the risks, and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated to the principal and to the finance charges so as to achieve a constant rate on the finance balance outstanding. The outstanding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the statements of income over the lease period so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period. The asset acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease period.

Leases not transferring a significant portion of the risks and rewards of ownership to the lessee are classified as operating leases (net of any incentive received from the lessor). Lease expenses, which are primarily rental and interest expenses, are charged to the statements of income on a straight-line basis over the lease period.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

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

### 2.3 Accounting policies (Cont'd)

#### 2.3.9 Provisions

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

#### 2.3.10 Revenue recognition

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

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

##### (a) Sales of goods

The Group sells ships chandlery, and safety equipment and supply. Sales of goods are recognised when significant risks and rewards of ownership of the goods are transferred to the buyers, typically when goods are delivered to customers.

##### (b) Rendering of services

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

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

##### (c) Interest income

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

##### (d) Dividend income

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

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

### **2.3 Accounting policies (Cont'd)**

#### **2.3.11 Dividend distribution**

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

#### **2.3.12 Financial instruments**

The Group is party to financial instruments that reduce its exposure to fluctuations in foreign exchange risk. These instruments, which are foreign currency forward contracts, are not recognised in the financial statements on inception.

Foreign currency forward contracts protect the Group from movements in exchange rates by establishing the rate at which a foreign currency asset and liability will be settled. Gains or losses from the foreign currency forward contracts will be recorded on the settlement date.

#### **2.3.13 Current and deferred income taxes**

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

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

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

### 2.3 Accounting policies (Cont'd)

#### 2.3.14 Employee benefits

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

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

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

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

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

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

##### (c) *Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

#### 2.3.15 Segment reporting

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

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

**2 Summary of significant accounting policies (Cont'd)****2.3 Accounting policies (Cont'd)****2.3.16 Related parties**

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

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

**3 Change/ adoption of new accounting policies****Change in accounting policy**

The notification of Federation of Accounting Professions dated 2 May 2007 relating to the amendment of TAS 44 “Consolidated and separate financial statements” requires a change from the equity method to the cost method for investments in subsidiaries presented in the Company’s separate financial statements. Under the cost method, income from investments will be recorded when dividends are declared. This change has an impact to the Company’s separate financial statements and does not have any impact on the consolidated financial statements. The Company has complied with this change beginning on 1 October 2007.

	<b>Company 2007 Baht'000</b>
	<hr/>
<b>Balance Sheets</b>	
Decrease in investments in subsidiaries	(1,128,848)
Decrease in translation adjustments for investments in foreign subsidiaries	(496)
Decrease in beginning balance of retained earnings as at 1 October 2006	(623,192)
Decrease in ending balance of retained earnings	(505,160)
<b>Statement of income</b>	
Decrease in profit share of investments in subsidiaries and associates	(536,803)
Increase dividend income	30,331
Increase in gains on disposal of investments	1,312
	<hr/>
	(505,160)
	<hr/>
Decrease in earning per share (Baht)	(1.32)

**Early adoption of new accounting standards**

During 2008, the Group’s management chose to adopt earlier than required TAS 43 (as amended in 2007) “Business Combination” and TAS 51 (as amended in 2007) “Intangible Assets”. Under the standards, an intangible asset of indefinite life will not be amortised and instead, an impairment review will be conducted if there is any indication of impairment. If the carrying value of the intangible asset is less than its recoverable amount, an impairment loss will be charged to the statements of income.





## 5 Cash and cash equivalents

Cash and cash equivalents comprise:

	Consolidated		Company	
	2008 Baht'000	2007 Baht'000	2008 Baht'000	2007 Baht'000
Cash on hand	2,827	1,285	34	193
Cash at banks	1,723,603	510,415	1,141,808	20,946
Total cash and cash equivalents	1,726,430	511,700	1,141,842	21,139

## 6 Trade accounts receivable - others, net

Trade accounts receivable - others, net comprise:

	Consolidated		Company	
	2008 Baht'000	2007 Baht'000	2008 Baht'000	2007 Baht'000
Trade accounts receivable - others	1,439,054	921,178	-	-
Accrued income	26,908	58,609	-	-
	1,465,962	979,787		
<u>Less</u> Allowance for doubtful accounts	(4,179)	(13,647)	-	-
Trade accounts receivable - others, net	1,461,783	966,140	-	-

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

	Consolidated		Company	
	2008 Baht'000	2007 Baht'000	2008 Baht'000	2007 Baht'000
Trade accounts receivable under credit term	1,079,138	643,334	-	-
Aging of trade accounts receivable past due				
Less than 3 months	341,468	222,204	-	-
Overdue 3 to 6 months	7,737	4,926	-	-
Overdue 6 to 12 months	3,268	53,985	-	-
Overdue 12 months	34,351	55,338	-	-
	1,465,962	979,787	-	-
<u>Less</u> Allowance for doubtful accounts	(4,179)	(13,647)	-	-
Trade accounts receivable - other, net	1,461,783	966,140	-	-

## 7 Investments in subsidiaries and associates

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

	<b>Subsidiaries 2008 Baht'000</b>	<b>Subsidiaries 2007 Restated Baht'000</b>
Opening balance	2,357,672	1,885,966
Retrospective adjustments (Note 3)	(1,128,848)	(619,055)
Opening balance after retrospective adjustments	1,228,824	1,266,911
Additional investments in subsidiaries	2,408,572	-
Proceeds from disposal of investments in subsidiaries	-	(42,394)
Gains from disposal of investments in subsidiaries	-	4,307
Return of capital investment from a subsidiary being liquidated	(94,004)	-
Ending balance	<u>3,543,392</u>	<u>1,228,824</u>
	<b>Associates 2008 Baht'000</b>	<b>Associates 2007 Baht'000</b>
Opening balance	-	-
Additional investments in associates	373,164	-
Profit share of investments in associates	32,132	-
Ending balance	<u>405,296</u>	<u>-</u>

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

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

Name of subsidiaries	Country of incorporation	Percentage of holding	
		As at 30 September 2008	As at 30 September 2007
Darium Thai Offshore Ltd.	Thailand	51.0	51.0
Mermaid Offshore Services Ltd. which has one associate and two subsidiaries as follows:	Thailand	100.0	100.0
Worldclass Inspiration Sdn. Bhd.	Malaysia	25.0	-
Seascope Surveys (Thailand) Ltd.	Thailand	80.0	-
Seascope Surveys Pte. Ltd. which has two subsidiaries as follows:	Singapore	80.0	-
PT Seascope Surveys Indonesia	Indonesia	97.0	-
Seascope Inspection Services Pte. Ltd.	Singapore	100.0	-
Mermaid Drilling Ltd. which has three subsidiaries as follows:	Thailand	95.0	95.0
MTR-1 Ltd.	Thailand	100.0	100.0
MTR-2 Ltd.	Thailand	100.0	100.0
Mermaid Drilling (Malaysia) Sdn. Bhd.	Malaysia	100.0	100.0
Mermaid Training and Technical Services Ltd.	Thailand	100.0	100.0
Mermaid Drilling (Singapore) Pte. Ltd. which has four subsidiaries and one associate as follows:	Singapore	100.0	100.0
MTR-1 (Singapore) Ltd.	Singapore	100.0	100.0
MTR-2 (Singapore) Ltd.	Singapore	100.0	100.0
Mermaid Kencana Rig 1 Pte. Ltd.	Singapore	75.0	-
Mermaid Kencana Rig 2 Pte. Ltd.	Singapore	100.0	-
Kencana Mermaid Drilling Sdn. Bhd.	Malaysia	40.0	-

**Additional investments in subsidiaries**

On 22 October 2007, Mermaid Drilling (Singapore) Pte. Ltd. entered into a contract with Kencana Petroleum Ventures Sdn. Bhd., incorporated in Malaysia, to establish a new company named Mermaid Kencana Rig 1 Pte. Ltd. in Singapore with share capital of USD 100, with 25% held by Kencana Petroleum Ventures Sdn. Bhd. and 75% held by Mermaid Drilling (Singapore) Pte. Ltd. The company was incorporated in Singapore on 19 October 2007.

On 1 December 2007, Mermaid Offshore Services Ltd. increased its share capital from Baht 550 million to Baht 2,003 million by issuing 145.3 million new ordinary shares at par value of Baht 10 per share. The Company invested Baht 1,453 million to subscribe for the issued shares, which is equivalent to Baht 10 per share.

On 6 December 2007, the Company subscribed for shares of Mermaid Drilling (Singapore) Pte. Ltd., totalling Baht 513.7 million (or USD 15.3 million) for Mermaid Drilling (Singapore) Pte. Ltd., to invest further in Mermaid Kencana Rig 1 Pte. Ltd. as mentioned above. On the same date, Mermaid Kencana Rig 1 Pte. Ltd., increased its paid-up capital by USD 20.4 million. USD 15.3 million and USD 5.1 million were received from Mermaid Drilling (Singapore) Pte. Ltd. and Kencana Petroleum Ventures Sdn. Bhd., respectively, reflecting their proportion of shareholding.

On 4 March 2008, Mermaid Offshore Services Ltd. acquired 80 ordinary shares in Seascope Surveys Pte. Ltd., with par value of SGD 1.00 per share, at a subscription price of SGD 124,928 per share, totalling SGD 9.99 million, or equivalent to Baht 224.1 million. The total subscribed shares represent 80% of the total share capital of Seascope Surveys Pte. Ltd.

Details of the acquisition and goodwill arisen are as follows:-

	<b>Baht'000</b>
Total cash paid for purchase consideration	224,073
Fair value of net assets acquired	(43,175)
Goodwill	<u>180,898</u>

**7 Investments in subsidiaries and associates (Cont'd)****Additional investments in subsidiaries (Cont'd)**

On 26 March 2008, Mermaid Offshore Services Ltd. subscribed to 2,119,995 ordinary shares in Seascope Surveys (Thailand) Ltd. with a par value of Baht 10 per share, at a subscription price of Baht 10 per share. As at 30 September 2008, Seascope Surveys (Thailand) Ltd. has also received share subscription in advance from Mermaid Offshore Services Ltd. of Baht 6 million to further invest in Seascope Surveys (Thailand) Ltd.

On 30 July 2008, Mermaid Drilling (Singapore) Pte. Ltd. incorporated a new company named Mermaid Kencana Rig 2 Pte. Ltd. in Singapore with a share capital of USD 100. Pursuant to a Letter of Agreement between Mermaid Drilling (Singapore) Pte. Ltd. and Kencana Petroleum Ventures Sdn. Bhd., incorporated in Malaysia, this new company will eventually be 25% owned by Kencana Petroleum Ventures Sdn. Bhd. and 75% owned by Mermaid Drilling (Singapore) Pte. Ltd.

On 31 July 2008, the Company subscribed for additional shares in Mermaid Drilling (Singapore) Pte. Ltd., totalling Baht 326 million (or USD 8.7 million) for Mermaid Drilling (Singapore) Pte. Ltd. to invest further in Mermaid Kencana Rig 1 Pte. Ltd. as mentioned above. On the same date, Mermaid Kencana Rig 1 Pte. Ltd., increased its paid-up capital by USD 11.6 million. USD 8.7 million and USD 2.9 million were received from Mermaid Drilling (Singapore) Pte. Ltd. and Kencana Petroleum Ventures Sdn. Bhd., respectively, reflecting their proportion of shareholding. As at 30 September 2008, Mermaid Drilling (Singapore) Pte. Ltd. received the share subscription in advance from the Company of Baht 115.8 million (or USD 3.4 million) to invest further in Mermaid Kencana Rig 1 Pte. Ltd. Mermaid Kencana Rig 1 Pte. Ltd. also received the share subscription in advance from Mermaid Drilling (Singapore) Pte. Ltd. and in Kencana Petroleum Ventures Sdn. Bhd., at USD 3.4 million and USD 1.1 million, respectively, according to the proportion of shareholding.

**Return of capital investment from a subsidiary**

Darium Thai Offshore Ltd., a subsidiary, registered its dissolution with the Ministry of Commerce on 24 August 2007. In October 2007, the Company partially received a return of its capital investment from this subsidiary amounting to Baht 94 million. As at 30 September 2008, the subsidiary is in the process of liquidation.

**Additional investments in associates**

On 26 September 2007, Mermaid Drilling (Singapore) Pte. Ltd., a subsidiary, beneficially subscribed to 1 ordinary share in Kencana Mermaid Drilling Sdn. Bhd. with a par value of RM 1.00 per share, at a subscription price of RM 1.00 per share. On 24 October 2007, Mermaid Drilling (Singapore) Pte. Ltd. acquired another 39,999 ordinary shares in Kencana Mermaid Drilling Sdn. Bhd. with a par value of RM 1.00 per share, at a subscription price of RM 1.00 per share, totalling RM 39,999 equivalent to Baht 377,906. The total subscribed shares represent 40% of the total share capital of Kencana Mermaid Drilling Sdn. Bhd.

On 6 December 2007, Mermaid Offshore Services Ltd., a subsidiary, acquired 8,162,963 ordinary shares in Worldclass Inspiration Sdn. Bhd. with a par value of RM 1 per share, at a subscription price of RM 4.1 per share, totalling RM 33.5 million, or equivalent to Baht 337.4 million. The subscribed shares represent 25% of the total paid-up share capital of Worldclass Inspiration Sdn. Bhd. On 11 February 2008, Mermaid Offshore Services Ltd. acquired another 844,444 new ordinary shares with a par value of RM 1.00 per share, at the subscription price of RM 4.1 per share, totalling RM 3.5 million, which is equivalent to Baht 35.4 million.

Details of the acquisition are as follows:

	<b>Baht'000</b>
Total cash paid for purchase consideration	337,372
Fair value of net tangible assets	(104,092)
Fair value of intangible assets	(68,715)
Goodwill	<u>164,565</u>

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

### Additional investments in associates (Cont'd)

The intangible asset amount of Baht 68.7 million represents value adjustments relating to the vessels, Allied Commander and Allied Centurion, based on a review of current market prices for similar vessels. These amounts will be amortised over 11 and 12 years, respectively. The amount of Baht 164.5 million is non-specific goodwill, which is not amortised, but tested for impairment annually, or more often if circumstances suggest an impairment is likely.

Details of associates are as follows:

Name	Country of incorporation	Assets Baht'000	Liabilities Baht'000	Revenues Baht'000	Profit/loss Baht'000	% Interest held	Profit sharing Baht'000
Worldclass Inspiration Sdn. Bhd.	Malaysia	1,814,703	1,197,496	14,755	(11,171)	25	(2,793)
Allied Marine & Equipment Sdn. Bhd.	Malaysia	2,039,854	1,413,798	741,739	176,499	22.5 (indirect)	39,712
Kencana Mermaid Drilling Sdn. Bhd.	Malaysia	1,021	2,045	-	(1,830)	40	(409)
							36,510
Less Amortisation of intangible assets							(4,378)
							<u>32,132</u>

## 8 Other current assets

Other current assets comprise:

	Consolidated		Company	
	2008 Baht'000	2007 Baht'000	2008 Baht'000	2007 Baht'000
Value added taxes refundable	42,806	39,778	10,821	12,814
Prepaid expenses	40,947	32,714	1,013	514
Advances to employees	6,251	3,727	796	947
Advances for business expenses	153,093	11,390	119	1
Other receivables	95,124	24,582	-	-
Deferred mobilisation costs	-	4,006	-	-
Transaction costs relating to Initial Public Offering	-	75,592	-	75,592
Other current assets	19,891	35,103	4,206	84
	<u>358,112</u>	<u>226,892</u>	<u>16,955</u>	<u>89,952</u>

**9 Property, plant and equipment, net**

9.1) Property, plant, and equipment, net in the balance sheet comprise:

	Consolidated										Unit : Baht'000	
	Land	Buildings	Building improvement	Tools and equipment	Office equipment	Motor vehicles	Offshore support vessels, and tender rigs	Dry-docking	Motor launches	Construction in process		Total
<b>At 30 September 2007</b>												
Cost	42,227	197,221	15,303	475,762	39,508	23,306	3,413,462	137,586	1,232	675,223	5,020,830	
Less Accumulated depreciation	-	(26,990)	(5,633)	(97,041)	(21,097)	(9,979)	(806,590)	(41,157)	(1,001)	-	(1,009,488)	
Net book amount	42,227	170,231	9,670	378,721	18,411	13,327	2,606,872	96,429	231	675,223	4,011,342	
<b>For the year that ended on 30 September 2008</b>												
Opening net book amount	42,227	170,231	9,670	378,721	18,411	13,327	2,606,872	96,429	231	675,223	4,011,342	
Additions	-	3,352	3	504,748	5,883	5,967	4,916	303,114	-	3,227,218	4,055,201	
Additions of investments in subsidiaries	-	-	-	1,828	5,957	2,553	-	-	-	-	10,338	
Transferred in (out)	-	-	-	343,770	-	-	636,403	-	-	(980,173)	-	
Disposals	(6,872)	(5,213)	(274)	(4,800)	(46)	(621)	(5,516)	-	-	-	(23,342)	
Write off	-	-	-	-	(8)	-	-	-	-	-	(8)	
Depreciation charge	-	(12,245)	(2,976)	(94,449)	(8,050)	(4,997)	(380,880)	(57,475)	(183)	-	(561,255)	
Closing net book amount	35,355	156,125	6,423	1,129,818	22,147	16,229	2,861,795	342,068	48	2,922,268	7,492,276	
<b>At 30 September 2008</b>												
Cost	35,355	192,787	14,946	1,320,707	52,104	27,959	4,047,389	440,700	298	2,922,268	9,054,513	
Less Accumulated depreciation	-	(36,662)	(8,523)	(190,889)	(29,957)	(11,730)	(1,185,594)	(98,632)	(250)	-	(1,562,237)	
Net book amount	35,355	156,125	6,423	1,129,818	22,147	16,229	2,861,795	342,068	48	2,922,268	7,492,276	

During 2008, the Group reviewed the estimated useful lives of the equipment. As a result of the review, management has revised the estimated useful lives of tender rigs from 5 to 13 years to 1 to 20 years. The revision is accounted for prospectively which results in a decrease in depreciation charge amounting to Baht 58.4 million in 2008.

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

9.1) Property, plant, and equipment, net in the balance sheet comprise: (Cont'd)

	Company							Total
	Land	Buildings	Building improvement	Tools and equipment	Office equipment	Motor vehicles	Construction in process	
<b>At 30 September 2007</b>								
Cost	42,227	197,221	14,686	278	28,479	11,187	37	294,115
Less: Accumulated depreciation	-	(26,990)	(5,633)	(97)	(17,954)	(6,078)	-	(56,752)
Net book amount	42,227	170,231	9,053	181	10,525	5,109	37	237,363
<b>For the year that ended on 30 September 2008</b>								
Opening net book amount	42,227	170,231	9,053	181	10,525	5,109	37	237,363
Additions	-	-	3	-	3,571	-	-	3,574
Disposals	(6,872)	(5,212)	(273)	-	(8)	(11)	-	(12,376)
Write off	-	-	-	-	(8)	-	-	(8)
Depreciation charge	-	(11,744)	(2,821)	(55)	(4,110)	(1,769)	-	(20,499)
Closing net book amount	35,355	153,275	5,962	126	9,970	3,329	37	208,054
<b>At 30 September 2008</b>								
Cost	35,355	189,431	14,329	278	31,944	8,745	37	280,119
Less: Accumulated depreciation	-	(36,156)	(8,367)	(152)	(21,974)	(5,416)	-	(72,065)
Net book amount	35,355	153,275	5,962	126	9,970	3,329	37	208,054

As at 30 September 2008, one land and building, one support vessel, one saturation diving system, and two tender rigs are mortgaged with various banks as collateral for their overdrafts and loans facilities as described in Note 12, 13, and 14. These assets are mortgaged at a total value of Baht 2,522 million and USD 15 million (30 September 2007 : Baht 2,574.8 million and USD 15 million).

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

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

	Consolidated		Company	
	2008 Baht'000	2007 Baht'000	2008 Baht'000	2007 Baht'000
Depreciation charged to				
- Cost of service	453,958	400,148	-	-
- Service and administrative expenses	107,297	98,724	20,499	21,707
	<u>561,255</u>	<u>498,872</u>	<u>20,499</u>	<u>21,707</u>

## 10 Intangible assets, net

	Consolidated		Company	
	2008 Baht'000	2007 Baht'000	2008 Baht'000	2007 Baht'000
<b>Beginning balance</b>				
Cost	24,603	22,937	22,960	22,709
<u>Less</u> Accumulated amortisation	<u>(14,286)</u>	<u>(5,697)</u>	<u>(13,829)</u>	<u>(5,631)</u>
Net book amount	<u>10,317</u>	<u>17,240</u>	<u>9,131</u>	<u>17,078</u>
<b>For the year that ended on 30 September</b>				
Opening net book amount	10,317	17,240	9,131	17,078
Additions	15,205	1,666	1,646	251
Amortisation charge	<u>(8,580)</u>	<u>(8,589)</u>	<u>(6,680)</u>	<u>(8,198)</u>
Closing net book amount	<u>16,942</u>	<u>10,317</u>	<u>4,097</u>	<u>9,131</u>
<b>Ending balance</b>				
Cost	39,808	24,603	24,606	22,960
<u>Less</u> Accumulated amortisation	<u>(22,866)</u>	<u>(14,286)</u>	<u>(20,509)</u>	<u>(13,829)</u>
Net book amount	<u>16,942</u>	<u>10,317</u>	<u>4,097</u>	<u>9,131</u>

## 11 Deferred income tax

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

	Consolidated		Company	
	2008 Baht'000	2007 Baht'000	2008 Baht'000	2007 Baht'000
Deferred income tax assets:				
Deferred income tax assets to be recovered after 12 months	213,605	59,062	-	-
Deferred income tax assets to be recovered within 12 months	-	544	-	-
<b>Total</b>	<b>213,605</b>	<b>59,606</b>	<b>-</b>	<b>-</b>

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

Beginning of the year	59,606	31,241	-	-
Statements of income charged	153,999	28,365	-	-
Ending of the year	213,605	59,606	-	-

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

	Retirement benefit obligations Baht'000	Tax loss carry-forwards Baht'000	Decelerated tax depreciation Baht'000	Total Baht'000
Deferred tax assets				
At 30 September 2006	120	-	31,121	31,241
Charged/(credited) to the consolidated statement of income	424	-	27,941	28,365
At 30 September 2007	544	-	59,062	59,606
Charged/(credited) to the consolidated statement of income	313	145,510	8,176	153,999
At 30 September 2008	857	145,510	67,238	213,605

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

The Group did not recognise deferred income tax assets of Baht 79.2 million (2007 : Baht 51.9 million) in respect of tax loss carry-forwards amounting to Baht 264.1 million (2007 : Baht 173.2 million) as management's view is that insufficient taxable income will be available for offset in the foreseeable future. These tax losses will expire in 5 years.

**12 Bank overdrafts**

The Group has bank overdraft facilities of Baht 75 million (30 September 2007 : Baht 75 million), which are guaranteed by the Company and a mortgage of the Company's land and buildings as mentioned in Note 9.1.

As at 30 September 2008, the Group has unused bank overdraft facilities of Baht 75 million (30 September 2007 : Baht 54.7 million).

**13 Short-term loans from financial institutions**

As at 30 September 2008, the Group has no remaining short-term loans from financial institutions (30 September 2007 : Baht 201.6 million)

The movement of short-term loans from financial institutions for the years that ended on 30 September 2008 and 2007 is as follows:

	Consolidated		Company	
	2008 Baht'000	2007 Baht'000	2008 Baht'000	2007 Baht'000
Beginning balance	201,578	160,000	-	20,000
Addition during year	41,514	202,704	-	-
Repayment during year	(243,092)	(160,000)	-	(20,000)
Realised gains on exchange rate	-	(1,126)	-	-
Ending balance	-	201,578	-	-

**14 Long-term loans from financial institutions**

Long-term loans from financial institutions comprise:

	Consolidated		Company	
	2008 Baht'000	2007 Baht'000	2008 Baht'000	2007 Baht'000
Long-term loans from financial institutions	1,938,427	2,179,655	85,600	110,400
<u>Less</u> Current portion of long-term loans	(416,570)	(406,245)	(24,800)	(24,800)
Long-term portion of loans	1,521,857	1,773,410	60,800	85,600

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

	Consolidated		Company	
	2008 Baht'000	2007 Baht'000	2008 Baht'000	2007 Baht'000
Beginning balance	2,179,655	2,480,314	110,400	135,200
Addition during year	170,565	144,036	-	-
Repayment during year	(395,882)	(264,227)	(24,800)	(24,800)
Realised gains on exchange rate	(10,363)	(15,177)	-	-
Unrealised gains on exchange rate	(5,548)	(165,291)	-	-
Ending balance	1,938,427	2,179,655	85,600	110,400

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

Maturity of long-term loans from financial institutions is as follows:

	Consolidated		Company	
	2008 Baht'000	2007 Baht'000	2008 Baht'000	2007 Baht'000
Less than 1 year	416,570	406,245	24,800	24,800
1 - 5 years	1,340,933	1,615,445	60,800	85,600
Over 5 years	180,924	157,965	-	-
	<u>1,938,427</u>	<u>2,179,655</u>	<u>85,600</u>	<u>110,400</u>

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

Currency	Consolidated		Company	
	2008 Baht'000	2007 Baht'000	2008 Baht'000	2007 Baht'000
USD	1,697,277	1,856,305	-	-
Baht	241,150	323,350	85,600	110,400
	<u>1,938,427</u>	<u>2,179,655</u>	<u>85,600</u>	<u>110,400</u>

Long-term loans from financial institutions comprise:

Loans for the purchase of support vessels and equipment are granted by local commercial banks and are denominated in Thai Baht and US Dollars, having a total outstanding balance of Baht 155.5 million and USD 21.9 million as at 30 September 2008 (30 September 2007 : Baht 213 million and USD 21.6 million) with repayment terms within 5 - 7 years. As at 30 September 2008, interest rates on the Thai Baht loans and US Dollar loans are as follows:

- The loan balance of Baht 20 million (30 September 2007 : Baht 30 million): fixed rates for the first 3 years and MLR thereafter;
- The loan balance of Baht 121 million (30 September 2007 : Baht 163 million): MLR minus a certain margin for the first 2 years and MLR thereafter;
- The loan balance of Baht 14.5 million (30 September 2007 : Baht 20 million): MLR minus a certain margin.
- The loan balance of USD 10 million (30 September 2007 : USD 12.5 million): USD-LIBOR plus a certain margin.
- The loan balance of USD 9.4 million (30 September 2007 : USD 9.1 million): USD-LIBOR plus a certain margin; and
- The loan balance of USD 2.5 million (30 September 2007 : Nil): USD-LIBOR plus a certain margin.

Certain loans are secured by mortgages of support vessels and their integral parts and equipment as mentioned in Note 9.1 and are guaranteed by the Company.

**14 Long-term loans from financial institutions (Cont'd)**

Loans for the purchase of tender rigs are granted by a local commercial bank and are denominated in US Dollars with a total outstanding balance of USD 27.7 million as at 30 September 2008 (30 September 2007 : USD 32.3 million) with repayment terms within 9 years, including a 1.5-year grace period. These loans bear interest at the rate of USD-LIBOR plus a certain margin, are secured by mortgages of the tender rigs as mentioned in Note 9.1, and guaranteed by the Company and two subsidiaries.

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

Loan for the purchase of land and construction of a building is granted by a local commercial bank and is denominated in Thai Baht with a total outstanding balance of Baht 85.6 million as at of 30 September 2008 (30 September 2007 : Baht 110.4 million) with repayment term of 6.5 years. The loan is secured by mortgages of the Company's land and building as mentioned in Note 9.1. This loan bears interest at the rate of MLR minus a certain margin until June 2007 and MLR thereafter.

**Credit facilities**

As at 30 September 2008, the available credit facilities for long-term loans from financial institutions were nil (30 September 2007 : Baht 89.4 million (or USD 2.6 million)).

**15 Finance lease liabilities**

Finance lease liabilities comprise:

	Consolidated		Company	
	2008 Baht'000	2007 Baht'000	2008 Baht'000	2007 Baht'000
Finance lease liabilities	12,416	12,160	2,631	5,215
<u>Less</u> Deferred interest expenses	(1,846)	(1,001)	(127)	(431)
Total finance lease liabilities	10,570	11,159	2,504	4,784
<u>Less</u> Current portion of finance lease liabilities	(4,587)	(6,010)	(1,845)	(2,584)
Long-term portion of finance lease liabilities	5,983	5,149	659	2,200

As at 30 September 2008, finance lease liabilities to purchase motor vehicles carry fixed interest rates (30 September 2007 : fixed interest rates). The leases have repayment terms within 3 - 5 years without guarantee (30 September 2007 : without guarantee).

## 16 Retirement benefit obligations

	Consolidated		Company	
	2008 Baht'000	2007 Baht'000	2008 Baht'000	2007 Baht'000
Balance sheet obligations for retirement benefits	5,373	3,359	2,065	1,545
Statements of income charge for retirement benefits	2,389	2,392	895	495
The amounts recognised in the balance sheet are determined as follows:				
Present value of obligations	6,012	3,687	2,079	1,537
Unrecognised actuarial (gains) losses	(639)	(328)	(14)	8
Liability in the balance sheet	5,373	3,359	2,065	1,545

The movement in the defined benefit obligation during the year is as follows:

	Consolidated		Company	
	2008 Baht'000	2007 Baht'000	2008 Baht'000	2007 Baht'000
Beginning of the year	3,687	6,803	1,537	1,537
Current service cost	2,884	2,080	1,244	435
Interest cost	243	230	100	84
Actuarial (gains) losses	-	(1,024)	-	2,535
Benefits paid	(802)	(4,402)	(802)	(3,054)
Ending of the year	6,012	3,687	2,079	1,537

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

	Consolidated		Company	
	2008 Baht'000	2007 Baht'000	2008 Baht'000	2007 Baht'000
Current service cost	2,113	2,080	780	435
Interest cost	243	230	100	84
Amortisation of actuarial (gains) losses	33	82	15	(24)
Total, included in staff costs	2,389	2,392	895	495

These amounts were included in service and administrative expenses.

The principal actuarial assumptions used were as follows:

	Consolidated		Company	
	2008	2007	2008	2007
Discount rate	6.00%	6.00%	6.00%	6.00%
Future salary increase	6.00%	6.00%	6.00%	6.00%

**17 Share capital and premium on share capital**

Share capital, issued and paid - up, comprises:

	<b>Par value Baht</b>	<b>Number of registered shares Shares'000</b>	<b>Issued and paid-up shares Shares'000</b>	<b>Ordinary shares Baht'000</b>	<b>Share premium Baht'000</b>	<b>Total Baht'000</b>
As at 30 September 2006 Pre - split	10	38,321	38,321	383,205	1,226,352	1,609,557
As at 2 August 2007 Post - split	1	383,205	383,205	383,205	1,226,352	1,609,557
Additional shares registered	1	291,332	-	-	-	-
As at 30 September 2007	1	674,537	383,205	383,205	1,226,352	1,609,557
Issued shares	1	-	158,000	158,000	5,244,439	5,402,439
As at 30 September 2008	1	674,537	541,205	541,205	6,470,791	7,011,996

On 11 July 2007, the Extraordinary Shareholders' Meetings passed a resolution to approve the alteration of par value of the Company's share capital from Baht 10 each to Baht 1 each and an increase the Company's share capital from Baht 383.2 million to Baht 674.5 million by issuing 291.3 million new ordinary shares at par value of Baht 1 per share. The Company registered the alteration of par value and the increased share capital with the Ministry of Commerce on 2 August and 9 August 2007, respectively.

On 11 October 2007, the Company successfully placed and priced its Initial Public Offering ("IPO") amounting to 158 million new ordinary shares with an offering price of SGD 1.56 per share totalling SGD 246.5 million, on the Singapore Exchange Securities Trading Limited ("SGX-ST"). On 16 October 2007, the new ordinary shares of the Company were traded on the main board of the SGX-ST.

The Company registered the increased paid-up share capital with the Ministry of Commerce on 15 October 2007 for 140 million shares and on 26 October 2007 for 18 million shares at the par value of Baht 1 each.

As at 30 September 2008, the registered and paid-up share capital of the Company was 674.5 million ordinary shares with a par value of Baht 1 per share and paid-up share capital of the Company was 541.2 million ordinary shares, with a par value of Baht 1 per share (30 September 2007 : 674.5 million ordinary shares with a par value of Baht 1 per share and paid-up share capital of the Company was 383.2 million ordinary shares, with a par value of Baht 1 per share). There remains another 133.3 million unissued ordinary shares.

**18 Legal reserves**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2008 Baht'000</b>	<b>2007 Baht'000</b>	<b>2008 Baht'000</b>	<b>2007 Baht'000</b>
At 1 October	5,720	5,720	5,720	5,720
Allocation during the year	33,997	-	33,997	-
At 30 September	39,717	5,720	39,717	5,720

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

## 19 Operating profit

The following expenditures, classified by nature, have been charged in arriving at operating profit.

	Consolidated		Company	
	2008 Baht'000	2007 Baht'000	2008 Baht'000	2007 Baht'000
<b>Expenses included in cost of services</b>				
Crew, staff and subcontractor costs	1,615,943	1,249,776	-	-
Vessel expenses and repair and maintenance expenses	719,684	469,982	-	-
Charter hire and equipment rental	492,124	603,640	-	-
Depreciation	453,958	400,148	-	-
<b>Expense included in service and administrative expenses</b>				
Staff cost	373,863	151,909	38,858	47,014
Depreciation	107,297	98,724	20,499	21,707

The following item of an unusual nature has been charged to the operating profit during the year:

	Consolidated	
	2008 Baht'000	2007 Baht'000
Loss of fixed assets due to fire damage	-	129,803

## 20 Income tax expenses

	Consolidated	
	2008 Baht'000	2007 Baht'000
Current tax	62,037	47,182
Deferred tax (Note 11)	(153,999)	(28,365)
Total	(91,962)	18,817

**20 Income tax expenses (Cont'd)**

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

	<b>Consolidated</b>	
	<b>2008</b>	<b>2007</b>
	<b>Baht'000</b>	<b>Baht'000</b>
Profit before income taxes - accounting	1,070,095	552,104
Tax at the domestic rate of 30%	321,028	165,631
Adjustments:		
Income not subject to tax and additional taxable expenses	(340,413)	(212,730)
Expenses not deductible for tax purposes	8,788	2,321
Utilisation of previously unrecognised tax losses	(65,801)	(725)
Tax losses for which no deferred income tax assets were recognised	79,234	51,961
Tax charges from domestic operations	2,836	6,458
Tax charges from overseas operations	59,201	40,724
Total tax charges	62,037	47,182
Tax charges	62,037	47,182
The effect from change of deferred tax assets	(153,999)	(28,365)
	(91,962)	18,817
The average effective tax rate	(8.59%)	3.41%

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

**21 Basic earnings per share**

On 11 July 2007, the Extraordinary Shareholders' Meetings passed resolution to approve the alteration of par value of the Company's share capital from Baht 10 each to Baht 1 each as described in Note 17.

The Company, therefore, calculated basic earnings per share for the years that ended on 30 September 2008 and 2007 by using the weighted average number of post-split ordinary shares as shown below:

	<b>Consolidated</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
		<b>Restated</b>		<b>Restated</b>
Net profit for the year attributable to ordinary shareholders (Baht'000)	1,156,291	541,082	138,862	35,922
Weighted average number of ordinary shares (shares'000)	534,066	383,205	534,066	383,205
Basic earnings per share (Baht)	2.17	1.41	0.26	0.09

There are no potential dilutive ordinary shares in issue for the years that ended on 30 September 2008 and 2007.

## 22 Financial instruments

The principal financial risks faced by the Group are interest rate risk, exchange rate risk, and credit risk. The Group borrows at both fixed and floating interest rates to finance its investments and operations. Exchange rate risk arises from loans denominated in foreign currencies. Credit risk arises when services and sales are made on deferred credit terms. However, the Group does not make use of any derivative financial instruments to reduce the uncertainty over future cash flows arising from movements in interest rates and from credit risk, except for exchange rate risk, as management is of the opinion that the costs of hedging will outweigh the possible benefits.

As at 30 September 2008 and 2007, financial assets carried on the consolidated balance sheet include cash and cash equivalents, trade accounts receivable amounts due from related parties, and loans to related parties. Financial liabilities carried on the consolidated balance sheet include bank overdrafts, loans from financial institutions, trade accounts payable, amounts due to and loans from related parties, other current liabilities, and finance lease liabilities.

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

The fair value of long-term loans bearing interest at floating rates approximates the contract amount.

### Forward foreign exchange contract

As at 30 September 2008, there is no forward foreign exchange contract.

As at 30 September 2007, the settlement dates on open forward foreign exchange contracts were within 1 year. The local currency amounts to be paid and received, and contractual exchange rates of the outstanding contracts were:

	Consolidated		Company	
	30 September 2008 Baht'000	30 September 2007 Baht'000	30 September 2008 Baht'000	30 September 2007 Baht'000
Foreign currency forward purchase contracts				
30 September 2008 : nil				
(30 September 2007 : GBP 46,892 at the average rate of Baht 68.00)	-	3,189	-	-
30 September 2008 : nil				
(30 September 2007 : USD 1,631,990 at the average rate of Baht 34.27)	-	55,920	-	-
	-	59,109	-	-
Foreign currency forward sell contracts				
30 September 2008 : nil				
(30 September 2007 : USD 3,000,000 at the average rate of Baht 34.20)	-	102,600	-	-
	-	102,600	-	-

**22 Financial instruments (Cont'd)**

Net fair values

The net fair values of the derivative financial instruments at the balance sheet date were:

	<b>Consolidated</b>		<b>Company</b>	
	<b>30 September 2008 Baht'000</b>	<b>30 September 2007 Baht'000</b>	<b>30 September 2008 Baht'000</b>	<b>30 September 2007 Baht'000</b>
Foreign currency forward purchase contracts				
Favourable forward - GBP foreign exchange contracts	-	46	-	-
Unfavourable forward - USD foreign exchange contracts	-	(164)	-	-
Foreign currency forward sell contracts				
Unfavourable forward - USD foreign exchange contracts	-	(114)	-	-
Net unfavourable forward	-	(232)	-	-

The mark to market evaluation of forward foreign exchange contracts was calculated using rates quoted by the Group's bankers as if the contracts were terminated at the balance sheet date.

**23 Promotional privileges**

As at 30 September 2008, four offshore and drilling subsidiaries received promotional privileges from the Board of Investment ("BOI") under a number of different categories, including services of submerged structure inspection, service of underwater equipment, service of inspection of marine pollution, and drilling services. The main privileges include exemption from payment of import duty on machinery and exemption from corporate income tax for the promoted activities for a period of 8 years from the date when income is first derived, or when approval is given by the BOI.

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

**24 Guarantees**

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

	<b>Consolidated/Company</b>			
	<b>2008</b>		<b>2007</b>	
	<b>Baht'000</b>	<b>USD'000</b>	<b>Baht'000</b>	<b>USD'000</b>
Letters of guarantee issued by banks in the normal course of business	15,650	2,062	71,264	990
A guarantee for short-term loans of subsidiaries to a financial institution	305,000	2,000	321,320	2,000
A guarantee for long-term loans of subsidiaries to a financial institution	155,550	49,664	212,950	53,986
A guarantee for forward contract facility of a subsidiary to a financial institution	55,000	-	55,000	-

## 25 Commitments

## (a) Capital commitments

	Consolidated		Company	
	30 September 2008 Baht'000	30 September 2007 Baht'000	30 September 2008 Baht'000	30 September 2007 Baht'000
Vessel and rig building contracts				
USD	3,037,081	-	-	-
THB	-	45,320	-	-
NOK	9,739	-	-	-
Vessel equipment contracts				
USD	201,243	79,430	-	-
SGD	37,237	-	-	-
GBP	172,519	-	-	-

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

*Operating lease commitments*

The future aggregate minimum lease payments under non-cancellable operating leases of vessels are as follows:

	Consolidated		Company	
	2008 Baht'000	2007 Baht'000	2008 Baht'000	2007 Baht'000
No later than 1 year	113,870	443,842	-	-
Later than 1 year and no later than 5 years	292,801	355,471	-	-

*Vessel Charter Contract*

In May 2007, a subsidiary entered into a long-term charter agreement for the dynamically positioned (Class 2) dive support vessel for a period of ten years with an exclusive option to purchase the vessel, at a fixed price, commencing from the third to the tenth years after the vessel is delivered. The expected date of delivery is approximately 15 June 2009.

## (c) Service Agreements

As at 30 September 2008, the Group has two outstanding drilling service agreements. The remaining agreement periods are between six months and nineteen months.

**26 Related party transactions**

As at 30 September 2008, the Group is controlled by Thoresen Thai Agencies Public Company Limited; an immediate parent company, which owns 57.14% of the Company's shares (30 September 2007 : 78.09%).

Significant related party transactions are as follows:

**26.1 Transactions with related parties**

Significant related party transactions between the Company and its subsidiaries and group companies of Thoresen Thai Agencies Public Company Limited, the parent company, and other related parties other than those already disclosed in the consolidated and Company balance sheets are as follows:

	<b>For the year that ended on 30 September</b>			
	<b>Consolidated</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>Baht'000</b>	<b>Baht'000</b>	<b>Baht'000</b>	<b>Baht'000</b>
<b>Revenue</b>				
<u>Interest income</u>				
Subsidiaries	-	-	26,324	8,201
Other related parties	14,147	-	-	-
	<u>14,147</u>	<u>-</u>	<u>26,324</u>	<u>8,201</u>
<u>Management income</u>				
Subsidiaries	-	-	70,320	93,776
<u>Rental income</u>				
Subsidiaries	-	-	8,289	8,674
Other related parties	1,686	863	1,686	863
	<u>1,686</u>	<u>863</u>	<u>9,975</u>	<u>9,537</u>
<b>Expenses</b>				
<u>Vessel and equipment rental</u>				
Other related parties	24,111	271,402	-	-

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

- a) The interest income rates charged are not less than fixed deposit rate.
- b) Management fee income is charged based on actual cost plus margin.
- c) Rental income is transacted at contract prices.
- d) Expenses of rental vessel and equipment are transacted at prices normally charged to a third party.

## 26 Related party transactions (Cont'd)

## 26.2 Accounts receivable and payable - related parties

	Consolidated		Company	
	2008 Baht'000	2007 Baht'000	2008 Baht'000	2007 Baht'000
<u>Accounts receivable - trade</u>				
Other related parties	152	260	-	56
<u>Amounts due from related parties</u>				
Subsidiaries	-	-	275,665	107,415
Other related parties	14,252	89	27	55
	<u>14,252</u>	<u>89</u>	<u>275,692</u>	<u>107,470</u>
<u>Accounts payable - trade</u>				
Other related parties	-	46,778	-	16
	<u>-</u>	<u>46,778</u>	<u>-</u>	<u>16</u>
<u>Amounts due to related parties</u>				
Subsidiaries	-	-	3	-
Other related parties	51	1,269	14	-
	<u>51</u>	<u>1,269</u>	<u>17</u>	<u>-</u>

## 26.3 Short-term loans to related parties

	For the year ended 30 September			
	Consolidated		Company	
	2008 Baht'000	2007 Baht'000	2008 Baht'000	2007 Baht'000
Subsidiaries	-	-	2,080,811	108,000
Associate	1,147,989	-	-	-
	<u>1,147,989</u>	<u>-</u>	<u>2,080,811</u>	<u>108,000</u>

As at 30 September 2008, the Group provided a short-term loan in Singapore Dollars to an associate company, Worldclass Inspiration Sdn. Bhd., which has an outstanding balance of Baht 1,117.1 million (30 September 2007 : nil) and carries an interest rate at 8.5% per annum (30 September 2007 : nil) and a short-term loan in Malaysia Ringgit to an associate company, Worldclass Inspiration Sdn. Bhd. which has an outstanding balance of Baht 30.8 million (30 September 2007 : nil) and carries an interest rate at LIBOR plus 3.5% per annum (30 September 2007 : nil). The loans are unsecured and have repayment terms at call.

As at 30 September 2008, the Company provided a short-term loan in Singapore Dollar to a subsidiary company, Mermaid offshore Services Ltd., which has an outstanding balance of Baht 1,117.2 million (30 September 2007 : nil) and carries an interest rate at 7% per annum (30 September 2007 : nil) and a short-term loan in Thai Baht to a subsidiary company, Mermaid Offshore Services Ltd., which has an outstanding balance of Baht 65 million (30 September 2007 : Baht 108 million) and carries an interest rate at MLR plus 1% per annum (30 September 2007 : MLR plus 1%) and a short term loan in US Dollars to a subsidiary company, Mermaid Drilling Ltd., which has an outstanding balance of Baht 898.6 million (30 September 2007 : nil) and carries an interest rate at 2.75% per annum (30 September 2007 : nil). The loans are unsecured and have repayment terms at call.

**27 Subsequent event**

On 18 November 2008, the Remuneration Committee passed a resolution to approve the allocation of warrants under the approved Employee Stock Option Scheme (“ESOP”) for employees totalling 698,000 warrants. One warrant can be exercised for one share. The warrant’s exercise price shall be calculated based on the weighted average closing price of the Company’s shares traded on the SGX-ST for the 15 consecutive trading days prior to the issue date of the warrants. The warrantholders can exercise the warrants every six months after the third anniversary of the issue date but not later than five years from the issue date.





## The Company

<b>Name of Company</b>	Mermaid Maritime Public Company Limited
<b>Place of Incorporation</b>	Kingdom of Thailand
<b>Registration No.</b>	0107550000017
<b>In Business Since</b>	1983
<b>Date of Conversion to Public Company</b>	15 January 2007
<b>Date of Listing</b>	16 October 2007
<b>Place of Listing</b>	Singapore Stock Exchange
<b>Company Secretary</b>	Dr. Vincent Siaw e-mail : <a href="mailto:vincents@mermaid-maritime.com">vincents@mermaid-maritime.com</a>
<b>Corporate Head Office</b>	26/28-29 Orakarn Building, 9 <sup>th</sup> Floor Soi Chidlom, Ploenchit Road Kwaeng Lumpinee, Khet Pathumwan Bangkok 10330 Thailand
<b>Telephone</b>	+662 255 3115 (local dial 02 255 3115) +662 255 3116 (local dial 02 255 3116)
<b>Facsimile</b>	+662 255 1079 (local dial 02 255 1079)
<b>Type of Business</b>	Offshore Drilling Services Sub-Sea Engineering Services
<b>Registered Capital</b>	Baht 674,537,393
<b>Paid-up Capital</b>	Baht 541,205,340
<b>No. of Issued Shares</b>	541,205,340 ordinary shares
<b>Par Value/Share</b>	Baht 1
<b>Corporate Website:</b>	<a href="http://www.mermaid-maritime.com">http://www.mermaid-maritime.com</a>



(as at 24 December 2008)



## **Mermaid Maritime Public Company Limited**

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