

Annual Report **2009**



**Mermaid Maritime
Public Company Limited**



Contents

Financial Highlights	1
Message from our Chairman	2
Corporate Structure	6
Board of Directors	8
Executive Management	11
Mermaid Fleet	13
Summary of Companies in the Mermaid Group	17
Business Overview	19
Summary of Recent Key Developments	21
Industry Overview	24
Management Discussion & Analysis	33
Risk Factors	39
General Disclosures	46
Corporate Governance Report	55
Consolidated and Company Financial Statements	67

Financial Highlights

(Consolidated numbers)

	Year Ended 30 September		
	2009	2008	2007
(Baht in millions, except share, per share data, and ratios)			
Income Statement Data :			
Service income and sales	5,209.87	5,285.44	4,131.27
Cost of service and sales	3,770.86	3,686.55	2,814.67
Gross profit	1,439.01	1,598.89	1,316.60
Service and administrative expenses	485.61	737.41	740.16
Interest expenses	83.91	123.99	175.26
Interest income	16.62	37.98	11.05
Other income	49.82	102.75	25.39
Income taxes	115.71	(91.96)	18.82
Equity incomes (losses) from associates	(17.33)	32.13	-
Gains (losses) on exchange rate	(55.51)	159.75	114.49
Net income	747.38	1,162.06	533.29
Profits (losses) attributable to minority interests	(32.89)	(5.77)	7.79
Net income attributable to shareholders of the parent	714.49	1,156.29	541.08
Per Share Data :			
Net income attributable to shareholders of the parent			
- basic and diluted	1.32	2.17	1.41
Net book value	19.69	17.87	7.55
Balance Sheet Data (at end of year) :			
Cash and cash equivalents	1,450.53	1,726.43	511.70
Property, plant and equipment, net of depreciation	10,300.96	7,492.28	4,011.34
Total assets	14,555.51	13,179.60	5,945.73
Total liabilities	3,898.84	3,505.66	3,050.70
Issued share capital	541.21	541.21	383.21
Total shareholders' equity	10,656.67	9,673.94	2,895.03
Other Financial Data :			
Net cash inflows from operating activities	1,858.99	794.50	893.87
Net cash (outflows) from investing activities	(2,918.51)	(4,844.25)	(432.60)
Net cash inflows (outflows) from financing activities	843.60	5,183.32	(134.88)
Capital expenditures included in investing activities:			
Vessels and equipment purchases, gross	(3,583.65)	(3,124.87)	(716.91)
Financial Ratios :			
Return on shareholders' equity (%)	7.35	18.49	20.20
Return on total assets (%)	5.39	12.15	9.32
Net profit margin (%)	14.35	21.99	12.91
Total debt to total capitalisation	0.19	0.17	0.45
Net debt to total net capitalisation	0.09	0.02	0.40

Message from our Chairman

2009 – Operating In Volatile Conditions



2009 was a very challenging time for the global economy, the offshore services industry, and Mermaid Maritime Public Company Limited (“Mermaid” or the “Company”). The credit and liquidity crisis that began in 2008 turned into a worldwide financial meltdown that drove most of the global economy into recession. Demand for energy dropped, and oil prices declined. Volatility was the one constant during the year. In 2008, the offshore services industry was supported by record-high oil prices of US\$ 145.29 per barrel. However, oil prices decreased to US\$ 36.51 per barrel by 16 January 2009, which was the lowest level in four years. By November 2009, oil prices regained ground and were quoted at an average of US\$ 76.86 per barrel.

Mermaid had a lower than expected year overall primarily due to deferred subsea activities. In 2009, Mermaid reported Baht 747.4 million of net profits in 2009, down 35.7% from Baht 1,162.1 million in the prior year, and earnings per share of Baht 1.32. Net operating cash flows were Baht 1,859.0 million. Our return on capital employed (defined as profit before interest and taxes divided by average net debt and shareholders’ equity) and return on equity (defined as net profit divided by average shareholders’ equity) were 8.8% and 7.4%, respectively. During a “normal” business cycle, our existing businesses should earn at least Baht one (1) billion of annual net profits; clearly, this was not a great year financially.

The credit for this performance in the toughest times goes to our people. The efforts of more than 700 skilled workers, crews, technicians, analysts, service providers, and management ensured profitability in 2009 and prepared the Company for a period of sustainable growth.

While the decline and volatility of oil prices in 2009 was clearly a negative, we believe that as oil prices stabilise in 2010, some offshore projects may in fact accelerate. Projects that had been deferred based on the economic crisis and uncertainty surrounding oil prices are now being reactivated. With a general upturn in the global economy, these projects should be awarded in line with customer needs. Long-term growth remains robust, as energy demand continues to grow and should at least double in the next twenty-five (25) years.

ACQUISITIONS

Distressed investment opportunities in the offshore services industry have not been readily available during the economic recession. In 2009, Mermaid capitalised on three (3) investment opportunities that might not have presented themselves at these prices in better times.

In a series of acquisitions from December 2008 to October 2009, Mermaid acquired 100% of Nemo Subsea IS from a group of financial investors for a total investment of US\$ 13.4 million. Nemo Subsea IS is the special-purpose vehicle that owns the M.V. “Mermaid Asiana”. By acquiring Nemo Subsea, Mermaid gains full ownership and management control of the vessel that is chartered to us.

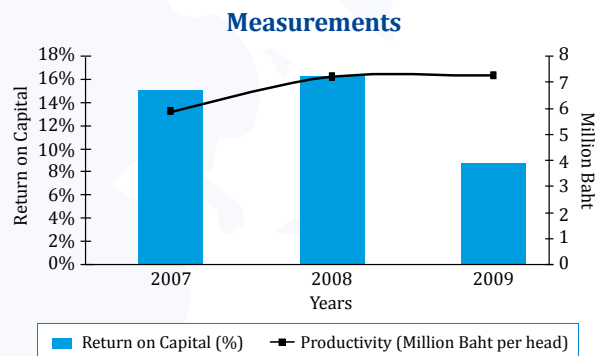
In February 2009, Mermaid acquired two (2) newly manufactured “Triton XLX” heavy construction class deep water remotely operated vehicles (“ROV”) from a financially troubled seller for a total investment of US\$ 5.4 million. Mermaid gains access into a growing deep and ultra deep water ROV market.

In June 2009, Mermaid acquired the rights to the M.V. Mermaid Endurer, a highly sophisticated dive support vessel being built in Norway, from a financially troubled seller for a total investment of US\$ 91.0 million. According to market valuation reports for the vessel, the acquisition represents a good transaction for the Company.

We realised that 2009 would be difficult. Mermaid ended 2009 with Baht 1,450.5 million of cash and cash equivalents on our balance sheet and a debt to equity ratio of 0.24. Mermaid also completed a US\$ 111.9 million rights offering to existing shareholders in November 2009. The primary purpose of the rights offering is to improve Mermaid’s financial flexibility to pursue strategic growth opportunities as and when they arise.

FINANCIAL PERFORMANCE

Mermaid compares performance on various metrics, including margins, return on capital, and productivity as measured by revenue per employee. The chart on this page shows how we have performed over the past few years.



For its two primary businesses, subsea engineering and drilling, it was a “tale of two cities”.

DRILLING

On the positive side, the drilling business generated Baht 2,213.0 million of revenues (+77.2% from 2008) and Baht 651.8 million of net profits (+ 1,141.5% from 2008). The return on capital for drilling was 17.7%. Both MTR-1 and MTR-2 achieved high utilisation rates with focused cost controls. The average gross day rates for MTR-1 and MTR-2 were US\$ 95,758 per day and US\$ 88,814 per day, respectively. MTR-1’s utilisation was 90.1%, while MTR-2’s utilisation was 99.7%.

MTR-1 completed its contract with Hess (Indonesia-Pangkah) Limited in September 2009 and is presently undergoing some essential repair and maintenance activities while we work to secure its next contract. When considering market requirements, Mermaid has budgeted up to six months of inactivity for MTR-1 in 2010. MTR-2 continues to fulfil its obligations with Chevron Indonesia Company under a fixed-term contract that expires in April 2010. We expect discussions on a contract extension to be concluded in the next few months. The newbuild drilling rig KM-1 is nearing completion, and delivery is expected in early 2010. Part of KM-1’s earnings will compensate for the MTR-1 downtime.

Market conditions have somewhat stabilised over the last few months, and current enquiries for new contracts indicate a March/April 2010 contract commencement. New award contract durations for tender rigs are still expected to be one (1) to five (5) years.

SUBSEA ENGINEERING

On the negative side, the subsea engineering business generated only Baht 2,782.0 million of revenues (- 29.2% from 2008) and Baht 185.8 million of net profits (- 80.6% from 2008), driven by a significant decrease in asset utilisation to 52.6%. The return on capital for subsea engineering was 4.3%. Significant delays in subsea project awards were experienced as oil price volatility caused companies to re-evaluate their cost budgets. Average day rates for the subsea engineering business fell 40.7% to US\$ 32,211 per day.

The subsea engineering business has experienced an increase in the number of inquiries and tenders for its services. Market conditions appear favourable to secure high utilisation across the subsea fleet, particularly on the higher specification vessels. At the start of our 2010 financial year, all dive support vessels and remotely operated vehicle vessels were utilised.

NEWBUILD DELIVERIES

In the subsea engineering business, Mermaid took delivery of one newbuild vessel in late 2009 with a further two newbuild vessels expected to be delivered in 2010. We ordered the M.V. "Mermaid Asiana" and M.V. "Mermaid Sapphire" in 2007 in line with Mermaid's initial public offering. We also acquired the M.V. "Mermaid Endurer" in June 2009 from Aquanos Offshore AS. In the drilling business, one newbuild drilling rig, the "KM-1", will be delivered in 2010.

The "KM-1" is nearing completion in Malaysia and will commence a five-year contract with Petronas Carigali Sdn. Bhd. upon delivery. This drilling rig has a number of enhancements including off-line activities while drilling, rig up time of 72 hours and a capacity to accommodate 145 persons on board. The rig can utilize a triple or quadruple mast, as well as setting up the mud package either on the barge or the drilling package, depending on customer requirements. The barge is the largest of its type and consequently has a high bulk and storage facility available during drilling operations.

M.V. Mermaid Endurer



The M.V. "Mermaid Endurer" is a purpose-built DP2 dive support and light construction vessel, specially designed for operation under severe weather conditions with high manoeuvrability and station keeping capabilities. The 18-man single bell saturation diving system equipped with a self-propelled hyperbaric lifeboat will provide a diving vessel equipped with the very latest technology and safety enhancements. The vessel has a 100-tonne heave-compensated crane and accommodation for 86 personnel. This vessel is designed for operations in the North Sea and Gulf of Mexico, areas where Mermaid would like to expand.

KM-1 Tender Drilling Rig



M.V. Mermaid Asiana



The M.V. “Mermaid Asiana” is a purpose-built DP2 dive support and light construction vessel, and is nearing completion in Singapore. The vessel is equipped with a 12-man single bell saturation diving system complete with a self-propelled hyperbaric lifeboat. “Mermaid Asiana” has a 100-tonne heave-compensated crane and accommodation for 100 personnel. This vessel is designed for operations in the Asia-Pacific region, and is a logical successor to our current flagship vessel in this region, M.V. “Mermaid Commander”.

M.V. Mermaid Sapphire



Mermaid recently took delivery of this DP2 ROV support vessel in Singapore. The M.V. “Mermaid Sapphire” is equipped with a deepwater work-class ROV, a 23-tonne crane, and accommodation for 60 personnel. Delivery of M.V. “Mermaid Sapphire” has enabled Mermaid to return one of its chartered-in vessels, M.V. “Binh Minh”, to the owner.

After these new build deliveries, Mermaid will own and operate a highly technical and modern fleet of subsea support vessels and upgraded its drilling fleet. These additions shall enable us to serve clients across many services and locations. Performance is likely to be higher in 2010, as the higher technical capabilities of our assets should produce higher day

rates. Mermaid’s overall strengths are excellent safety and operational performance, a deliberate focus on niche subsea and drilling opportunities, and a growing international presence.

Mermaid’s goal is to be among the best and most profitable companies, but not necessarily the largest. We know that size matters in businesses where economies of scale in areas such as systems, operations, and risk diversification can be critical to success. The only reason to get bigger and gain economies of scale is when doing so enables you to do a better job for your clients.

Mermaid follows the tried and true financial commandment - Do not borrow short to invest long. Mermaid has been consistent in letting our shareholders know that a recession will impact our financial results. Our current view is that 2010 remains weak and that it will take some time for a consistent recovery to take hold. Nevertheless, Mermaid remains confident about its medium-term business prospects.

In closing, while Mermaid is disappointed with our 2009 financial results, we have not lost sight of our important achievements. Even in tough years like 2009, we did not stop doing all the things that make our businesses better. Mermaid sought new business opportunities and invested in a few of them. We believe that an emphasis on serving clients and growing our businesses will drive our results for years to come.

Mermaid believes that we have a deep responsibility to you, our shareholders, our creditors, our clients, and our employees. We work incredibly hard to uphold all our obligations every day.

Thank you very much to our shareholders, clients, suppliers, bankers, and especially our colleagues for your continuing support to Mermaid. We will focus on how to better position Mermaid to improve future shareholder value in a disciplined manner.

Yours sincerely,

M.L. Chandchutha Chandratat
30 November 2009

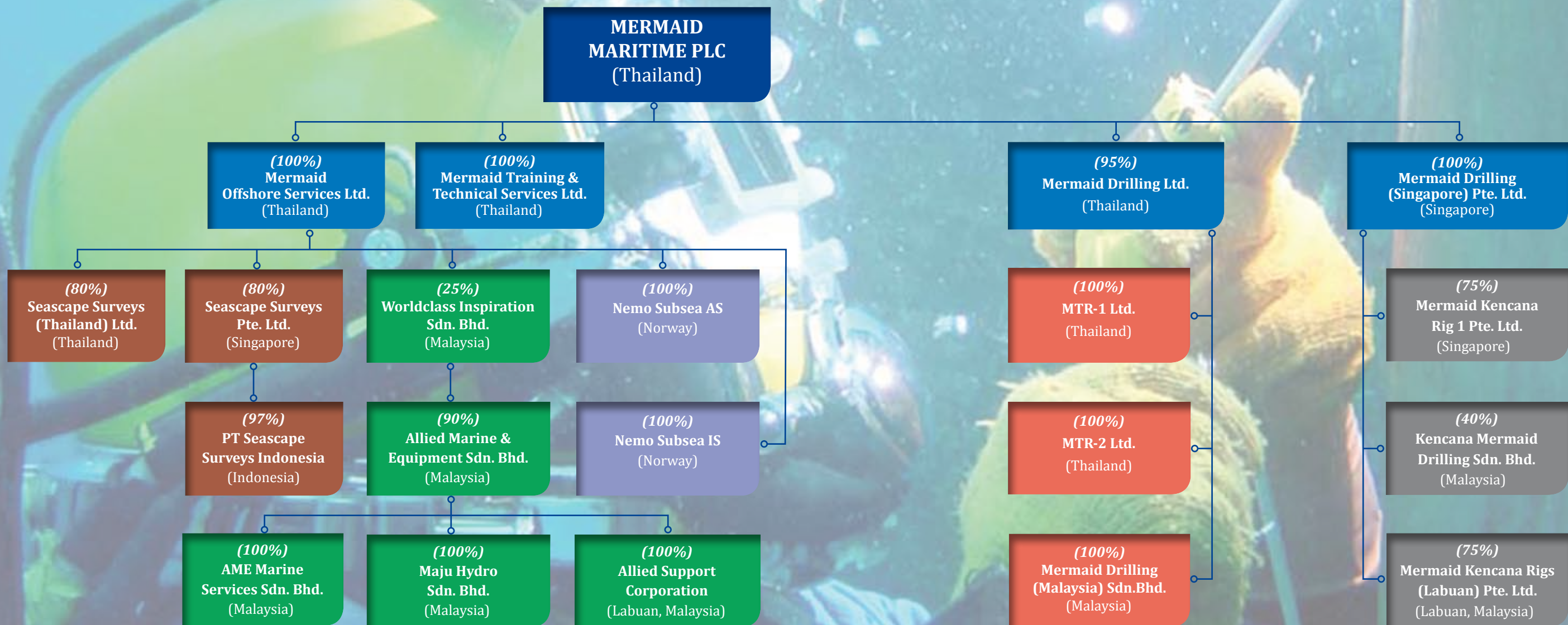
Corporate Structure



Mermaid Offshore Services Group
Holding & Operating Companies



Mermaid Drilling Group
Holding & Operating Companies



(As at 30 November 2009)

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 (5) 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

Executive Chairman (Age 43)

M.L. Chandchutha Chandratat has been a director since 2005 and was appointed Executive Chairman in February 2009. He is also the President and Chief Executive Officer of Thoresen Thai Agencies Public Company Limited, our controlling shareholder.



2 : David Stewart Simpson

Managing Director (Age 49)

David Stewart Simpson has been our Managing Director since June 2006. From 2002 to May 2006, he was the Managing Director of Africa Oilfield Services Ltd., 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 safety, technical and managerial courses throughout his career.



3 : Lim How Teck

Independent Director (Age 59)

Lim How Teck is our Independent Director. He was appointed to our Board of Directors in June 2007. He is the Chairman of Certis CISCO Security Pte. Ltd. and Deputy Chairman of Tuas Power Ltd. He is also 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.



4 : Ng Chee Keong

Independent Director (Age 60)

Ng Chee Keong is our Independent Director. He was appointed to our Board of Directors in June 2007. He is currently a member of the Management Board of the Centre for Maritime Studies at the National University of Singapore and a member of the Board of PSA International Pte. Ltd. Mr. Ng joined PSA in 1971 and held various positions, including Group President & Chief Executive Officer, President and Chief Executive Officer, Singapore Region and Global Head of Technical and Operations Development. 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.



5 : Pichet Sithi-Amnuai

Independent Director (Age 44)

Pichet Sithi-Amnuai is our Independent Director. He was appointed to our Board of Directors in June 2007. He is currently the President of Bualuang Securities Public Company Limited prior to which he was its Independent Director and member of its Audit, Compensation and Remuneration Committees. From 1994 to 2000, he was First Vice President, Corporate Finance Department at Jardine Fleming Thanakorn 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.



6 : Leslie George Merszei
Independent Director (Age 62)

Leslie George Merszei is our Independent Director. He was appointed to our Board of Directors in June 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.



7 : Surasak Khaoroptham
Non-Executive Director (Age 44)

Surasak Khaoroptham has been a Director since 2006. He is the Managing Director of Atlas Advisory Co., Ltd., where he provides financial advisory services to various companies. Prior to this, he was the Vice President of Credit Suisse First Boston (Singapore) Pte. Ltd. from 1997 to 2003 and Assistant Vice President of Phatra Thanakit Public Company Limited from

1995 to 1997. He received a Bachelor of Science 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.



8 : Joey Horn
Non-Executive Director (Age 43)

Joey Horn was appointed as our Non-Executive Director in January, 2009. She is also an Independent Director of Thoresen Thai Agencies Public Company Limited, our controlling shareholder. She was previously an Independent Director and Audit Committee member of Norse Energy Corp. ASA (2005-2008), an oil and gas exploration and production company

listed on the Oslo Stock Exchange, and Petrojarl ASA (2006), an FPSO company listed on the Oslo Stock Exchange until acquired by Teekay Shipping Corporation. Her previous experience includes Partner, Equity Research, HQ Norden Securities, Oslo, Norway and Vice President, Mergers and Acquisitions, Credit Suisse First Boston, New York, U.S.A. She is also a trustee of her alma mater, Williams College. Ms. Horn graduated with an M.B.A. from Yale University in 1991 and a B.A. from Williams College in 1987. She is a US citizen and currently resides in Singapore.

Executive Management

Our executive officers are responsible for day-to-day management and operations. The following table sets forth certain information regarding our executive officers.

Certain information on the business and work experience of our executive officers is set out below:



1 : M.L. Chandchutha Chandratat

Executive Chairman (Age 43)

Please see “Board of Directors” for a profile summary of our Executive Chairman.



2 : David Stewart Simpson

Managing Director (Age 49)

Please see “Board of Directors” for a profile summary of our Managing Director.



3 : Sataporn Amornvorapak

Chief Financial Officer (Age 37)

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, our controlling shareholder. 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 in Accounting) from Rajamagala Institute of Technology, Bangkok in 1994 and a Masters of Business Administration (Finance) from Kasetsart University, Bangkok in 2009. He is a Certified Public Accountant (C.P.A.) in Thailand.



4 : Stephen Gregor Lenz

Executive Director, Mermaid Drilling (Age 55)

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 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.



5 : Mark Andrew Shepherd

Executive Director, Mermaid Offshore (Age 47)

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.



6 : Jeffery Allen Breal

General Manager, Mermaid Drilling (Age 53)

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 of Mermaid Drilling.



7 : Simon Matthew Turner

General Manager, Mermaid Offshore (Age 44)

has been the General Manager of Mermaid Offshore Services since June 2003. He was its 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 U.K. and is authorised to use the style or title of "Engineering Technician".

Mermaid Fleet

Mermaid Offshore's Subsea Vessels

Mermaid Commander (Built 1987)



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

Team Siam (Built 2002) (Chartered)



The M.V. "Team Siam" is a DP2 construction support vessel, under long-term charter to Mermaid and currently operating in the Persian Gulf. The vessel has a moon pool for diving operations and is equipped with a semi-permanently installed 10-man single bell saturation diving system. The M.V. "Team Siam" has a 70-tonne crane and accommodation for 135 personnel. This vessel is well-suited to operations in the Middle East region.

M.V. Mermaid Sapphire (Built 2009)



Mermaid recently took delivery of this DP2 ROV (Remotely Operated Vehicle) support vessel in Singapore. The M.V. "Mermaid Sapphire" is equipped with a deepwater work-class ROV, a 23-tonne crane and accommodation for 60 personnel. Delivery of M.V. "Mermaid Sapphire" has enabled Mermaid to return one of its chartered-in vessels, M.V. "Binh Minh" to the owner.

Mermaid Challenger (Built 2008)



The M.V. “Mermaid Challenger” is a DP1 offshore support vessel with 70-tonne bollard-pull capacity, and is also suitable for performing ROV support vessel duties. This vessel can be equipped with heavy work-class ROVs and has accommodation for 38 personnel.

Mermaid Performer (Built 1982)



The M.V. “Mermaid Performer” is a utility vessel equipped with an omni-directional bow thruster and accommodation for 34 personnel. This vessel has an extensive track record for performance of ROV pipeline inspection projects in South-East Asia.

Mermaid Supporter (Built 1982)



The M.V. “Mermaid Supporter” is a utility vessel equipped with a built-in surface diving system, an omni-directional bow thruster and accommodation for 30 personnel. This vessel has an extensive track record for performance of platform inspection and FPSO (Floating Production Storage and Offloading) facility underwater inspection projects in South-East Asia using a combination of ROV and surface diving methods.

Mermaid Responder (Built 1983)



The M.V. “Mermaid Responder” is a utility vessel equipped with a 4-point mooring system, a 12.5-tonne crane and accommodation for 58 personnel. This vessel is routinely used for performing ROV, surface diving, and accommodation support duties.

M.V. Mermaid Asiana (Expected Delivery 2010)



The M.V. “Mermaid Asiana” is a purpose-built DP2 dive support and light construction vessel, and is nearing completion in Singapore. The vessel is equipped with a 12-man single bell saturation diving system complete with a self-propelled hyperbaric lifeboat. The M.V. “Mermaid Asiana” has a 100-tonne heave-compensated crane and accommodation for 100 personnel. This vessel is designed for operations in the Asia-Pacific region, and is a logical successor to our current flagship vessel in this region, M.V. “Mermaid Commander”

M.V. Mermaid Endurer (Expected Delivery 2010)



The M.V. “Mermaid Endurer” is a purpose-built DP2 dive support and light construction vessel, specially designed for operation under severe weather conditions with high manoeuvrability and station keeping capabilities. The 18-man single bell saturation diving system equipped with self-propelled hyperbaric lifeboat will provide a diving vessel equipped with the very latest technology and safety enhancements. The vessel has a 100-tonne heave-compensated crane and accommodation for 86 personnel. This vessel is designed for operations in the North Sea and Gulf of Mexico, areas where Mermaid would like to expand.

Mermaid Drilling's Tender Rigs

MTR-1



Year Built/Last Upgrade	1978/1998
Classification Society	ABS
Water Depth Rating (meters)	100
Drilling Depth Rating (meters)	6,100
Accommodation Quarters	112 persons

MTR-2



Year Built/Last Upgrade	1981/1997/2007
Classification Society	BV
Water Depth Rating (meters)	100
Drilling Depth Rating (meters)	5,943
Accommodation Quarters	115 persons

KM-1 (Expected Delivery 2010)



Expected Delivery	2010
Classification Society	ABS
Water Depth Rating (meters)	243
Drilling Depth Rating (meters)	7,600
Accommodation Quarters	145 persons

Summary of Companies in the Mermaid Group

No.	Company	Type of Business	Place of Incorporation	Date of Incorporation	Company Registration No.	Type of Share	Paid-up Capital	Shares Issued	% of Shareholding
1.	Mermaid Maritime Public Company Limited	Holding Co.	Thailand	15 January 2007 (as public company)	0107550000017	Ordinary	THB784,747,743	784,747,743	-
2.	Mermaid Offshore Services Ltd.	Sub-sea engineering	Thailand	24 June 2003	0105546072562	Ordinary	THB2,930,000,000	293,000,000	100.00% (direct)
3.	Mermaid Training & Technical Services Ltd.	Vocational training	Thailand	15 November 2005	0105548149694	Ordinary	THB2,000,000	200,000	100.00% (direct)
4.	Darium Thai Offshore Ltd. (under dissolution)	Anchor hand / tug support	Thailand	23 December 1999	0105542098079	Ordinary	THB212,400,000	212,400	51.00% (direct)
5.	Mermaid Drilling Ltd.	Holding Co.	Thailand	24 January 2005	0105548011196	Ordinary	THB410,000,000	41,000,000	95.00% (direct)
6.	Mermaid Drilling (Singapore) Pte. Ltd.	Holding Co.	Singapore	27 February 2007	200703192D	Ordinary	USD50,999,926	50,999,926	100.00% (direct)
7.	Mermaid Drilling (Malaysia) Sdn. Bhd.	Drilling	Malaysia	5 August 2005	705457A	Ordinary	RM500,000	500,000	95.00% (beneficial)
8.	MTR-1 Ltd.	Drilling	Thailand	15 March 2005	0105548036890	Ordinary	THB240,000,000	24,000,000	95.00% (beneficial)
9.	MTR-2 Ltd.	Drilling	Thailand	15 March 2005	0105548036881	Ordinary	THB350,000,000	35,000,000	95.00% (beneficial)
10.	MTR-1 (Singapore) Pte. Ltd. (dormant)	Drilling	Singapore	27 September 2007	200717860H	Ordinary	USD1	1	100.00% (beneficial)
11.	MTR-2 (Singapore) Pte. Ltd. (dormant)	Drilling	Singapore	27 September 2007	200717875R	Ordinary	USD1	1	100.00% (beneficial)
12.	Mermaid Kencana Rig 1 Pte. Ltd.	Drilling	Singapore	19 October 2007	200719465W	Ordinary	USD68,000,000	68,000,000	75.00% (beneficial)
13.	Mermaid Kencana Rig 2 Pte. Ltd. (dormant)	Drilling	Singapore	30 July 2008	200814981N	Ordinary	USD100	100	100.00% (beneficial)

No.	Company	Type of Business	Place of Incorporation	Date of Incorporation	Company Registration No.	Type of Share	Paid-up Capital	Shares Issued	% of Shareholding
14.	Kencana Mermaid Drilling Sdn. Bhd.	Drilling	Malaysia	26 September 2007	789765P	Ordinary	RM100,000	100,000	40.00% (beneficial)
15.	Mermaid Kencana Rigs (Labuan) Pte. Ltd.	Drilling	Labuan, Malaysia	11 May 2009	LL07061	Ordinary	USD4	4	75.00% (beneficial)
16.	Seascope Surveys (Thailand) Ltd.	Survey & positioning	Thailand	26 March 2008	0105551035432	Ordinary	THB34,000,000	34,000,000	80.00% (beneficial)
17.	Seascope Surveys Pte. Ltd.	Survey & positioning	Singapore	24 November 2004	200415192D	Ordinary	SGD100	100	80.00% (beneficial)
18.	Seascope Inspection Services Pte. Ltd. (under dissolution)	Inspection	Singapore	22 March 2006	200604026R	Ordinary	SGD2,500	100	80.00% (beneficial)
19.	PT Seascope Surveys Indonesia	Survey & positioning	Indonesia	19 January 2005	09.03.1.74.44960	Ordinary	Rp916,000,000	100	80.00% (beneficial)
20.	Worldclass Inspiration Sdn. Bhd.	Holding Co.	Malaysia	18 April 2007	769987-T	Ordinary	RM36,029,629	36,029,629	25.00% (beneficial)
21.	Allied Marine & Equipment Sdn. Bhd.	Sub-sea engineering	Malaysia	28 November 1988	176294-K	Ordinary	RM8,700,000	8,700,000	22.50% (beneficial)
22.	Maju Hydro Sdn. Bhd.	Survey & positioning	Malaysia	4 May 2000	513376-M	Ordinary	RM250,000	250,000	22.50% (beneficial)
23.	Allied Support Corporation	Vessel owner	Labuan, Malaysia	28 May 2008	LL06534	Ordinary	USD1	1	22.50% (beneficial)
24.	AME Marine Services Sdn. Bhd.	Management	Malaysia	3 March 2004	644333-U	Ordinary	RM1,000	1,000	22.50% (beneficial)
25.	Allied Marine Robotics Sdn. Bhd. (under dissolution)	Underwater equipment	Malaysia	7 February 2004	641534-A	Ordinary	RM150,000	150,000	22.50% (beneficial)
26.	Nemo Subsea AS	Vessel owner	Norway	13 February 2007	990922586	Ordinary	NOK100,000	1,000	100.00% (beneficial)
27.	Nemo Subsea IS	Vessel owner beneficiary	Norway	3 July 2007	n/a	Partnership	USD12,100,000	100	100.00% (beneficial)

As at 30 November 2009

Business Overview

Overview

Mermaid Maritime Public Company Limited (“Company”) and its subsidiaries (“Group”) is a leading provider of tender rig drilling and sub-sea engineering services for the offshore oil and gas industry in South East Asia. Over the last six (6) years, the Group has grown significantly in these areas as well as in the area of providing technical training services for the offshore oil and gas industry. It has established itself and is recognised by the industry for its high quality services, delivered safely and efficiently and has developed a strong blue chip client base that includes some of the world’s largest oil and gas-related companies. The Group operates throughout South East Asia, primarily in Thailand, Indonesia and Malaysia, and has recently expanded the provision of sub-sea engineering services to China, India, Sakhalin, the Middle East, Brazil and the United Kingdom Continental Shelf (“UKCS”).

The Group provides tender rig drilling services through a majority-owned subsidiary of the Company, Mermaid Drilling Limited (“MDL”), which currently owns two (2) tender drilling rigs. It also has one (1) newbuild tender drilling rig under construction owned by another majority-owned subsidiary of the Company, Mermaid Kencana Rig 1 Pte. Ltd. (“MKR-1”). The Group provides sub-sea engineering services through a wholly-owned subsidiary of the Company, 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 six (6) sub-sea vessels which it owns, and one (1) sub-sea vessel which it charters. The flagship vessel in its fleet is the DP2 DSV “Mermaid Commander”, which has an in-built twin-bell saturation diving system and rough weather capabilities. MOS operates its vessels as part of a ‘one stop’ solution utilizing a highly skilled workforce and other key assets, including four (4) saturation diving systems (inclusive of those systems in the current newbuild program), ten (10) offshore air diving systems and fourteen (14) Remotely Operated Vehicle (“ROV”) systems including deepwater and ultra-deepwater heavy construction class systems. MOS also has two (2) additional sub-sea vessels on order.

The Group’s corporate headquarters is in Bangkok, Thailand and operates a world class facility at its operational base in Chonburi, Thailand. This facility allows the Group to control its own maintenance and refurbishment requirements of equipment, and is within close proximity to several ports, which allows the Group to mobilise expeditiously and efficiently to its clients’ locations. The Group has also established shore base support functions in (i) Kuala Lumpur, Malaysia; (ii) Jakarta, Indonesia; (iii) Qatar, Middle East; and (iv) Singapore to support its geographical expansion. To support its mobile operations, additional shore base operations using a network of local contacts can be set up at short notice.

During its expansion into the tender drilling and sub-sea engineering markets, the Group identified opportunities that required local presence in some countries. Recognising this, the Group appointed local representatives which held the required licenses and permits, thereby increasing its market opportunities outside Thailand. To date, this has proven successful with operations performed or ongoing in Indonesia, Myanmar, China, Russia, India, Vietnam and the Middle East. To improve its market penetration into Malaysia, the Group acquired a 22.5% indirect stake in Allied Marine & Equipment Sdn. Bhd. (“AME”), a Petronas-licensed sub-sea engineering company, and formed a partnership with Kencana Petroleum Ventures Sdn. Bhd. (“KNPV”) to jointly own tender drilling rigs (through a company owned 75.0% by the Company and 25.0% by KNPV) and to market and operate them in Malaysia (through a Petronas-licensed company 60.0% owned by KNPV and 40.0% by the Company). In early 2008, MOS also acquired an 80.0% stake in Seascope Surveys, a South East Asian based provider of hydrographic and positioning services, complementing the ‘one stop’ solution philosophy for MOS’s services.

For the 2009 financial year, drilling services contributed 57.52% and sub-sea engineering services including survey and training services contributed 42.48% of the Group's total revenues.

Strategy and Key Objectives

The strategy of the Group is to establish itself as a global provider of high-end and quality tender rig drilling and sub-sea engineering services to the offshore oil and gas industry. The principal elements of this strategy are as follows:

Expand tender rig drilling and sub-sea engineering operations

The Group has recently taken delivery of a DP2 ROV/air dive support vessel "Mermaid Sapphire" and is scheduled to take delivery of two (2) additional newbuild DP2 DSV sub-sea vessels "Mermaid Asiana" and "Mermaid Endurer". The Group is also scheduled to take delivery of one (1) newbuild tender drilling rig, "KM-1". These newbuild assets are presently expected to be delivered to the Group upon construction completion which is expected to be within the 2010 financial year. The Group plans to continue to pursue tactical and strategic growth opportunities through further asset acquisitions as and when the opportunities arise.

Strengthen financial flexibility

The Group plans to continue to maintain a low net debt-to-equity ratio, which will provide it with the financial flexibility for the timely acquisition of potential bargain assets and businesses in the current down market, as and when the opportunities arise.

Exploit opportunities out of its primary focus area

Although the Group's primary focus has been in South East Asia, the Group is well placed to take advantage of global market opportunities as and when they arise. In the 2008 financial year, MOS expanded its provision of sub-sea engineering services to include China, India and Sakhalin, and in the 2009 financial year, to the Middle East, Brazil and the UKCS. MOS intends to continue to expand the geographic focus of its operations from the markets it currently serves, to other regions in and beyond Asia.

Continue to develop strong client relationships

The Group's objective is to be a preferred provider of tender rig drilling and sub-sea engineering services to clients. The Group will therefore continue to focus on consistently delivering high quality services, safely and efficiently. Contracts with major oil and gas companies constitute the majority of the Group's business, and the Group continually monitors its clients' current and future needs and seeks to recognize opportunities to capitalise on its strengths.

Optimise mix of shorter-term and longer-term contracts

Contracts for the provision of sub-sea engineering services are typically of a shorter-term as compared to the contracts for the provision of tender drig drilling services. While longer-term contracts provide greater stability and utilisation rates, they also pose the risk of the Group being locked into below-market rates if market rates rise. As such, the Group seeks to actively manage a balanced risk and reward profile between shorter-term and longer-term contracts to allow it to maintain high fleet utilisation levels and strong financial performance in down cycles, while taking advantage of improving markets rates during up cycles.

Summary of Recent Key Developments

2003-2005 Financial Years

During the 2003-2005 financial years, Mermaid Maritime Limited ("Company"), as it was formerly known, underwent an expansion in its subsea engineering services business and through its wholly owned subsidiary Mermaid Offshore Services Ltd. ("MOS") acquired the following sub-sea vessels: M.V. "Mermaid Supporter" (August 2003), M.V. "Mermaid Responder" (September 2005) and the M.V. "Mermaid Commander" (October 2005).

The Company also entered into the tender rig drilling business with the incorporation of a majority owned subsidiary Mermaid Drilling Ltd. ("MDL") and the purchase through it of two tender drilling rigs "MTR-1" (February 2005) and "MTR-2" (July 2005).

2006 Financial Year

In October 2005, the MDL secured a contract with Pearl Oil (Thailand) Ltd. for a term of 220 days for its tender drilling rig "MTR-2".

In November 2005, the Company incorporated Mermaid Training & Technical Services Ltd. ("MTTS") to provide accredited technical training services to develop personnel for the offshore oil and gas industry. In the same month, MDL secured a contract with Hess (Indonesia-Pangkajene) Ltd. for a 12 well drilling program for its tender drilling rig "MTR-1".

MOS also ordered a newbuild anchor handling tug support vessel, M.V. "Mermaid Sovereign", in November 2005 from a shipbuilder in Thailand that was subsequently converted upon delivery into an offshore sub-sea support vessel and renamed M.V. "Mermaid Challenger". MOS continued to acquire more sub-sea assets by purchasing another sub-sea vessel, M.V. "Mermaid Performer", in January 2006.

In February 2006, the Group secured a contract with Chevron Indonesia Company for a term of six (6) months for its tender drilling rig "MTR-2". In March 2006, the Group secured a further contract with Chevron Thailand Exploration and Production Ltd. and Chevron Indonesia Company for a combined term of two (2) years for its tender drilling rig "MTR-2".

As part of the Company's strategy to focus its attention on growing the tender drilling rig drilling and sub-sea engineering services business, the Company decided to dispose of its safety services, ship chandlery and anchor handling tug support businesses. In March 2006, the Company sold one (1) of its three (3) anchor handling tug support vessels.

2007 Financial Year

In January 2007, the Company converted into a public limited company and changed its name from "Mermaid Maritime Ltd." to "Mermaid Maritime Public Company Limited". During this financial year, the Company also continued to further execute its restructuring strategy that began in 2006. The Company disposed of its safety services business to their management in November 2006, sold its last two (2) anchor handling tug support vessels in November 2006 and April 2007 respectively (thus closing operations of its joint-venture anchor handling tug support business), and sold its ship chandlery services business in August 2007.

The Company also continued to expand its sub-sea business through entry into a contract in November 2006 for the charter-in of the sub-sea vessel M.V. "Binh Minh" and another contract in May 2007 for the charter-in of a newbuild sub-sea vessel M.V. "Mermaid Asiana" to be constructed by a shipbuilder in Singapore.

In February 2007, the Company incorporated Mermaid Drilling (Singapore) Pte. Ltd. as a holding company for the Company's foreign partnerships and investments in offshore drilling and drilling related services. In September 2007, MDS entered into a contract with Kencana Petroleum Ventures Sdn. Bhd. ("KNPV") to establish Kencana Mermaid Drilling Sdn. Bhd. ("KMD") as a Petronas-licensed company to deliver offshore drilling and drilling related services in Malaysia.

2008 Financial Year

In October 2007, the Company completed its initial public offering exercise raising SGD156 million and was admitted to the Official List of the Singapore Securities Exchange and Trading Ltd. ("SGX-ST"). In the same month, MDS entered into a contract with KNPV to establish Mermaid Kencana Rig 1 Pte. Ltd. ("MKR-1") and MKR-1 entered into a contract with Kencana HL Sdn. Bhd. for the design, construction and delivery of a newbuild tender drilling rig, "KM-1".

In November 2007, the Company announced the award through MOS of two contracts to provide Remotely Operated Vehicles ("ROVs") and diving services to BP Indonesia. In December 2007, MOS placed an order for a newbuild sub-sea vessel, M.V. "Mermaid Sapphire", to be constructed by a Singaporean shipbuilder at its yard in Batam, Indonesia. In the same month, MOS entered into an agreement to subscribe for shares representing 25% of the total issued share capital in Worldclass Inspiration Sdn. Bhd. ("WCI"), a company engaged in the business of investing offshore oil and gas service companies. Through its shareholdings in WCI, MOS acquired a 25.5% indirect interest in the shares of AME, a Petronas-licensed sub-sea engineering services company based in Malaysia.

In March 2008, MOS purchased 80% of the issued share capital in Seascope Surveys Pte. Ltd., which together with its subsidiaries, provides hydrographic survey and positioning services primarily to the offshore oil and gas industry in South East Asia. Seascope has offices in Singapore and Indonesia. In March 2008, MOS incorporated Seascope Surveys (Thailand) Ltd., an 80% owned subsidiary, to enhance Seascope's regional presence to include Thailand.

In April 2008, MTR-2 commenced its drilling contract with Chevron Thailand Exploration and Production Limited and Chevron Indonesia Company for a combined duration of two (2) years. In June 2008, MOS took delivery of the M.V. "Mermaid Sovereign" and converted it into an offshore subsea support vessel and renamed it M.V. "Mermaid Challenger". In the same month, ceremonies to commence the keel laying for the newbuild tender drilling rig, "KM-1", and the sub-sea vessel, M.V. "Mermaid Asiana", took place. In September 2008, the Company announced the award through MOS of a sub-sea installation contract with CUEL Ltd. in the Gulf of Thailand with an option to extend the contract for up to five (5) years.

2009 Financial Year to 30 November 2009

In October 2008, the Company announced the award of a five (5) year drilling contract by Petronas Carigali Sdn. Bhd. to MKR-1 for the newbuild tender drilling rig "KM-1". In December 2008 and May 2009, MOS entered into agreements with various parties for the purchase of an aggregate 20.5% of the issued partnership capital of Nemo Subsea IS, a partnership holding the beneficial ownership and interest in the sub-sea vessel "Mermaid Asiana" under construction.

In February 2009, MOS added two construction class ROVs to its fleet of various ROVs, thus opening additional opportunities in the deepwater and ultra deepwater ROV markets. In March 2009, the Company announced the award of a contract through MOS for sub-sea construction support to the National Petroleum Construction Company in the Middle East. In the same month, the Company also announced an extension of its drilling contract by Hess (Indonesia-Pangkajene) Ltd. for the "MTR-1" of about 100 to 180 days.

In April 2009, the Company announced that its tender drilling rig “MTR-2” had achieved seven (7) years without a lost time accident. In the same month, the Company also announced the successful launch of M.V. “Mermaid Asiana” from the shipbuilder’s yard in Singapore. In June 2009, MOS purchased another newbuild sub-sea vessel, M.V. “Mermaid Endurer”, under construction in Norway. In the same month, the Company announced that PT Seascope Surveys Indonesia had secured a contract with Conoco Philips Indonesia for its 2009 inspection, repair and maintenance program and that MOS had secured a contract with Global Industries Brazil for the provision of sub-sea installation services to Petrobras.

In July 2009, the Company’s newbuild tender drilling rig “KM-1” was successfully launched from its construction yard in Malaysia. In August 2009, the newbuild sub-sea vessel, M.V. “Mermaid Sapphire”, was successfully launched from the shipbuilder’s yard in Batam, Indonesia.

In October 2009, the Company announced that MOS had achieved five (5) million man hours without a lost time incident and also announced that MOS had been awarded the ISO 9001:2008 quality management systems certification. In the same month, MOS entered into an agreement with various parties for the purchase of an additional 79.5% of the issued partnership capital of Nemo Subsea IS, a partnership holding the beneficial ownership and interest in the sub-sea vessel M.V. “Mermaid Asiana” thus increasing its ownership in Nemo Subsea IS (and hence the M.V. “Mermaid Asiana”) to 100%.

In November 2009, the Company successfully completed its renounceable fully underwritten rights issue in Singapore raising an additional SGD156 million for general corporate and business expansion purposes. In the same month, MOS took delivery of the M.V. “Mermaid Sapphire” and released the charter of the M.V. “Binh Minh”.

As at 30 November 2009, the Company, through MDL, owns a tender drilling rig fleet of two (2) tender drilling rigs, the “MTR-1” and “MTR-2”. The Company also has, through MOS, a sub-sea fleet of seven (7) vessels, six (6) of which it owns namely: the M.V. “Mermaid Supporter”, M.V. “Mermaid Responder”, M.V. “Mermaid Commander”, M.V. “Mermaid Performer”, M.V. “Mermaid Challenger” and M.V. “Mermaid Sapphire”, and one (1) of which it charts, namely, M.V. “Team Siam”. The Company is expecting to take delivery of an additional one (1) tender drilling rig, “KM-1”, and two (2) additional sub-sea vessels, M.V. “Mermaid Asiana” and M.V. “Mermaid Endurer”, in the coming months.

Industry Overview

Overview

The demand for drilling and sub-sea engineering services is driven primarily by investments and level of activity in exploration, development and production of crude oil and natural gas. The investment level depends on oil companies' cash flow, revenues and financing, areas available for exploration and development, and oil and gas prices.

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 in the last few 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. However, in 2009 exploration and production spending had slowed down due to a sharp decrease in oil prices in the beginning of the year, expensive financing and general slowdown in the global economy. We expect to see growth again in 2010, however in a more modest pace than in the period up until 2008.

The Asian market for drilling and sub-sea engineering services still 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.

The market for drilling services is both cyclical and volatile, ranging from the highly 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

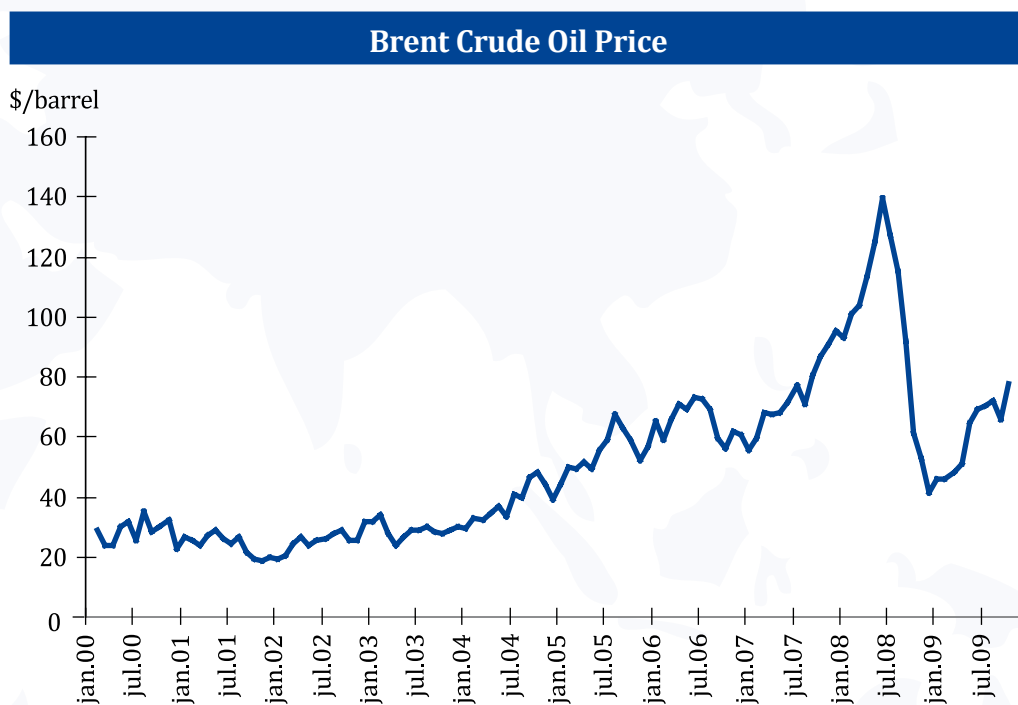
Oil prices have since the beginning of 2009 climbed from US\$40 per barrel to high US\$70ies and has stayed above US\$60 for six consecutive months. Oil and gas prices was up until late 2008 at the top end of their historical range and well above the hurdle rates that oil and gas companies have established for both their committed and uncommitted development projects to be economically viable. However, from the end of 2008 and the beginning of 2009, prices for both oil and gas decreased to a level where planned projects were no longer lucrative, combined with expensive and less accessible financing. But the increase in prices lately is gradually removing uncertainty and reinstating oil companies' confidence in higher oil prices short term.

Due to the financial crises and the global economic slowdown, demand for oil and gas fell dramatically in the end of 2008, and consequently also prices. However, during 2009 confidence in the financial markets and global demand for oil has been increasing.

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 declined by about US\$100 at the beginning of 2009 before almost continuously increasing throughout this year.

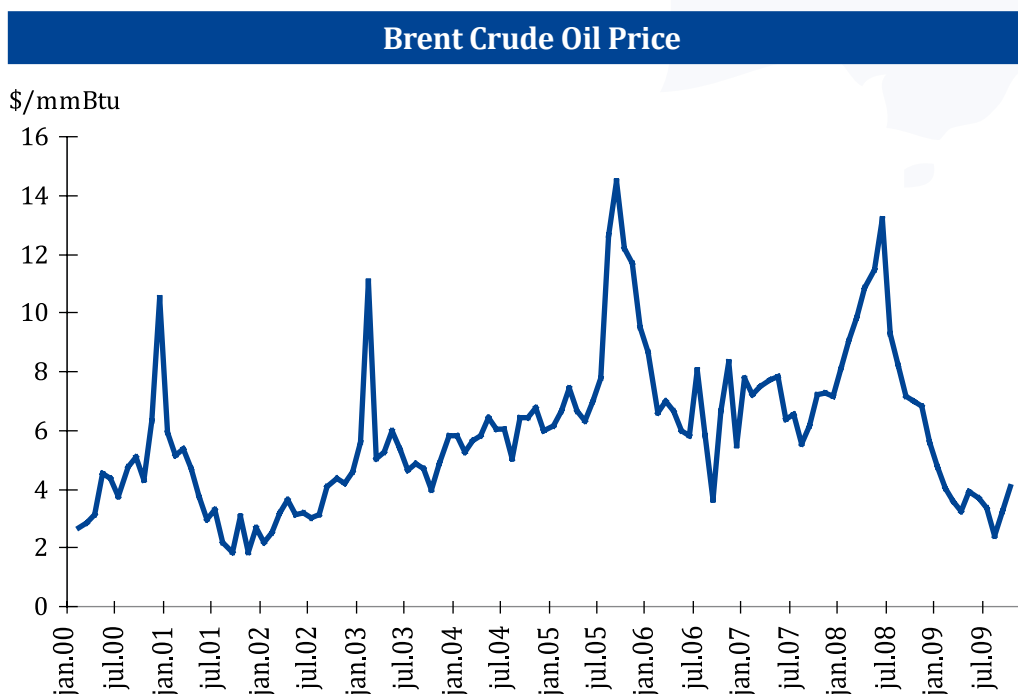
The charts below illustrate historical oil and gas prices.

Chart 1 : Historical Oil Price



Source : Fearnleys

Chart 2 : History Hub Natural Gas Price

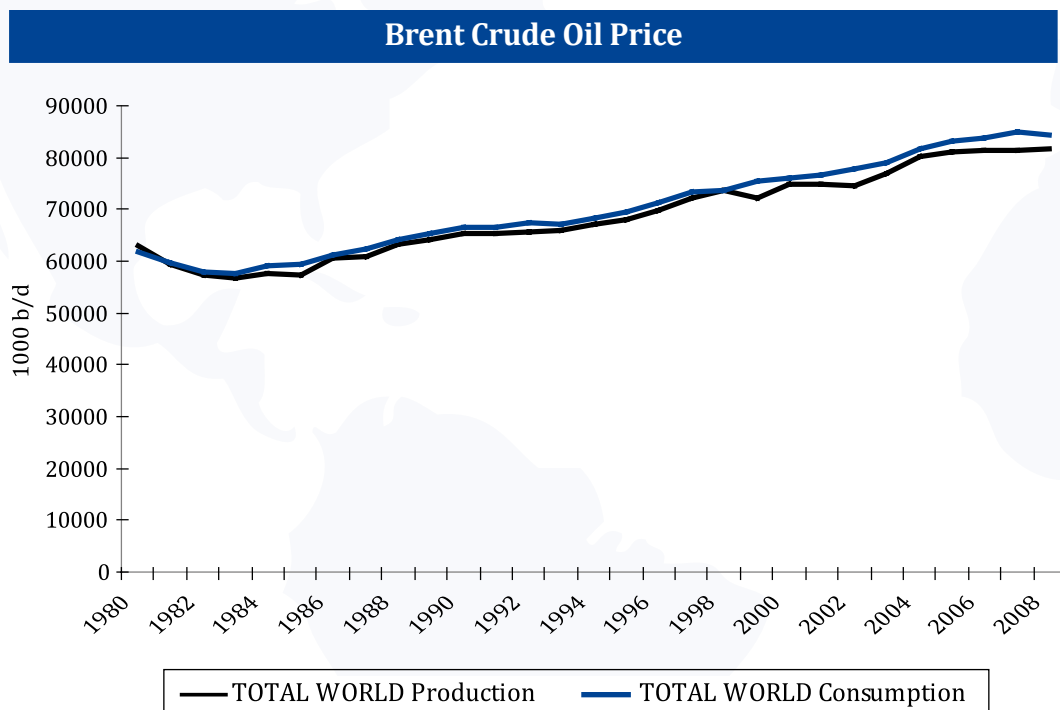


Oil and Gas Production and Consumption

From 1995 to 2008, consumption of oil increased from 69.610 to 84.455 million barrels per day, while production of oil increased from 68,102 to 81,820 million barrels per day. Similarly, from 1995 to 2008, consumption of gas increased from 2132 to 3019 billion cubic metres, while production of gas increased from 2119 to 3066 billion cubic metres.

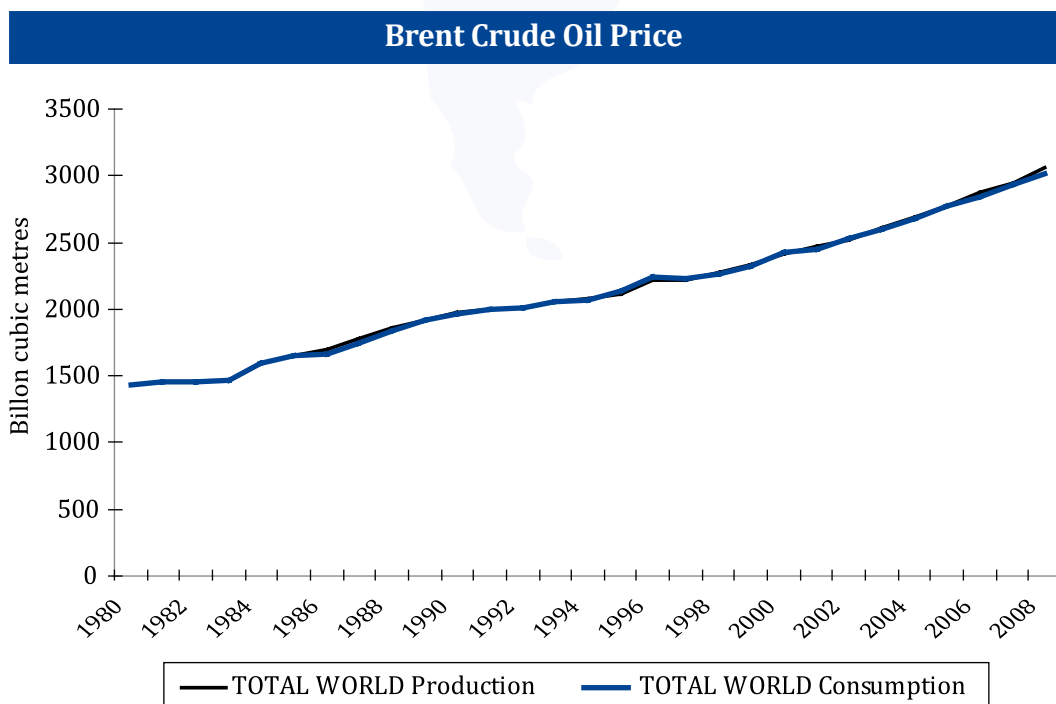
The next charts illustrate global oil and gas production and consumption for the periods indicated.

Chart 3 : Global Oil Production and Consumption (1980-2007)



Source: BP Statistical Review of World Energy June 2009

Chart 4 : World Gas Production and Consumption (1980-2007)



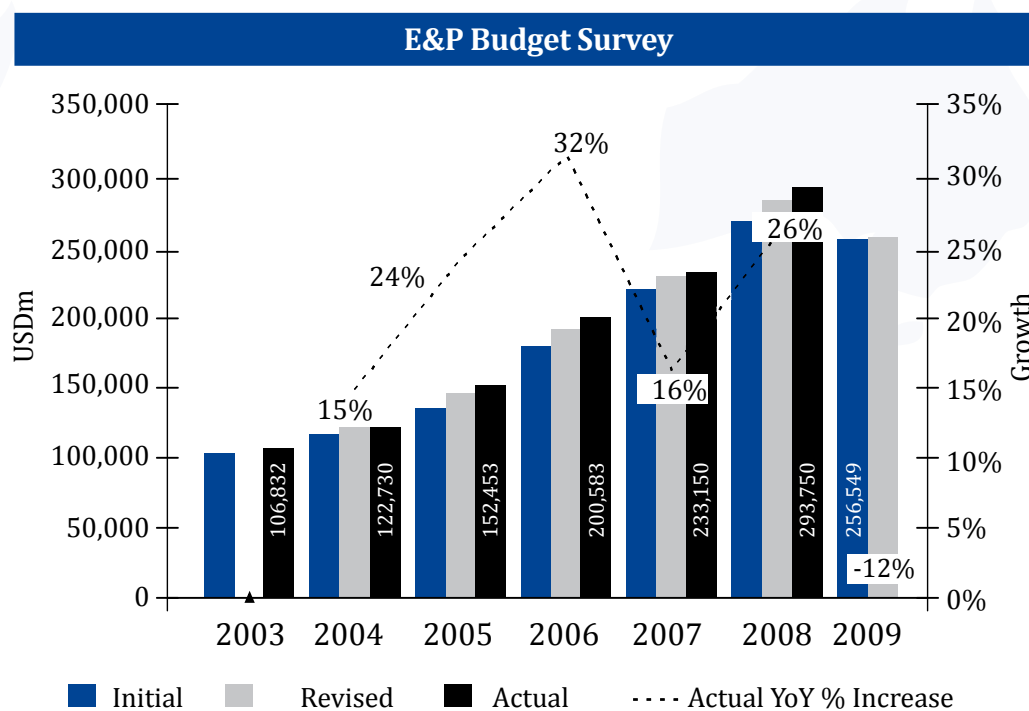
Source: BP Statistical Review of World Energy June 2009

In the last few years there has been a greater focus on offshore exploration and production to meet the rising global oil demand and as a result of depleting onshore reserves. Offshore oil production has been dominated by shallow water drilling and resources. 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 the high oil and gas prices.

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 exploration and production spending. Between 2003 and 2008 we have seen double-digit growth in exploration and production spending with an increasing oil price. In 2009, we have seen a reduction in how much oil companies have spent on exploration and development, as weaker gross domestic product ("GDP") growth triggered lower oil demand growth and accordingly lower oil and gas prices. In addition, the credit crunch made it tougher for many oil companies to finance further expansion. The chart below illustrates global exploration and production spending.

Chart 5 : Exploration and Production Spending And Oil Price



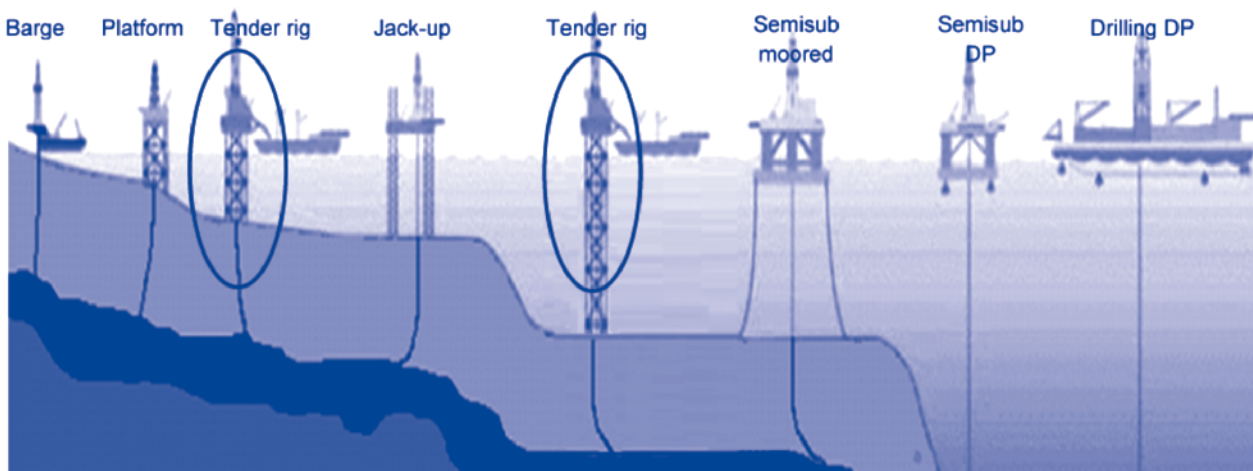
Source: FearnleyFonds

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 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 for production 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 drilling platform is then elevated up the legs so that it is above the highest expected waves. When the rig is relocating, the platform is lowered to sea level and towed by a supply vessel to its next location.

A modern jack-up rig will normally have the ability to move its drill floor aft of its own hull (cantilever), so that multiple wells can be drilled without re-positioning the rig. Ultra premium jack-up rigs have capabilities enabling them to work in water depths in excess of 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 self-propelled and move between locations under their own power, although most rigs are relocated by supply vessels.

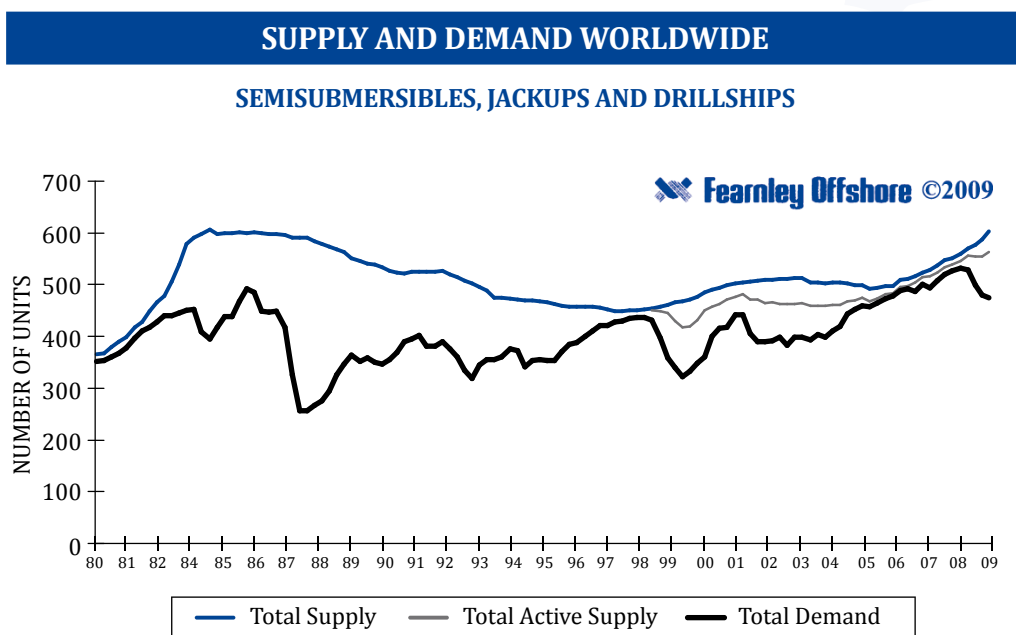
Drillships

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") has fallen from the historical high levels in 2008. In 2009 we have seen a decrease in employment as investment in exploration and development has gone down as oil companies have postponed investments. Day-rates for MODUs have decreased for the better part of 2009 as a result of high rig availability and decreasing demand. Finding new employment when contracts expire has become tougher. The utilization level of MODUs has been decreasing in 2009, although supported by the fact that oil and gas companies have secured MODUs for long-term periods of up to three to five years at earlier stages.

**Chart 6 : Supply and Demand Worldwide
Semisubmersibles, Jackups and Drillships**

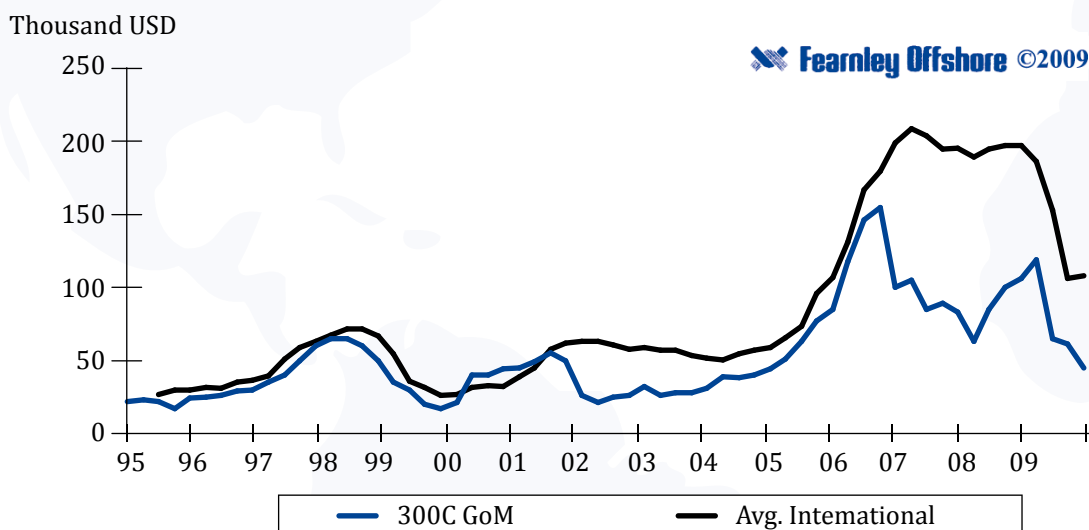


Source: Fearnley Offshore

**Chart 7 : Historical Jack-Ups Day Rates
Semisubmersibles, Jackups and Drillships**

SUPPLY AND DEMAND WORLDWIDE

SEMISUBMERSIBLES, JACKUPS AND DRILLSHIPS



International : SEA, ME, NS-STANDARD, FE & WA

Source: Fearnley Offshore

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

The following table summarizes the ownership of all known tender rigs:

	Owned	Under Construction	Total
SeaDrill Ltd.	14	3	17
KCA Deutag	7	0	7
Mermaid Drilling Ltd.	2	1	3
Global Geo/Tender Barges	3	0	3
PDVSA	2	0	2
Others	0	3	3
Total	28	7	35

Source: Fearnley Offshore

The majority of tender rigs operates in South East Asia and has been contracted for one to five 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 platforms which are able to accommodate both tender rigs and jack-up rigs due to the lower operating cost hence lower day-rates charged by tender rigs performing the same tasks. As such, as jack-up rig utilization increases and day-rates rise, tender rig demand should also grow.

Furthermore, tender rigs have their own demand niche where jack-ups cannot be used, such as areas restricted by sub-sea congestion preventing safe jack-up leg penetration, areas comprising deep layers of soft soil or mud which makes it difficult for a jack-up's legs to find a firm foundation or to remove its legs upon completion, or areas with greater water depth beyond the physical length leg penetration capability of a jack-up but which a tender rig can access through use of pre-laid mooring.

South East Asia is the biggest market for tender rigs, followed by West Africa. The level of activity for tender rigs in South East Asia has remained relatively high compared to other areas; however the total level of activity has decreased in 2009. At the end of 2008 the tender rigs in the market were operating at near full utilization, but employment has decreased during 2009, and consequently also rates.

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.

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 remained relatively strong for 2009. The long lead-time on these projects means that it may take a year or two before a slowdown in new projects is evident in earnings. Based on this, demand for sub-sea engineering services is expected to remain comparatively strong.

Management Discussion & Analysis

The discussion and analysis of Mermaid Maritime Public Company Limited and its subsidiaries' ("Group") 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.
- *Exchange rate.* The exchange rate of US\$1 to Baht 34.7196 is used to translate value in Baht currency to US Dollar currency for the 2009 financial numbers.

In this section, unless otherwise specifically stated to the contrary, all references to years (i.e. 2008, 2009, 2010) shall mean the financial years of the Group ending 30 September.

Subsea Engineering Services

The subsea engineering services group comprise Mermaid Offshore Services Ltd. ("MOS"), the Seascope Surveys group, and Mermaid Training & Technical Services Ltd. However, as only MOS operates vessels, the analysis of revenue and cost per day relates only to MOS.

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

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

Calendar-Vessel-Days	Unit : Days			
	FY 2008		FY 2009	
	No. of Days	% Change	No. of Days	% Change
Owned Vessels	1,583	8.42%	1,825	15.29%
Chartered in Vessels	732	100.55%	730	(0.27%)
Total	2,315	26.85%	2,555	10.37%

The average size of our own offshore service vessel fleet increased 15.29% in 2009 as the newbuild vessel, M.V. Mermaid Challenger, was fully available in 2009 while only four months in 2008 due to vessel delivery in June 2008.

Service Revenues: Service revenues decreased 29.16% to Baht 2,782.03 million in 2009, or US\$ 31,361 per calendar-vessel-day, from Baht 3,927.19 million, or US\$ 51,377 per calendar-vessel-day in 2008. The decrease in revenue was mainly from the decreasing of vessel utilisation days from 1,884 days in 2008 to 1,318 days in 2009, resulting in a 52.64% utilisation rate. The lower utilisation rates were primarily a result of service contract suspensions and deferments arising from various factors including the financial crisis generally.

Table 2 : Fleet Utilisation for Offshore Service Vessels

Item	Unit : Days			
	FY 2008		FY 2009	
	No. of Days	% Change	No. of Days	% Change
Calendar-Vessel-Days	2,315	26.85%	2,555	10.37%
Planned Off-Hire Days	126	63.64%	51	(59.52%)
Available Days	2,189	25.23%	2,504	14.39%
Operating Days	1,884	39.66%	1,318	(30.04%)
Fleet Utilisation	86.07%	11.53%	52.64%	(38.84%)

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

Service Expenses: Service expenses decreased 17.70% to Baht 2,119.62 million, or US\$ 23,894 per calendar-vessel-day, in 2009 from Baht 2,575.42 million or US\$ 33,692 per calendar-vessel-day, in 2008. The decrease in service expenses was primarily due to lower utilization rates.

Depreciation: Depreciation expenses increased 27.72% to Baht 310.40 million in 2009, from Baht 243.03 million in 2008. An increase of Baht 67.37 million is attributable to the partial year depreciation of the newbuild vessel M.V. Mermaid Challenger and other additional assets in 2009.

Offshore Drilling Services

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

Table 3: Calendar-Rig-Days for Drilling Rigs ("MDL")

Calendar-Rig-Days	FY 2008		FY 2009	
	No. of Days	% Change	No. of Days	% Change
Owned Vessels	732	0.27%	730	(0.27%)
Chartered in Vessels	0	0.00%	0	0.00%
Total	732	0.27%	730	(0.27%)

Unit : Days

Table 4 : Fleet Utilisation for Drilling Rigs

Item	FY 2008		FY 2009	
	No. of Days	% Change	No. of Days	% Change
Calendar-Rig-Days	732	0.27%	730	(0.27%)
Planned Off-Hire Days	0	(100.00%)	0	0.00%
Available Days	732	10.91%	730	(0.27%)
Unplanned Off-Hire Days	226	26.97%	37	(83.63%)
Operating Days	506	4.98%	693	36.96%
Fleet Utilisation	69.13%	(5.34%)	94.93	37.32%

Unit : Days

Service Revenues: Service revenues increased significantly to Baht 2,213.03 million, or US\$ 87,315 per calendar-rig-day, in 2009, compared to Baht 1,249.04 million, or US\$ 51,678 per calendar-rig-day, in 2008. The significant increase was primarily due to strong performance with 94.93% asset utilisation, including higher day rates on one drilling rig.

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

Service Expenses: Service expenses increased 49.48% to Baht 1,069.63 million, or US\$ 42,202 per calendar-rig-day, in 2009 compared to Baht 715.59 million, or US\$ 29,607 per calendar-rig-day, in 2008. The increase in expenses primarily resulted from increase in personnel costs arising from increased asset utilisation.

Depreciation: Depreciation decreased 14.14% to Baht 204.93 million in 2009, from Baht 238.69 million in 2008. This was primarily due to full year effect from the changes of estimate useful lives and residual value of assets to be in line with market practice which commenced in the fourth quarter of 2008.

Other Operating Results

General and administrative expenses: General and administrative expenses decreased 33.62% to Baht 485.61 million in 2009, from Baht 731.56 million in 2008. The decrease was primarily due to the reclassification of Baht 350.82 in 2008 of crew and operating costs of one drilling rig and sub-sea vessels during its off-hire period from cost of services to general and administrative expenses.

Without these reclassified expenses to general and administrative expenses in 2008, the 2009 general and administrative expenses would have been increased by Baht 104.87 million, or 27.54% from 2008, mainly due to the effect of full year operations of the Seascope Surveys group of Baht 62 million, the recognition of arrangement fees on borrowing costs in relation to the expiry of the loan facility for a potential second tender totalling Baht 17 million, and general marketing expenses and additional employee benefit expenses mainly for the drilling business.

Interest expenses: Interest expenses decreased 32.33% to Baht 83.91 million in 2009, from Baht 123.99 million in 2008. US\$ 9.79 million and Baht 82.2 million of loans were repaid in 2009, and the Baht strengthen relative to the US dollar, reducing the Baht-equivalent amount. Since our revenues are primarily denominated in US Dollars, we elected to fund our acquisitions in US Dollars.

Interest income: Interest income decreased 56.24% to Baht 16.62 million in 2009, from Baht 37.98 million in 2008. The decrease in interest income was mainly due to the lower interest rates on deposit in 2009 as compared to 2008. Our average cash balance in 2009 was Baht 1,588.48 million, compared to Baht 1,119.07 million in 2008.

Foreign Exchange Gains (Losses): The losses on exchange rates of Baht 55.51 million in 2009 and gains on exchange rates of Baht 159.75 million in 2008 were mainly due to the translation of US Dollar assets and liabilities into Thai Baht on the balance sheet date. There is no cash flow impact from the gains or losses.

Net gain (loss) on disposal and write off of property, plant, and equipment and intangible assets: In 2009, a net gain of Baht 21.25 million occurred primarily due to damage equipment disposal. In 2008, a net loss of Baht 5.86 million occurred primarily due to asset write offs from the MTR-2 refurbishment.

Other Income: Other revenues decreased 72.19% to Baht 28.57 million in 2009, Baht 102.75 million in 2008. The decrease was mainly from claims recovery of the fire incident on MTR-1 of US\$ 2,773,876, or Baht 95.12 million in 2008.

Income taxes: Income taxes for 2009 and 2008 were Baht 115.71 million and Baht (91.96) million resulting from deferred tax asset recognitions. The deferred tax assets of Baht 15.09 million and Baht 154.00 million were recognised in 2009 and 2008, respectively. The deferred tax assets of Baht 154.00 million in 2008 were mainly from MTR-2's tax loss carry forward. Without the deferred taxes, income taxes for 2009 would have been Baht 130.80 million, an increase of Baht 68.76 million from 2008 due to the relocation of MTR-2 to operate in Indonesia during 2009. The income taxes without deferred tax assets were mainly from corporate income taxes and branch profit taxes incurred from the tender rig operations in Indonesia.

As a result of the factors discussed above and the elimination of various inter-company transactions, our net income decreased to Baht 747.38 million in 2009 from Baht 1,162.06 million in 2008.

Liquidity and Capital Resources

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

Table 5 : Total Capitalisation

Unit : Baht'000

Item	As at 30 September	
	2008	2009
Cash and cash equivalents	1,726,430	1,450,525
Debt		
Bank overdrafts	-	-
Short-term debt	-	-
Current portion, long-term debt (including finance leases)	421,157	469,254
Long-term debt (including finance leases)	1,527,840	2,077,480
Total Debt	1,948,997	2,546,734
Shareholders' Equity		
Ordinary shares, Baht 1 par value 541.21 million shares issued and fully paid-up	541,205	541,205
Additional paid-in capital	6,470,791	6,470,791
Retained earnings	2,301,228	3,015,713
Others	360,718	628,956
Total Shareholders' Equity	9,673,942	10,656,665
Total Capitalisation	11,622,939	13,203,399
Total Debt to Total Capitalisation	0.17	0.19
Net Debt to Total Net Capitalisation	0.02	0.09

As at 30 September 2009, our total cash and cash equivalents equalled Baht 1,450.53 million, compared to Baht 1,726.43 million at 30 September 2008. Our total liquidity, including cash, cash equivalents, and undrawn borrowings, was Baht 5,824.07 million as at 30 September 2009, a 172.18% increase from Baht 2,139.78 million as at 30 September 2008. The increase in total liquidity was mainly the result of net cash flows from undrawn borrowings plus cash flows from operating and offset by cash used for capital expenditures and investments. In our opinion, working capital is sufficient for our present requirements.

The Group had net cash provided by operating activities of Baht 1,858.99 million in 2009. This was due mainly to cash generated from operations before changes in working capital of Baht 1,705.83 million and cash inflows from working capital changes of Baht 345.60 million, offset with cash outflows for interest paid of Baht 83.53 million, and income tax paid of Baht 108.91 million.

The Group had net cash used in investing activities of Baht 2,918.51 million in 2009. This was due mainly to payments for property, plant, and equipment purchases of Baht 3,583.65 million, payments for intangible asset purchases of Baht 8.35 million, payments for short-term investments of Baht 334.22 million, payments for investments in subsidiaries, Seascope Surveys Pte. Ltd., of Baht 87.30 million, and payments for other long-term investment, Nemo Subsea IS, of Baht 77.70 million, offset by a repayment of short-term loans to related parties of Baht 1,140.39 million and proceeds from disposals of property, plant, and equipment and intangible assets of Baht 32.30 million.

The Group had net cash provided by financing activities of Baht 843.60 million in 2009. This was due mainly to proceeds from issuance of share capital received from minorities of Baht 260.53 million, and long-term loans from financial institutions of Baht 1,361.98 million, offset by payments on long-term loans from financial institutions of Baht 756.17 million, finance lease liabilities of Baht 4.08 million, and payments for capital investments to minorities of Baht 18.67 million, which was mainly from the liquidation of Darium Thai Offshore Ltd.

As of 30 September 2009, the Group had total debt including financial leases of Baht 2,546.73 million, which comprised US Dollar loans of USD 47.66 million and Baht loans of Baht 934.28 million, compared to Baht 1,949.00 million, which comprised US Dollar loans of USD 49.66 million and Baht loans of Baht 251.72 million as at 30 September 2008. Outstanding loans were mainly for acquisitions of vessels, rigs, and equipment.

Capital Expenditures

In 2009, the Group had ongoing payments on one newbuild tender rig and two newbuild sub-sea vessels and equipment whose total cost was Baht 3,363.11 million. As at 30 September 2009, the remaining cost was Baht 4,273.81 million, all of which is scheduled to be paid in 2010 by secured long-term loans.

In addition to acquisitions that we may undertake in future periods, we will incur additional capital expenditures in 2010, when the MTR-1 undergoes its special periodic survey.

Qualitative and Quantitative Market Risk

Foreign Currency Fluctuation Risk

The international offshore oil and gas industry utilises the US Dollar as its functional currency. Consequently, virtually all of our revenues and most of our operating costs are in US 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 US Dollar and Baht interest rates, because almost all of our loans are denominated in US 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 a certain margin.

We entered into a cross currency and interest rate swap contract of our existing Baht loan currency to US Dollars. We do not intend to enter into foreign exchange or interest rate derivative transactions for speculative purposes.

Risk Factors

Risks relating to the Group's Businesses

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

Mermaid Maritime Public Company Limited and its subsidiaries ("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 the Group is active. Depending on the market price of oil and gas, companies exploring for oil and gas may cancel or reduce their activities, thus reducing the demand for the services provided by the Group. While the level of offshore drilling and production activity improved from 2005 to 2008, followed by a decline in the first half of the 2009 financial year but with signs of recovery, there can be no assurance on the pace of recovery or recovery itself, and that activity levels will eventually remain the same or increase. Any prolonged period of low drilling and production activity could materially and adversely affect the Group's financial condition and results of operations.

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

Demand for the services provided by the Group is subject to fluctuations, with periods of high demand, short supply, and high rates often followed by periods of low demand, excess supply, and low rates. The entry into the market of newly constructed, upgraded, or reactivated tender drilling rigs or sub-sea vessels will increase market supply and may inhibit the increase of rates or reduce them. Periods of low demand will intensify the competition in the industry and this often result in assets being idle for periods of time. The Group's 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 business of the Group is project-based, its cash flow may not always be predictable and may be uneven. As a result of fluctuation in demand for the Group's services, its results of operations may be volatile.

The Group is subject to a number of operating risks

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

The Group is also subject to equipment failure risks, which may require long periods to repair and result in loss of revenue. The Group may be forced to cease part of its operations if any of its key assets break down until it can replace and/or repair such key assets. A major system failure could result in substantial loss of life and/or serious injury, damage to or loss of tender drilling rigs or sub-sea vessels and equipment and

protracted legal disputes and damage to the Group's reputation. The Group is also subject to bad weather conditions, which may be hazardous to its tender drilling rigs or sub-sea vessels, equipment and personnel. In addition, such bad weather conditions may reduce its productivity. Further, the contracts entered into by the Group provide generally that the Group's clients can suspend or refuse services in the event their operations are affected by events of force majeure.

Further, 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 tender drilling rig or sub-sea 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 such, there can be no assurance that the Group will not suffer losses in excess of the insurance coverage or that are not covered by insurance.

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

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

There are a limited number of potential clients, particularly for the drilling business, and a limited number of projects available in the niche markets that the Group operates in. In any given year, a small number of contracts and projects account for a significant portion of the revenue of the Group. Further, given that the Group currently has a total of two (2) tender drilling rigs, the drilling services business can only have a maximum of two (2) clients at any point in time.

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

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

The Group is scheduled to take delivery of all of its additional two (2) newbuild sub-sea vessels and one (1) newbuild tender rig when they are completed, which is presently expected to be in or about the first and second quarters of the 2010 financial year. The Group also plans to further increase its current fleet. There will be a time lag between the time the Group purchases a newbuild tender drilling rig or sub-sea vessel and the time such tender drilling rig or sub-sea vessel becomes operational. In that time, the conditions affecting the industry may change such that the Group may be unable to achieve its projected returns. If the Group fails to effectively manage its current and future acquisitions and newbuilds, its financial condition and results of operations could be materially and adversely affected.

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

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

The market segments and region in which the Group operates are highly competitive. Pricing is often the primary factor in determining which contractor is awarded a contract. Some of its competitors are larger than the Group, have more diverse fleets or fleets with generally higher specifications, have greater resources than the Group, and have greater brand recognition and greater geographical 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.

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

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

All of the contracts between the Group and its clients for the Group's 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 market conditions and any increase in its costs, such as salary costs and costs for spare parts and consumables, which are unpredictable and fluctuate based on events beyond its control. Any substantial increase in such costs could materially and adversely affect the Group's results of operations.

Maintenance and repair for the tender drilling rigs and sub-sea vessels of the Group will require substantial expenditures

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

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

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

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

The operations of the Group are subject to laws and regulations that relate directly or indirectly to the drilling and sub-sea engineering services industries, including those relating to the discharge of oil or other contaminants into the environment and protection of the environment. The Group is required by its clients, governments and regulatory agencies to maintain health, safety and environmental standards in the course of providing its services. In the event of any change in these standards, the Group may have to incur additional expenses to comply with such changes. Any failure to maintain standards may result in the cancellation of its

present contracts, not being awarded new contracts or regulatory authorities imposing fines, penalties or sanctions on it or prohibiting it from continuing its operations, each of which could have an adverse effect on it. A failure to maintain health, safety and environmental standards could also result in injuries, death, damage to the environment, liability, or damage to the Group's reputation. The occurrence of any of the above could have a material adverse effect on the financial condition and results of operations of the Group.

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

The operations of the Group are subject to international laws, regulations and practices, as well as those of the countries in which the Group operates. Such laws and regulations include those relating to health, safety and environment standards and labour matters. Any failure to comply with such applicable laws, regulations and practices may result in, among others, interruption or delay to the Group's operations, cancellation of its present contracts, not being awarded new contracts or regulatory authorities imposing fines, penalties or sanctions on the Group or prohibiting the Group from continuing its operations. The occurrence of any of the above could materially and adversely affect the Group's reputation and business, and in turn its financial condition and results of operations.

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

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

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

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

The consolidated financial statements of the Group does not contain a reconciliation of the Group's consolidated financial statements to SFRS, IFRS or U.S. GAAP, nor does it include any information in relation to the differences between Thai GAAP and SFRS, IFRS or U.S. GAAP. Had the consolidated financial statements and other financial information been prepared in accordance with SFRS, IFRS or U.S. GAAP, the results of

operations and financial position may have been materially different. Because differences exist between Thai GAAP and SFRS, IFRS or U.S. GAAP, the financial information in respect of the Group contained in the consolidated financial statements of the Group may not be an effective means to compare the Group with other companies that prepare their financial information in accordance with SFRS, IFRS or U.S. GAAP.

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

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

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

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

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

The Group's performance as well as its 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, among others, bank borrowings and credit lines. The Group's existing operations as well as future asset expansion plans may be subject to the systemic risks arising from the global credit crisis beginning in 2008, which has resulted in reduced financing availability generally across all sectors, including those associated with funding capital expenditure in tender drilling rigs and sub-sea vessels and other related acquisitions. As such, it may become more difficult for the Group to secure debt financing on reasonable terms or at all for its operations and expansion activities and this could affect the performance of the Group and the success of the Group's expansion plans, which could materially and adversely affect the Group's business, financial condition and results of operations.

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

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

The Group may from time to time undertake to increase its fleet capacity through conversions or upgrades of its tender drilling rigs and sub-sea vessels or through the acquisition of newbuilds. Such projects are subject to risks of delay or cost overruns resulting from numerous factors including shortages of equipment, materials or skilled labour, unscheduled delays in the delivery of ordered materials and equipment,

unanticipated cost increases, weather interferences, difficulties in obtaining necessary permits or in meeting permit conditions, design and engineering problems and shipyard failures.

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

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

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

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

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

The Group has a holding company structure

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

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

In the event that any of the Company's subsidiaries or associated companies do not pay dividends or do so irregularly, or if such dividend payments are subject to materially high withholding taxes, the Group's financial condition and results of operations could be materially and adversely affected.

The Group may be exposed to risks relating to debt financing

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

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

Risks relating to Thailand

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

The Group is subject to economic, political, legal and regulatory conditions in Thailand that differ in certain significant respects from those prevailing in other countries with more developed economies. The Group's business and operations are subject to the changing economic and political conditions prevailing from time to time in Thailand such as the declaration of a state of emergency in September 2008 and the seizure of the Suvarnabhumi International Airport in November 2008. There is no assurance that the Thai government will not impose policy changes in the future or that any future political instability in Thailand or any changes in the Thai government's policies or in Thailand's political environment will not materially and adversely affect the Group's business, financial condition and results of operations.

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

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

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

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

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

General Disclosures

1. Mermaid Shares held by Directors

As at 21 October 2009, being the 21st day after the end of the financial year, Mermaid Maritime Public Company Limited (“Mermaid” or “Company”) 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	0.0480	None	n/a
Mr. David Stewart Simpson	122,000	0.0225	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
Ms. Joey Horn	None	n/a	None	n/a

As a result of Mermaid’s renounceable underwritten rights issue of 243,542,403 rights shares at a price of SG\$0.64 for each rights share on the basis of nine (9) rights shares for every twenty (20) existing ordinary shares in the capital of Mermaid (“Rights Issue”), the issued and fully paid up capital of Mermaid increased to 784,747,743 ordinary shares. Both M.L. Chandchutha Chandratat and Mr. David Stewart Simpson subscribed to their pro-rata rights entitlements. As at 09 December 2009, the direct and deemed interest of both Directors in Mermaid’s ordinary shares (arising from the exercise of their respective pro-rata rights entitlements pursuant to the Rights Issue) were as follows:

Name	Direct	% of Issued Share Capital	Deemed	% of Issued Share Capital
M.L. Chandchutha Chandratat	377,000	0.0480	None	n/a
Mr. David Stewart Simpson	176,900	0.0225	None	n/a

2. Material Contracts Involving Interested Persons

There were no material contracts of Mermaid or its subsidiaries involving the interests of the Mermaid’s chief executive officer (Managing Director), each Director of Mermaid, or any of the controlling shareholders of Mermaid, entered into during the financial year ended 30 September 2009 or still subsisting as at 30 September 2009.

3. Shareholder Base and Voting Rights

The only class of equity securities in Mermaid are ordinary shares. As at 09 December 2009, there were 4,096 shareholders holding a total of 784,747,743 ordinary shares in Mermaid.

Each ordinary share is entitled to one (1) vote per one (1) share. In a shareholders’ meeting, voting must be by a show of hands, unless at least five (5) shareholders request for a secret vote. Under the Thai Public

Companies Act B.E. 2535 (1992), a resolution can be adopted at a general meeting of shareholders by a simple majority of the total number of votes cast of the shareholders who attend the meeting, except in the following matters which require at least three-fourths of the total number of voting rights of all of the shareholders who attend the meeting and have the right to vote:

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

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

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

4. Shareholder Spread

As at 09 December 2009, the distribution of ordinary shares amongst all shareholders was as follows:

No. of Shares	No. of Shareholders
1-999	161
1,000-10,000	2474
10,001-1,000,000	1444
1,000,001 and above	17

5. Details of Substantial Shareholders

As at 09 December 2009, the names of substantial shareholders and a breakdown of their direct and deemed interests as recorded in Mermaid's register of substantial shareholders were as follows:

Name	Direct	Deemed	Total
Thoresen Thai Agencies Public Company Limited ("TTA") (see Note 1)	277,823,871 (35.40%)	170,590,470 (21.74%)	398,414,341 (57.14%)
Soleado Holdings Pte. Ltd.	170,590,470 (21.74%)	-	170,590,470 (21.74%)
Thailand Equity Fund ("TEF") (see Notes 2, 3, 4 and 5)	118,285,229 (15.07%)	-	118,285,229 (15.07%)

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

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

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

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

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

6. Top 20 Largest Shareholders

As at 09 December 2009, the twenty (20) largest holders of ordinary shares in Mermaid on record and the number of shares held by such shareholders were as follows:

No.	Name	Shares	%	Culm. %
1	THORESEN THAI AGENCIES PLC	277,823,871	35.40	35.40
2	SOLEADO HOLDINGS PTE LTD	170,590,470	21.74	57.14
3	THAILAND EQUITY FUND	118,285,229	15.07	72.21
4	CITIBANK NOMS S'PORE PTE LTD	44,216,300	5.63	77.85
5	HSBC (SINGAPORE) NOMS PTE LTD	43,648,240	5.56	83.41
6	DBS NOMINEES PTE LTD	24,078,431	3.07	86.48
7	DBSN SERVICES PTE LTD	13,011,000	1.66	88.14
8	MERRILL LYNCH (S'PORE) PTE LTD	4,930,950	0.63	88.77
9	DBS VICKERS SECS (S) PTE LTD	3,455,350	0.44	89.21
10	BNP PARIBAS SECS SVCS SPORE	3,354,900	0.43	89.63
11	DB NOMINEES (S) PTE LTD	2,471,039	0.31	89.95
12	OCBC SECURITIES PRIVATE LTD	2,336,780	0.30	90.25
13	RAFFLES NOMINEES (PTE) LTD	2,070,250	0.26	90.51
14	UOB KAY HIAN PTE LTD	1,560,485	0.20	90.71
15	UNITED OVERSEAS BANK NOMINEES	1,390,800	0.18	90.89
16	PHILLIP SECURITIES PTE LTD	1,295,020	0.17	91.05
17	CIMB-GK SECURITIES PTE LTD	1,256,000	0.16	91.21
18	KIM ENG SECURITIES PTE LTD	953,500	0.12	91.33
19	OPTIMUS CAPITAL INTERNATIONAL LIMITED	944,900	0.12	91.45
20	LIM & TAN SECURITIES PTE LTD	850,250	0.11	91.56

7. Shareholding Held by Public

As at 09 December 2009, the percentage of ordinary shares held in the hand of the public was 27.72%. This is in compliance with Rule 723 of the SGX-ST Listing Manual which requires that at least 10.00% of ordinary shares in Mermaid to be at all times held by the public.

8. Treasury Shares

Mermaid has no treasury shares.

9. Dealings in Securities

Based on best practice recommendations in Rule 1207(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 recommending them not to deal in securities of Mermaid during each period commencing two (2) weeks before the announcement of Mermaid's financial statements for each of the first three quarters of the financial year, and one (1) month before announcement of Mermaid's full financial year statements, ending on the date of announcement of the relevant results.

10. Non-Audit Fees

Non-audit fee paid to PricewaterhouseCoopers ABAS Ltd. during the financial year that ended on 30 September 2009 amounted to Baht 202,000. This was for work related to agreed-upon procedures in relation to Thai Board of Investment ("BOI") certification. 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 of the Company and its relevant subsidiaries, nor did it affect the independence of their audit signatory's review and certification of the Company's financial statements and the Company and its subsidiaries' consolidated financial statements for the year ended 30 September 2009.

11. Appointment of Auditor

PricewaterhouseCoopers ABAS Ltd. was appointed by a resolution of the Company's shareholders on 29 January 2009 to audit the Company's financial statements and the Company and its subsidiaries' consolidated financial statements for the year that ended on 30 September 2009.

The following names are audit partners whom were appointed to engage in audit of the consolidated and Company financial statements for the year that ended on 30 September 2009.

- | | |
|----------------------------------|----------------------|
| 1. Ms. Nattaporn Phan-Udom | CPA License No. 3430 |
| 2. Mr. Kajornkiet Aroonpirodikul | CPA License No. 3445 |
| 3. Mr. Sudwin Panyawongkhanti | CPA License No. 3534 |

Mr. Kajornkiet Aroonpirodikul was the audit partner in charge of auditing and expressed his opinion on the consolidated and Company financial statements for the year that ended on 30 September 2009. He was also the audit partner who audited and expressed his opinion on the consolidated and Company financial statements for the year that ended on 30 September 2008. He has therefore been audit partner in charge for two (2) full consecutive years.

PricewaterhouseCoopers ABAS Ltd. was also appointed to audit all of the Company's significant subsidiaries for the year ended 30 September 2009 except for a subsidiary, Mermaid Kencana Rig 1 Pte. Ltd. (a company not yet in operation as its key asset, the tender rig KM-1, was still under construction), which was audited by Thong & Lim, certified public accountants based in Singapore. Mermaid's Board and Audit Committee were satisfied that the appointment of Thong & Lim as auditors of the said subsidiary did not compromise the

standard and effectiveness of the audit of Mermaid on a consolidated basis. There were no significant associated companies for the year ended 30 September 2009.

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

12. Interested Person Transactions

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

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

Mermaid's aggregate value of all interested person transactions for the year that ended on 30 September 2009 pursuant to Rule 907 of the SGX-ST Listing Manual were as follows:

	Baht'000
Revenue	
Service income	5,455
Interest income	8,285
Rental income	1,674
Expenses	
Administrative expenses	1
Cost of services	43,311

This is further detailed as follows:

Company	Type of revenue/expense	Baht'000
Thor Merchant Shipping Co., Ltd.	Service income	139
Thor Nautica Shipping Co., Ltd.	Service income	80
Thoresen & Company (Bangkok) Ltd.	Service income	106
Allied Marine & Equipment Sdn. Bhd.	Service income	5,050
ISS Thoresen Agencies Ltd.	Service income	80
		5,455
Company	Type of revenue/expense	Baht'000
Worldclass Inspiration Sdn. Bhd.	Interest income	8,285
		8,285
Company	Type of revenue/expense	Baht'000
Gulf Agency Company (Thailand) Ltd.	Rental income	1,674
		1,674

Company	Type of revenue/expense	Baht'000
Thoresen Thai Agencies PLC	Administrative expenses	1
		1
Company	Type of revenue/expense	Baht'000
Gulf Agency Company (Thailand) Ltd.	Cost of services	43,311
		43,311

13. Land, Buildings and Key Movable Assets

As at September 30, 2009, land and buildings owned by Mermaid and held for investment purposes were as follows:

No.	Description	Location	Purchase Year	Cost	Net Book Value (Million Baht)	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	101.24	On freehold land
4.	Building C	Built on land at no. (1) above	2005	61.02	49.26	On freehold land

The land and buildings at (1), (3) and (4) were used as offices and the land at (2) remained vacant land.

As at 30 September 2009, Mermaid's key movable assets were five vessels and two tender rigs owned by its subsidiaries as follows:

No.	Subsidiary Name	Name of Vessels/Rigs	Build Year	Purchase Year	Cost (Million Baht)	Net Book Value (Million Baht)
1.	Mermaid Offshore Services Ltd.	Mermaid Supporter	1982	2003	34.15	12.42
2.	Mermaid Offshore Services Ltd.	Mermaid Commander	1987	2005	956.41	667.18
3.	Mermaid Offshore Services Ltd.	Mermaid Responder	1993	2005	153.32	80.12
4.	Mermaid Offshore Services Ltd.	Mermaid Performer	1982	2006	127.82	52.16
5.	Mermaid Offshore Services Ltd.	Mermaid Challenger	2008	2008	638.62	592.78
6.	MTR-1 Ltd.	MTR-1	1978	2005	891.16	473.77
7.	MTR-2 Ltd.	MTR-2	1981	2005	1,243.46	704.87

As at 30 September 2009, Mermaid's vessels and tender rigs under construction and to become owned by its subsidiaries upon delivery were as follows:

No.	Subsidiary Name	Name of Vessels/Rigs	Target Cost (Million USD)	Target vessels/rig delivery
1.	Mermaid Offshore Services Ltd.	Mermaid Sapphire (sub-sea vessel)	26.30	30 November 2009 (delivered)
2.	Nemo Subsea AS	Mermaid Asiana (sub-sea vessel)	78.00(*)	2010 Financial Year
3.	Mermaid Offshore Services Ltd.	Mermaid Endurer (sub-sea vessel)	91.00	2010 Financial Year
4.	Mermaid Kencana Rig 1 Pte. Ltd.	KM-1 (tender rig)	136.00	2010 Financial Year

(*) including acquisition cost of Nemo Subsea IS

14. Reconciliation of material differences between Thai GAAP and IFRS

Mermaid had applied IAS 12: Income Taxes, IAS 16: Property, Plant, and Equipment; IAS 18: Revenue (in relation to revenue recognition of mobilisation fee); and IAS 19: Employee Benefits in its Thai GAAP financial statements. The Company received a waiver from the Singapore Exchange Limited and has not applied IAS 21: The Effects of Changes in Foreign Exchange Rates. Therefore, the significant difference between Thai GAAP and IFRS financial statements is the effect of changes in foreign exchange rates. This is reconciled below:

Thai GAAP

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

IFRS

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

Impact

Because the functional currency of Mermaid Offshore Services Ltd., MTR-1 Ltd., MTR-2 Ltd., and Mermaid Drilling (Malaysia) Sdn. Bhd. as considered material to the consolidated level, is in US Dollars, accounting records need to be measured in the functional currency. This would affect all balance sheet and income statements line items.

The net effects on the consolidated income statements for the years that ended on 30 September 2009 and 2008 and balance sheets as at 30 September 2009 and 2008 can be summarised as follows:

	Net effects on Consolidated Income Statement for the year that ended on 30 September 2009		
	Thai GAAP Million Baht	IFRS Million Baht	Changes Million Baht
Total service income	5,209.87	5,209.87	-
Total cost of services	3,770.86	3,776.33	5.47
Service and administrative expenses	485.61	480.10	(5.51)
Operating profits	964.33	950.07	(14.26)
Net profits for period	747.38	733.12	(14.26)

Net effects on Consolidated Income Statement for the year that ended on 30 September 2008			
	Thai GAAP Million Baht	IFRS Million Baht	Changes Million Baht
Total service income	5,285.44	5,285.45	0.01
Total cost of services	3,686.55	3,691.31	4.76
Service and administrative expenses	731.56	726.62	(4.94)
Operating profits	1,161.96	1,099.10	(62.86)
Net profits for period	1,162.06	1,099.21	(62.85)

Net effects on Consolidated Balance Sheet as at 30 September 2009			
	Thai GAAP Million Baht	IFRS Million Baht	Changes Million Baht
Total current assets	3,108.12	3,074.73	(33.39)
Total non-current assets	11,447.39	11,515.18	67.79
Total current liabilities	1,788.08	1,873.04	84.96
Total non-current liabilities	2,110.77	2,081.61	(29.16)

Net effects on Consolidated Balance Sheet as at 30 September 2008			
	Thai GAAP Million Baht	IFRS Million Baht	Changes Million Baht
Total current assets	4,856.23	4,808.48	(47.75)
Total non-current assets	8,323.37	8,166.21	(157.16)
Total current liabilities	1,972.45	2,029.97	57.52
Total non-current liabilities	1,533.21	1,572.46	39.25

15. Use of IPO Proceeds

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

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

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

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

16. Rights Issue

On 18 September 2009, Mermaid received in-principle approval from the SGX-ST for the dealing in, listing and quotation of the rights shares arising from Mermaid's proposed renounceable underwritten rights issue of 243,542,403 rights shares at a price of SG\$0.64 for each rights share on the basis of nine (9) rights shares for every twenty (20) existing ordinary shares in the capital of Mermaid ("Rights Issue"). The in-principle approval from the SGX-ST was subject to, among other things, the approval of the shareholders of Mermaid.

The Directors consider the Rights Issue to be beneficial to Mermaid and its shareholders in several ways including:

- (a) strategically and proactively providing Mermaid with greater financial capacity to pursue both tactical and strategic growth opportunities as and when they arise;
- (b) strengthening its market position with the ability for timely acquisition of assets in the current down market;
- (c) further enhancing the Group's position as a leading provider of drilling and sub-sea engineering services for the offshore oil and gas industry; and
- (d) providing existing shareholders with the opportunity to pre-emptively subscribe for the rights shares.

On 14 October 2009, the shareholders of Mermaid approved the Rights Issue. On 21 November 2009 Mermaid announced that the valid acceptances of rights shares and applications for excess rights shares for a total 285,574,756 rights shares were received, representing approximately 117.3% of the total number of rights shares that were available for subscription under the Rights Issue.

Details of the valid acceptances of rights shares and applications for excess rights shares received were as follows: (a) valid acceptances were received for a total of 241,385,032 rights shares, representing approximately 99.1% of the total number of rights shares available for subscription under the Rights Issue; and (b) applications for excess rights shares were received for a total of 44,189,724 rights shares, representing approximately 18.1% of the total number of rights shares available for subscription under the Rights Issue. The 2,157,371 rights shares which were not taken up were fully allotted to satisfy the application for excess rights shares.

On 23 November 2009, the 243,542,403 rights shares were allotted and issued to successful subscribers. On 24 November 2009, these rights shares were listed for quotation on the Main Board of the SGX-ST and became available for trading.

17. Use of Rights Issue Proceeds

On 23 November 2009, Mermaid's total proceeds received from the Rights Issue of its shares was SGD 155,867,137.92, or equivalent to Baht 3,696.06 million before deduction of issuing costs. As at 09 December 2009, the proceeds received from the Rights Issue had not yet been materially disbursed.

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 2009, Mermaid Maritime Public Company Limited ("Mermaid" or "Company") 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 each Board Committee are as follows:

Audit Committee:

The Audit Committee's responsibilities include, among other things, to:

Financial Statements:

- (1) Review significant accounting and reporting issues and understand their impact on the financial statements.
- (2) Review with management and the external auditors the results of the audit, including any difficulties encountered.
- (3) Review the annual financial statements, and consider whether they are complete, consistent with information known to Audit Committee members, and reflect appropriate accounting principles.
- (4) Review other sections of the annual report and related regulatory filings before release and consider the accuracy and completeness of the information.
- (5) Review with management and the external auditors all matters required to be communicated to the Audit Committee under generally accepted auditing standards.
- (6) Understand how management develops interim financial information, and the nature and extent of internal and external auditor involvement.
- (7) Review interim financial reports with management and the external auditors before filing with regulators, and consider whether they are complete and consistent with the information known to Audit Committee members.

Internal Control :

- (8) Review the adequacy of the Company's internal financial controls, operational and compliance controls, information technology security and control, and risk management policies and systems established by the management.
- (9) Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

Internal Audit :

- (10) Review with management and the internal audit manager the charter, activities, staffing, and organizational structure of the internal audit function.
- (11) Have final authority to review and approve the annual audit plan and all major changes to the plan.
- (12) Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the internal audit manager.
- (13) At least once per year, review the performance of the internal audit manager and concur with the annual compensation and salary adjustment.
- (14) Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.
- (15) On a regular basis, meet separately with the internal audit manager to discuss any matters that the Audit Committee or internal audit believes should be discussed privately.

External Audit:

- (16) Review the external auditors' proposed audit scope, approach, its cost effectiveness and co-ordination of audit effort with internal audit, and propose the final cost to the Company's shareholders for approval.
- (17) Review the performance of the external auditors, and exercise final approval on the appointment or discharge of the auditors.
- (18) Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the Company, including non-audit services, and discussing the relationships with the auditors.
- (19) On a regular basis, meet separately with the external auditors to discuss any matters that the Audit Committee or the auditors believe should be discussed privately.

Compliance:

- (20) Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- (21) Review the findings of any examinations by regulatory agencies, and any auditor observations.
- (22) Review the process for communicating the Code of Business Conduct to Company personnel, and for monitoring compliance therewith.
- (23) Obtain regular updates from management and the Company's General Counsel regarding compliance matters.

Reporting Responsibilities:

- (24) Regularly report to the Board about Audit Committee activities, issues, and related recommendations.
- (25) Provide an open avenue of communication between internal audit, the external auditors, and the Board.
- (26) Review any other reports the Company issues that relate to Audit Committee responsibilities.

Other Responsibilities:

- (27) Perform other activities related to the Audit Committee's scope as requested by the Board.
- (28) Institute and oversee special investigations as needed.
- (29) Review and assess the adequacy of the Audit Committee charter annually, requesting Board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- (30) Confirm annually that all responsibilities outlined in its scope have been carried out.
- (31) Evaluate the Audit Committee's and individual members' performance on a regular basis.
- (32) Review arrangements by which staff of the Company may in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, and ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow up action.

Remuneration Committee:

The Remuneration Committee's responsibilities include, among other things, to:

- (1) Recommend to the Board a framework of remuneration for the Board and determine the specific remuneration package for key executives of the Company.
- (2) Ensure that the recommendation at paragraph (1) shall cover all aspects of remuneration including but not limited to directors' fees, salaries, allowances, bonuses, share awards, options and benefits in kind.
- (3) Make recommendations to the Board in respect of paragraphs (1) and (2) above and submit the same for endorsement by the entire Board.
- (4) Determine performance-related elements of remuneration to align interests of executive directors with those of shareholders and link rewards to corporate and individual performance.
- (5) Consider whether Directors should be eligible for benefits under long-term incentive schemes.
- (6) Administer the Company's share award scheme and share option scheme (if any).
- (7) Consider and make recommendations to the Board concerning the disclosure of details of the Company's remuneration policy, level and mix of remuneration and procedure for setting remuneration, and the details of the specific remuneration packages of the Directors and executives of the Company, in addition (if appropriate) to those required by law or by the Code.

Nomination Committee:

The Nomination Committee's responsibilities include, among other things, to:

- (1) Review and make recommendations to the Board on all candidates nominated (whether by the Board, shareholders or otherwise) for appointment to the Board, taking into account the candidate's track record, age, experience, capabilities and other relevant factors.
- (2) Identify and make recommendations to the Board as to the Directors who are to retire by rotation and to be put forward for re-election at each annual general meeting of the Company, having regard to the Directors' contribution and performance (such as their attendance, preparedness, participation and candour), including, if applicable, as independent Directors.

- (3) Determine periodically whether or not a Director is independent, bearing in mind the circumstances set out in Guidance Note 2.1 of the Code and other salient factors.
- (4) Decide, in relation to a Director who has multiple board representations, whether or not such Director is able to and has been adequately carrying out his duties as Director of the Company. If the Nomination Committee considers it necessary, it shall make recommendations to the Board on the guidelines to be implemented to address the competing time commitments faced by Directors serving on multiple boards.
- (5) Ensure that, in connection with the re-election of Directors at annual general meetings of the Company, sufficient information is provided to the shareholders so as to enable them to make an informed decision.
- (6) Identify and nominate candidates for the approval of the Board to fill vacancies in the Board as and when they arise.
- (7) Review all candidates nominated for appointment as the Company's chairman, president, chief executive officer, group managing director, managing director, deputy chairman, deputy president, deputy chief executive officer or other officer by whatever name called who has responsibilities and functions similar to any of the said officers.
- (8) Put in place plans for succession, in particular, of the Chairman of the Board and the Managing Director of the Company.
- (9) Make recommendations to the Board on the continuation (or not) of service of any Director who has reached the age of 70.
- (10) At least once every financial year, review (and thereafter, make recommendations to the Board regarding) the Board structure, size, composition and core competencies, taking into account the balance between executive and non-executive Directors and between independent and non-independent Directors, and having regard at all times to the principles of corporate governance and the Code.
- (11) Procure that at least one-third (1/3) of the Board shall comprise of independent Directors (or such other minimum proportion and criteria as may be specified in the Code from time to time).
- (12) Propose, for approval by the Board, objective performance criteria (that allows comparison with the Company's industry peers) to evaluate the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board.

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

Name of Director	Board	Audit Com.	Rem. Com.	Nom. Com.
M.L. Chandchutha Chandratat	6/6	-	4/4	2/2
Mr. David Stewart Simpson	6/6	-	-	-
Mr. Surasak Khaoroptham	6/6	-	-	-
Mr. Pichet Sithi-Amnuai	6/6	4/4	-	-
Mr. Lim How Teck	6/6	4/4	-	-
Mr. Ng Chee Keong	5/6	-	6/6	2/2
Mr. Leslie George Merszei	6/6	4/4	6/6	2/2
Ms. Joey Horn	4/5	-	2/2	-

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

All material transactions of Mermaid and its subsidiaries ("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 Executive Chairman and the Chief Executive Officer (Managing Director) of Mermaid.

6. Composition of Nominating Committee.

As at 30 September 2009, the Nomination Committee members were Mr. Ng Chee Keong, Mr. Leslie George Merszei and Ms. Joey Horn. The Chairman of the Nomination Committee was Mr. Ng Chee Keong. From 01 October 2009 to 12 February 2009, M.L. Chandchutha Chandratat was also a member of the Nomination Committee but for good corporate governance, he resigned from the Nomination Committee following his appointment as Executive Chairman on 12 February 2009. On 12 February 2009, the Board appointed Ms. Joey Horn as a member of the Nomination Committee in his place.

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

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

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

Name	Position	Audit Com.	Rem. Com.	Nom. Com.
M.L. Chandchutha Chandratat	Executive Chairman	-	-	-
Mr. David Stewart Simpson	Managing Director	-	-	-
Mr. Surasak Khaoroptham	Non-Executive Director	-	-	-
Mr. Pichet Sithi-Amnuai	Independent Director	●	-	-
Mr. Lim How Teck	Independent Director	●	-	-
Mr. Ng Chee Keong	Independent Director	-	●	●
Mr. Leslie George Merszei	Independent Director	●	●	●
Ms. Joey Horn	Non-Executive Director	-	●	●

Prior to his appointment as Executive Chairman, M.L. Chandchutha Chandratat was the Chairman of the Board and considered by the Nomination Committee (with himself abstaining) to be a Non-Independent Non-Executive Director. He was also a member of the Remuneration and Nomination Committees. On 12 February

2009, following his appointment as Executive Chairman, he, for good corporate governance, resigned from his position as a member of the Remuneration and Nomination Committees. The Board on 12 February 2009 appointed Ms. Joey Horn, considered by the Nomination Committee to be a Non-Independent Non-Executive Director, as a member of both the Remuneration and Nomination Committees in his place.

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

On the initiative of the Audit Committee, each Director had undertaken a self-assessment exercise of the performance of the Board as a whole and of himself/herself taking into relevant consideration the roles and responsibilities of directors pursuant to the Code and the results of the business operations. The results of the self-assessment exercise were reported to and discussed by the Board and areas for improvement were noted by the Board and recorded in the minutes.

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

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

11. Composition of Remuneration Committee.

As at 30 September 2009, the Remuneration Committee members were Mr. Ng Chee Keong, Mr. Leslie George Merszei and Ms. Joey Horn. The Chairman of the Remuneration Committee was Mr. Ng Chee Keong. From 01 October 2009 to 12 February 2009, M.L. Chandchutha Chandratat was also a member of the Remuneration Committee but for good corporate governance, he resigned from the Remuneration Committee following his appointment as Executive Chairman on 12 February 2009. On 12 February 2009, the Board appointed Ms. Joey Horn as a member of the Remuneration Committee in his place.

12. The name and remuneration of each person who is/was a Director of the company during the financial year ending 30 September 2009 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	•		
Mr. David Stewart Simpson		•	
Mr. Surasak Khaoroptham	•		
Mr. Pichet Sithi-Amnuai	•		
Mr. Lim How Teck	•		
Mr. Ng Chee Keong	•		
Mr. Leslie George Merszei	•		
Ms. Joey Horn	•		

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	100%	0%	0%	0%
Mr. David Stewart Simpson	62%	15%	22%	1%
Mr. Surasak Khaoroptham	100%	0%	0%	0%
Mr. Pichet Sithi-Amnuai	100%	0%	0%	0%
Mr. Lim How Teck	100%	0%	0%	0%
Mr. Ng Chee Keong	100%	0%	0%	0%
Mr. Leslie George Merszei	100%	0%	0%	0%
Ms. Joey Horn	100%	0%	0%	0%

The value of stock options were derived based on the positive net difference between the market price and the exercise price as at the date of the grant of such options multiplied by the number of options held, even though the actual compensation from such stock options may only be realisable in different calendar years.

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

Key Executives	Below SGD 250,000	SGD 250,000 to SGD 499,999	SGD 500,000 and above
Mr. Sataporn Amornvorapak	•		
Mr. Mark Andrew Shepherd	•		
Mr. Simon Matthew Turner	•		
Mr. Stephen Gregor Lenz	•		
Mr. Jeffery Allen Breal	•		

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. Sataporn Amornvorapak	66%	21%	12%	1%
Mr. Mark Andrew Shepherd	72%	20%	7%	1%
Mr. Simon Matthew Turner	71%	19%	9%	1%
Mr. Stephen Gregor Lenz	76%	0%	22%	2%
Mr. Jeffery Allen Breal	98%	0%	1%	1%

The value of stock options were derived based on the positive net difference between the market price and the exercise price as at the date of the grant of such options multiplied by the number of options held, even though the actual compensation from such stock options may only be realisable in different calendar years.

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

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

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

Ms. Joey Horn was appointed a Director (Non-Executive Director) on 29 January 2009. From the date of her appointment to 30 September 2009, her total remuneration as a Director was equivalent to SGD 40,482.

M.L. Chandchutha Chandratat was appointed Executive Chairman (Executive Director) on 12 February 2009. Prior to this appointment, he was Chairman of the Board (Non-Executive Director). From 01 October 2008 to 11 February 2009, his total remuneration as Chairman of the Board was equivalent to SGD 14,399. From 12 February 2009 to 30 September 2009, his total remuneration as Executive Chairman was equivalent to SGD 134,332.

18. Details of Employee Share Option Plan.

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

(a) Objectives of ESOP 2008 and ESOP 2009

Mermaid recognises that the contributions and continued dedication of its executives and employees are significant to its future growth and development. ESOP 2008 and ESOP 2009 were 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 ESOP 2008 and ESOP 2009 were 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.

ESOP 2008 and ESOP 2009 are share incentive plans. The implementation of ESOP 2008 and ESOP 2009 enabled Mermaid to recognise the contributions made by the participants by introducing a variable component into their remuneration package in the form of Options. ESOP 2008 and ESOP 2009 also provided an opportunity for each participant to participate in the equity of Mermaid and will provide a further incentive for the participants to strive for greater long-term growth and profitability for the Group. Mermaid believes ESOP 2008 and ESOP 2009 helps to attract, motivate and retain key executives and reward them for achievement of pre-determined targets which create and enhance economic value for the shareholders.

(b) Summary of ESOP 2008 and ESOP 2009

A summary of the rules of ESOP 2008 and ESOP 2009 is set out below. Full details of ESOP 2008 were disclosed to shareholders in Appendix-C of Mermaid's Initial Public Offering ("IPO") prospectus dated 09 October 2007 and a summary of the principle terms of ESOP 2009 were circulated to the shareholders on 09 January 2009 with full details available to shareholders upon request.

Plan administration: ESOP 2008 and ESOP 2009 is administered by the Remuneration Committee ("Committee"), which have powers to determine, among others, the persons to be granted Options, number of Options to be granted, recommendations for modifications to ESOP 2008 and ESOP 2009, and determination of the exercise price of the Options.

Option Participants: Only employees of Mermaid and its subsidiaries (including executive Directors) were eligible to participate in ESOP 2008 and ESOP 2009, at the absolute discretion of the Remuneration

Committee. The non-Executive Directors of Mermaid, and persons who are controlling shareholders and their associates, were not eligible to participate in ESOP 2008 and ESOP 2009.

Size of ESOP 2008 and ESOP 2009: The aggregate number of new shares that were available to be granted under ESOP 2008 was limited to 3,832,053 shares or 1.0% of the then issued share capital of Mermaid. The aggregate number of new shares that were available to be granted under ESOP 2009 was limited to 3,000,000 shares of 0.55% of the then issued share capital of Mermaid.

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

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

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

Grant of Options: Under the rules of the Thai Securities and Exchange Commission (“Thai SEC”), the Options must be granted within one (1) year from the approval date. For ESOP 2008, this date was 25 June 2009 (being one year from the date the Thai SEC approved ESOP 2008), and for ESOP 2009, this date was 28 January 2010 (being one year from the date the shareholders of Mermaid approved ESOP 2009, the Thai SEC approval no longer being required due to change in Thai SEC regulations).

Termination of Options: Special provisions in the rules of ESOP 2008 and ESOP 2009 deal with the lapse or earlier exercise of Options in circumstances which include the termination of the employment of the participant.

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 ESOP 2008 and ESOP 2009

Share capital: ESOP 2008 and ESOP 2009 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 ESOP 2008 and ESOP 2009 do not result in having to recognise any expenses in the income statement.

(d) Status of ESOP 2008

Allocation of Options pursuant to ESOP 2008 was made by the Remuneration Committee on 20 November 2008. In accordance with Rule 704(27) of the SGX-ST Listing Manual, Mermaid had on 20 November 2008 disclosed to the SGX-ST details of the grant of Options pursuant to ESOP 2008. Effective 24 November 2009

(being the date following the issue and allocation of additional rights shares pursuant to the Rights Issue as defined below), an adjustment was made to the number of Options granted due to a variation to Mermaid's issued capital arising from a renounceable underwritten rights issue of 243,542,403 rights shares at a price of SG\$0.64 for each rights shares on the basis of nine (9) rights shares for every twenty (20) existing ordinary shares in the capital of Mermaid which were issued and allocated on 23 November 2009 ("Rights Issue").

698,000 Options were granted under ESOP 2008 on 20 November 2008. From 20 November 2008 to 24 November 2009, 30,000 Options had been cancelled pursuant to the terms of ESOP 2008. With regard to the balance of 668,000 Options that remained valid and exercisable, the allocation of a further 300,600 Options were made to eligible participants, equivalent to the allocation of an additional nine (9) Options for every twenty (20) existing Options held by each eligible participant, as an adjustment pursuant to the terms of ESOP 2008 arising from the Rights Issue.

Therefore, the total number of Options that are valid and exercisable pursuant to ESOP 2008 had been adjusted to 968,600 Options (from 668,000 Options) of which 232,000 Options were granted to Mermaid's directors and controlling shareholders (and their associates) (from 160,000 Options). An updated summary of ESOP 2008 is as follows:

(a)	Date of grant	20 November 2008
(b)	Exercise price of options granted	SGD 0.30 per share
(c)	Number of options valid and exercisable	968,600
(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)	232,000
(f)	Validity period of the options	5 years from date of grant

The Remuneration Committee who administered ESOP 2008 comprised: Mr. Ng Chee Keong, M.L. Chandchutha Chandratat, and Mr. Leslie George Merszei. The Chairman of the Remuneration Committee was Mr. Ng Chee Keong. The Remuneration Committee who approved the adjustments to ESOP 2008 arising from the Rights Issue comprised: Mr. Ng Chee Keong, Mr. Leslie George Merszei and Ms. Joey Horn. The Chairman of the Remuneration Committee was Mr. Ng Chee Keong.

As at 24 November 2009, directors of Mermaid who are participants of ESOP 2008 were as follows:

Name of participant	Options granted	Aggregate options granted since commencement of ESOP 2008	Aggregate options exercised since commencement of ESOP 2008	Aggregate options outstanding
Mr. David Stewart Simpson	232,000	232,000	-nil-	232,000

Since the commencement of ESOP 2008 to 24 November 2009, no participant received more than 5% or more of the total number of options available under ESOP 2008 and no options were granted at a discount. Furthermore, since the commencement of the Plan to 24 November 2009 no controlling shareholders or their associates were granted options under ESOP 2008 and no options were granted to Mermaid's parent company or other subsidiaries of the parent company outside Mermaid, nor any of its or their directors and employees.

(e) Status of ESOP 2009

Allocation of Options pursuant to ESOP 2009 was made by the Remuneration Committee on 16 November 2009. In accordance with Rule 704(27) of the SGX-ST Listing Manual, Mermaid had on 16 November 2009 disclosed to the SGX-ST details of the grant of Options as follows:

(a)	Date of grant	16 November 2009
(b)	Exercise price of options granted	SGD 0.81 per share
(c)	Number of options granted	891,000
(d)	Market price on the date of the grant	SGD 0.84 per share
(e)	Number of options granted to Mermaid's directors and controlling shareholders (and their associates)	125,000
(f)	Validity period of the options	5 years from date of grant

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

As at 16 November 2009, directors of Mermaid who are participants of ESOP 2009 were as follows:

Name of participant	Options granted	Aggregate options granted since commencement of ESOP 2009	Aggregate options exercised since commencement of ESOP 2009	Aggregate options outstanding
Mr. David Stewart Simpson	125,000	125,000	-nil-	125,000

As at 16 November 2009, no participant received more than 5% or more of the total number of options available under ESOP 2009 and no options were granted at a discount. Furthermore, as at 16 November 2009, no controlling shareholders or their associates were granted options under ESOP 2009 and no options were granted to Mermaid's parent company or other subsidiaries of the parent company outside Mermaid, nor any of its or their directors and employees.

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

As at 30 September 2009, the Audit Committee members were: Mr. Pichet Sithi-Amnuai, Mr. Leslie George Merszei and Mr. Lim How Teck. The Chairman of the Audit Committee was Mr. Pichet Sithi-Amnuai.

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

The Audit Committee carried out its functions stated in the Audit Committee Charter including the following:

- 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;
- Monitored the effectiveness of the external auditor's performance, their independence and objectivity;
- Pre-approved an annual external audit scopes and fees;
- Reviewed and approved the audit plans of Mermaid's Internal Audit Department to ensure the adequacy of internal control systems in the Company;

- Reviewed the effectiveness of Mermaid's internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditors;
- Reviewed the performance of the Internal Audit Manager and concurred with annual compensation and salary adjustment;
- Separately met with the external auditors and internal auditors, without the presence of Mermaid's management, to discuss any matters and concerns;
- Reviewed the Company's related party transactions;
- Regularly reported the Board of Directors about the committee activities, internal audit activities and findings, and recommended the proper solutions; and
- Investigated anonymous reports raised by whistleblowers as appropriate.

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

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

The Internal Audit Manager is independent of management and has a direct and primary reporting line to the Chairman of the Audit Committee. The Internal Audit Manager 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 General Counsel, assists in overseeing compliances with all law and regulations concerning public companies.

In line with the commitment of a high standard of compliance with accounting, financial reporting, internal controls, corporate governance and auditing requirements and any legislation relating thereto set out in the Code of Business Conduct, the Company has set in place a Whistleblowing Policy ("Policy"), providing an avenue for its employees and external parties to raise concerns and offer reassurance that they will be protected from reprisals or victimization for whistleblowing in good faith. The Policy is also to conform to the guidance set out in the Code which encourages employees to raise concerns, in confidence, about possible irregularities.

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

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

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

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

Notwithstanding this present limitation in Thailand, Mermaid is in compliance with this recommendation insofar as it relates to its subsidiaries incorporated in Malaysia and Singapore.

Consolidated and Company Financial Statements



PricewaterhouseCoopers ABAS Ltd.
15th Floor, Bangkok City Tower
179/74-80 South Sathorn Road
Bangkok 10120
Thailand
Telephone +66 2 286 9999, 2 344 1000
Facsimile +66 2 286 5050, 2 286 0500
www.pwc.com/thailand

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 2009 and 2008, and the related consolidated and company statements of income, changes in shareholders' equity, and cash flows for the years then ended of Mermaid Maritime Public Company Limited and its subsidiaries, and of Mermaid Maritime Public Company Limited, respectively. The company's management is responsible for the correctness and completeness of information in these financial statements. My responsibility is to express an opinion on these financial statements based on my audits.

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

In my opinion, the consolidated and company financial statements referred to above present fairly, in all material respects, the consolidated and company financial positions as at 30 September 2009 and 2008, and the consolidated and company results of operations and cash flows for the years then ended of Mermaid Maritime Public Company Limited and its subsidiaries, and of Mermaid Maritime Public Company Limited, respectively, in accordance with generally accepted accounting principles.

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

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

Bangkok
25 November 2009

Balance Sheets

Mermaid Maritime Public Company Limited
As at 30 September 2009 and 2008

	Notes	Consolidated		Company	
		2009 Baht'000	2008 Baht'000	2009 Baht'000	2008 Baht'000
Assets					
Current assets					
Cash and cash equivalents	5	1,450,525	1,726,430	224,140	1,141,842
Short-term investments	6	334,217	-	334,217	-
Trade accounts receivable - others, net	7	1,036,688	1,461,783	-	-
Trade accounts receivable - related parties	26.2	113	152	-	-
Amounts due from related parties	26.2	1,953	14,252	474,045	275,692
Short-term loans to related parties	26.3	-	1,147,989	737,102	2,080,811
Supplies and spare parts		112,940	147,515	-	-
Current portion of deferred tax assets	13	34,668	-	-	-
Other current assets	10	137,014	358,112	16,054	16,955
Total current assets		3,108,118	4,856,233	1,785,558	3,515,300
Non-current assets					
Investments in subsidiaries - cost method	8.1	-	-	5,237,264	3,543,392
Investments in associates - equity method	8.2	387,967	405,296	-	-
Other long-term investments	9	77,697	-	-	-
Property, plant and equipment, net	11	10,300,959	7,492,276	189,264	208,054
Goodwill	8.1	266,310	180,898	-	-
Intangible assets, net	12	16,101	16,942	959	4,097
Deferred expenses, net		84,203	-	-	-
Deferred tax assets, net	13	193,756	213,605	-	-
Other non-current assets	14	120,397	14,352	569	569
Total non-current assets		11,447,390	8,323,369	5,428,056	3,756,112
Total assets		14,555,508	13,179,602	7,213,614	7,271,412

The notes to the consolidated and Company financial statements on page 76 to 112 form an integral part of these consolidated financial statements.

Balance Sheets (Cont'd)

Mermaid Maritime Public Company Limited
As at 30 September 2009 and 2008

	Notes	Consolidated		Company	
		2009 Baht'000	2008 Baht'000	2009 Baht'000	2008 Baht'000
Liabilities and shareholders' equity					
Current liabilities					
Trade accounts payable - others		173,569	327,150	-	-
Trade accounts payable - related parties	26.2	9,958	-	-	-
Other accounts payable		826,858	952,140	2,567	2,312
Amounts due to related parties	26.2	29	51	33	17
Current portion of long-term loans from financial institutions	15	466,834	416,570	24,800	24,800
Current portion of finance lease liabilities		2,420	4,587	774	1,845
Income taxes payable		55,484	20,210	-	-
Accrued expenses		107,368	74,813	800	606
Current portion of employee benefit obligations	16	115,560	-	-	-
Other current liabilities		29,998	176,926	8,796	10,865
Total current liabilities		1,788,078	1,972,447	37,770	40,445
Non-current liabilities					
Long-term loans from financial institutions	15	2,073,459	1,521,857	36,000	60,800
Finance lease liabilities		4,021	5,983	-	659
Employee benefit obligations	16	33,285	5,373	2,960	2,065
Total non-current liabilities		2,110,765	1,533,213	38,960	63,524
Total liabilities		3,898,843	3,505,660	76,730	103,969
Shareholders' equity					
Share capital	17				
Registered share capital		544,903	674,537	544,903	674,537
Issued and fully paid-up		541,205	541,205	541,205	541,205
Premium on share capital	17	6,470,791	6,470,791	6,470,791	6,470,791
Translation adjustments for investments in foreign subsidiaries		(30,384)	(24,536)	-	-
Retained earnings					
Appropriated - legal reserves	18	39,717	39,717	39,717	39,717
Unappropriated		2,975,996	2,261,511	85,171	115,730
Total parent's shareholders' equity		9,997,325	9,288,688	7,136,884	7,167,443
Minority interests		659,340	385,254	-	-
Total shareholders' equity		10,656,665	9,673,942	7,136,884	7,167,443
Total liabilities and shareholders' equity		14,555,508	13,179,602	7,213,614	7,271,412

The notes to the consolidated and Company financial statements on page 76 to 112 form an integral part of these consolidated financial statements.

Statements of Income

Mermaid Maritime Public Company Limited
For the Years that ended 30 September 2009 and 2008

	Notes	Consolidated		Company	
		2009 Baht'000	2008 Baht'000	2009 Baht'000	2008 Baht'000
Service income	4	5,209,869	5,285,443	-	-
Cost of services		(3,770,855)	(3,686,546)	-	-
Gross profits		1,439,014	1,598,897	-	-
Service and administrative expenses		(485,611)	(731,561)	(95,879)	(90,031)
Management fee income	26.1	-	-	70,320	70,320
Interest income		16,618	37,975	33,687	44,216
Gains (losses) on exchange rates		(55,513)	159,750	(51,442)	106,678
Net gains (losses) on disposals and write-off of property, plant and equipment and intangible assets		21,252	(5,855)	1,052	1,298
Gains on disposal of investments	8	-	-	4,538	-
Other income		28,566	102,751	10,334	12,743
Operating profits (losses)	19	964,326	1,161,957	(27,390)	145,224
Share of profits (losses) of investments in associates	8.2	(17,329)	32,132	-	-
Profits (losses) before interest expenses and income taxes		946,997	1,194,089	(27,390)	145,224
Interest expenses		(83,908)	(123,994)	(3,169)	(6,362)
Profits (losses) before income taxes		863,089	1,070,095	(30,559)	138,862
Income taxes	20	(115,711)	91,962	-	-
Net profits (losses) for the year		747,378	1,162,057	(30,559)	138,862
Attributable to:					
Shareholders of the parent		714,485	1,156,291	(30,559)	138,862
Minority interests		32,893	5,766	-	-
		747,378	1,162,057	(30,559)	138,862
		Baht	Baht	Baht	Baht
Earnings (losses) per share for profits attributable to the shareholders of the parent					
Basic and diluted earnings (losses) per share	21	1.32	2.17	(0.06)	0.26

The notes to the consolidated and Company financial statements on page 76 to 112 form an integral part of these consolidated financial statements.

Statements of Changes in Shareholders' Equity

Mermaid Maritime Public Company Limited
For the Years that ended 30 September 2009 and 2008

	Consolidated 2009					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
Beginning balance as at 1 October 2008	541,205	6,470,791	(24,536)	39,717	2,261,511	385,254
Issued share capital	-	-	-	-	-	260,534
Return of capital investment from a subsidiary	-	-	-	-	-	(18,667)
Net profits for the year	-	-	-	-	714,485	32,893
Translation adjustments for investments in foreign subsidiaries	-	-	(5,848)	-	-	(674)
Ending balance as at 30 September 2009	541,205	6,470,791	(30,384)	39,717	2,975,996	659,340
						10,656,665

	Company 2009			Unappropriated retained earnings		Baht'000
	Issued and paid-up share capital	Premium on share capital	Legal reserves	Unappropriated retained earnings	Total	
Beginning balance as at 1 October 2008	541,205	6,470,791	39,717	115,730	7,167,443	
Net losses for the year	-	-	-	(30,559)	(30,559)	
Ending balance as at 30 September 2009	541,205	6,470,791	39,717	85,171	7,136,884	

The notes to the consolidated and Company financial statements on page 76 to 112 form an integral part of these consolidated financial statements.

Mermaid Maritime Public Company Limited
For the Years that ended 30 September 2009 and 2008

The notes to the consolidated and Company financial statements on page 76 to 112 form an integral part of these consolidated financial statements.

Statements of Cash Flows

Mermaid Maritime Public Company Limited
For the Years that ended 30 September 2009 and 2008

	Notes	Consolidated		Company	
		2009 Baht'000	2008 Baht'000	2009 Baht'000	2008 Baht'000
Cash flows from operating activities					
Profits (losses) before income taxes		863,089	1,070,095	(30,559)	138,862
Adjustments for:					
Depreciation	11	554,433	561,255	20,478	20,499
Amortisation of intangible assets	12	7,451	8,580	3,138	6,680
Interest expenses		83,908	123,994	3,169	6,362
Net (gains) losses on disposals and write-off of property, plant and equipment and intangible assets		(21,252)	5,988	(1,052)	(1,298)
Gains on disposals of investments in a subsidiary	8	-	-	(4,538)	-
Write-off of goodwill	8	1,884	-	-	-
Realised (gains) losses on exchange rates		(29,834)	(10,363)	(14,320)	-
Unrealised (gains) losses on exchange rates		85,347	(86,709)	65,762	(106,496)
Doubtful accounts expense		-	9,468	-	-
Employee benefit obligations	16	143,472	2,014	895	520
Share of (profits) losses of investments in associates	8	17,329	(32,132)	-	-
Changes in operating assets and liabilities (excluding the effects of acquisition and disposal)					
- Trade accounts receivable - others		429,604	(452,870)	-	-
- Trade accounts receivable - related parties		39	109	-	56
- Amounts due from related parties		12,299	(14,163)	(205,003)	(168,221)
- Supplies and spare parts		34,575	(33,934)	-	-
- Other current assets		234,748	(111,690)	5,021	76,043
- Deferred expenses		(84,203)	-	-	-
- Other non-current assets		(106,045)	32,376	-	-
- Trade accounts payable - others		(140,096)	(46,354)	-	(6,369)
- Trade accounts payable - related parties		9,958	(46,778)	-	(16)
- Other accounts payable		45,498	3,215	673	-
- Amounts due to related parties		(22)	(1,218)	16	17
- Accrued expenses		32,178	(43,517)	205	(41,172)
- Other current liabilities		(122,934)	44,410	(2,068)	1,754
Cash generated from operations		2,051,426	981,776	(158,183)	(72,779)
- Interest paid		(83,532)	(123,502)	(3,181)	(6,412)
- Income taxes paid		(108,906)	(63,773)	(4,098)	(3,045)
Net cash inflows (outflows) from operating activities		1,858,988	794,501	(165,462)	(82,236)

The notes to the consolidated and Company financial statements on page 76 to 112 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 30 September 2009 and 2008

	Notes	Consolidated		Company	
		2009 Baht'000	2008 Baht'000	2009 Baht'000	2008 Baht'000
Cash flows from investing activities					
Repayment of short-term loans to related parties		1,140,394	-	1,546,150	659,208
Short-term loans provided to related parties		-	(1,147,989)	(197,700)	(2,597,593)
Payments for short-term investments	6	(334,217)	-	(334,217)	-
Payments for investments in subsidiaries	8	(87,296)	(202,784)	(1,708,191)	(2,408,572)
Payments for investments in associates	8	-	(373,164)	-	-
Payments for other long-term investments	9	(77,697)	-	-	-
Proceeds from return of capital investment from a liquidated subsidiary	8	-	-	18,857	94,004
Proceeds from disposals of property, plant and equipment and intangible assets		32,303	17,494	2,142	13,683
Purchases of property, plant and equipment		(3,583,651)	(3,124,869)	(2,778)	(3,574)
Purchases of intangible assets		(8,347)	(12,941)	-	(1,646)
Net cash (outflows) from investing activities		(2,918,511)	(4,844,253)	(675,737)	(4,244,490)
Cash flows from financing activities					
Net payments for bank overdrafts		-	(20,274)	-	-
Proceeds from short-term loans from financial institutions		-	41,514	-	-
Repayments of short-term loans from financial institutions		-	(243,092)	-	-
Repayments of finance lease liabilities		(4,076)	(6,590)	(1,730)	(2,280)
Proceeds from long-term loans from financial institutions	15	1,361,976	170,565	-	-
Repayments of long-term loans from financial institutions	15	(756,167)	(395,882)	(24,800)	(24,800)
Payments for capital investments to minorities		(18,667)	(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		260,534	325,188	-	-
Net cash inflows (outflows) from financing activities		843,600	5,183,321	(26,530)	5,375,359

The notes to the consolidated and Company financial statements on page 76 to 112 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 30 September 2009 and 2008

	Note	Consolidated		Company	
		2009 Baht'000	2008 Baht'000	2009 Baht'000	2008 Baht'000
Net increase (decrease) in cash and cash equivalents		(215,923)	1,133,569	(867,729)	1,048,633
Cash and cash equivalents at the beginning of the year	5	1,726,430	511,700	1,141,842	21,139
Effects of exchange rates		(59,982)	81,161	(49,973)	72,070
Cash and cash equivalents at the end of the year	5	<u>1,450,525</u>	<u>1,726,430</u>	<u>224,140</u>	<u>1,141,842</u>

Non-cash transactions

During the years that ended on 30 September 2009 and 2008, the following significant non-cash transactions occurred:

Unpaid liabilities under finance lease agreements for purchase of motor vehicles	6,442	10,570	774	2,504
Unpaid liabilities for purchases of property, plant and equipment	695,583	924,463	-	-

The notes to the consolidated and Company financial statements on page 76 to 112 form an integral part of these consolidated financial statements.

Notes to the Consolidated and Company Financial Statements

Mermaid Maritime Public Company Limited
For the Years that ended 30 September 2009 and 2008

1 General information

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

26/28-29 Orakarn Building, 9th 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 systems, non-destructive testing, and ownership and operation of a fleet of offshore service vessels and tender drilling rigs.

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

The Board of Directors approved the issue of the audited consolidated and company financial statements on 25 November 2009.

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 (“TAS”) issued under the Accounting Profession Act B.E. 2547.

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

The preparation of financial statements in conformity with 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)

2.2 New accounting standard, new financial reporting standards and amendments to accounting standards

Revised standards that are effective for the period beginning on or after 1 January 2009 and revised accounting framework.

TAS 36 (revised 2007) Impairment of Assets

Thai Financial Reporting Standard No. 5 (revised 2007) Non-current Assets Held for Sale and Discontinued Operations (formerly TAS 54)

Accounting Framework (revised 2007) (effective 26 June 2009)

The above two standards and accounting framework do not have a material impact on the financial statements being presented.

The revised accounting standards and new accounting standards which are effective for the period beginning on or after 1 January 2011 and 1 January 2012 and which were not early adopted by the Group are as follows:

Effective for the period beginning on or after 1 January 2011

TAS 24 (revised 2007) Related Party Disclosure (formerly TAS 47)

TAS 40 Investment Property

Effective for the period beginning on or after 1 January 2012

TAS 20 Accounting for Government Grants and Disclosure for Government Assistance

The Group's management has determined that the revised standards and new standards will not significantly impact the financial statements being presented.

On 26 June 2009, the Federation of Accounting Professions announced the revision of the numbers used in the Thai Accounting Standards to correspond with the numbers used in the International Accounting Standards.

2.3 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.

2.3.1 Property, plant, and equipment and intangible assets

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

2.3.2 Deferred income taxes

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

2.3.3 Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.4.8. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates by management.

2 Summary of significant accounting policies (Cont'd)

2.4 Accounting policies

2.4.1 Investments in subsidiaries and associates

(a) 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 and the effect of acquisitions and disposals of subsidiaries are shown in Note 8.

(b) 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.

Goodwill arising on the acquisition of associates is included in the carrying amount of the investment in associates 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 8.

2 Summary of significant accounting policies (Cont'd)

2.4 Accounting policies (Cont'd)

2.4.2 Foreign currencies translation

Items included in the financial statements of each entity in the Group are measured using the reporting currency of each entity in which the entity 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 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.

2.4.3 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flows 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.

2.4.4 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.

2.4.5 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, determined on the specific identification basis. 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 Summary of significant accounting policies (Cont'd)

2.4 Accounting policies (Cont'd)

2.4.6 Other investments

Other investments which are classified as general investments are carried at cost, less impairment.

Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

A test for impairment by the Group is carried out when there is a factor indicating that such investment might be impaired. If the carrying value of the investment is higher than its recoverable amount, an impairment loss is charged to the statement of income.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the statement of income.

When disposing of part of the Group's holding of a particular investment in equity securities, the carrying amount of the disposed part is determined from the weighted average carrying amount of the total holding of the investment.

If an investment with fair value adjustments in equity is sold or impaired, accumulated fair value adjustments are included in the statement of income.

2 Summary of significant accounting policies (Cont'd)

2.4 Accounting policies (Cont'd)

2.4.7 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.

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.

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

2 Summary of significant accounting policies (Cont'd)

2.4 Accounting policies (Cont'd)

2.4.8 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate undertaking at the date of acquisition. Goodwill on acquisitions of subsidiaries is separately reported in the consolidated balance sheet. Goodwill on acquisitions of associates is included in 'investments in associates' and is tested for impairment as part of the overall balance.

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

Goodwill is allocated to forecast future cash-generating units 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.

2.4.9 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 Summary of significant accounting policies (Cont'd)

2.4 Accounting policies (Cont'd)

2.4.10 Accounting for long-term leases

Where the Group is the lessee

Leases 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.

Where the Group is the lessor

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

2.4.11 Provisions

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

2.4.12 Share capital

Ordinary shares are classified as equity.

Incremental external costs directly attributable to the issue of new shares, other than in connection with business combination, are shown in equity as a deduction from the proceeds. Share issue costs incurred directly in connection with a business combination are included in the cost of acquisition.

Where the Company or its subsidiaries purchases the Company's equity share capital, the consideration paid including any attributable incremental external costs net of income taxes is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

2 Summary of significant accounting policies (Cont'd)

2.4 Accounting policies (Cont'd)

2.4.13 Revenue recognition

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

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

(a) Rendering of services

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

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

(b) Interest income

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

(c) Dividend income

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

(d) Rental income

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

2.4.14 Dividend distribution

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

2 Summary of significant accounting policies (Cont'd)

2.4 Accounting policies (Cont'd)

2.4.15 Financial instruments

The Group is party to derivative financial instruments, which mainly comprise foreign currency forward contracts and interest rate swap agreements. Such instruments 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 will be realised or a foreign currency liability settled. Any increase or decrease in the amount required to realise the asset or settle the liability is offset by a corresponding movement in the value of the forward exchange contract. The gains and losses on the derivative instruments and the underlying financial asset or liability are therefore offset for financial reporting purposes. The fee incurred in establishing each agreement is amortised over the contract period, if any.

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

Disclosures about derivative financial instruments to which the Group is a party are provided in Note 22.

2.4.16 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 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)

2.4 Accounting policies (Cont'd)

2.4.17 Employee benefits

(a) Provident fund

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

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

(b) Retirement benefits

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

The liability of retirement benefit is recognised in the consolidated and company 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) Retention incentives

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

2 Summary of significant accounting policies (Cont'd)

2.4 Accounting policies (Cont'd)

2.4.18 Segment reporting

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

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

2.4.19 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.

2.5 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" required 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 had an impact to the Company's separate financial statements and did not have any impact on the consolidated financial statements. The Company has complied with this change beginning on 1 October 2007.

3 Capital risk management

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

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

4 Business segment information

The segment results are as follows:

	Consolidated			Baht'000
	For the year that ended 30 September 2009			
	Subsea services	Drilling services	Holding	Group
Total service income	3,352,966	2,213,027	-	5,565,993
Inter-segment service income	(356,124)	-	-	(356,124)
Service income	2,996,842	2,213,027	-	5,209,869
Operating profits (losses)	247,741	812,726	(96,141)	964,326
Interest expenses				(83,908)
Income taxes				(115,711)
Share of losses from associates				(17,329)
Net profits for the year				747,378
	Consolidated			Baht'000
	As at 30 September 2009			
	Subsea services	Drilling services	Holding	Group
Property, plant, equipment, and intangible assets	5,007,059	5,119,778	190,223	10,317,060
Total assets				14,555,508

4 **Business segment information** (Cont'd)

	Consolidated			Baht'000
	For the year that ended 30 September 2008			
	Subsea services	Drilling services	Holding	Group
Total service income	4,088,281	1,249,044	-	5,337,325
Inter-segment service income	(51,882)	-	-	(51,882)
Service income	4,036,399	1,249,044	-	5,285,443
Operating profits	993,037	25,421	143,499	1,161,957
Interest expenses				(123,994)
Income taxes				91,962
Share of profits from associates				32,132
Net profits for the year				<u>1,162,057</u>
	Consolidated			Baht'000
	As at 30 September 2008			
	Subsea services	Drilling services	Holding	Group
Property, plant, equipment, and intangible assets	3,049,120	4,247,947	212,151	7,509,218
Total assets				<u>13,179,602</u>

5 Cash and cash equivalents

Cash and cash equivalents comprise:

	Consolidated		Company	
	2009 Baht'000	2008 Baht'000	2009 Baht'000	2008 Baht'000
Cash on hand	7,677	2,827	46	34
Cash at banks	1,442,848	1,723,603	224,094	1,141,808
Total cash and cash equivalents	1,450,525	1,726,430	224,140	1,141,842

6 Short-term investments

	Consolidated		Company	
	2009 Baht'000	2008 Baht'000	2009 Baht'000	2008 Baht'000
Fixed deposit	334,217	-	334,217	-

Short-term investments represent the fixed deposit for a four-month period with a financial institution which carries interest at a fixed rate per annum.

7 Trade accounts receivable - others, net

Trade accounts receivable - others, comprise:

	Consolidated		Company	
	2009 Baht'000	2008 Baht'000	2009 Baht'000	2008 Baht'000
Trade accounts receivable - others	989,442	1,439,054	-	-
Accrued income	51,425	26,908	-	-
	1,040,867	1,465,962	-	-
<u>Less</u> Allowance for doubtful accounts	(4,179)	(4,179)	-	-
Trade accounts receivable - others, net	1,036,688	1,461,783	-	-

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

	Consolidated		Company	
	2009 Baht'000	2008 Baht'000	2009 Baht'000	2008 Baht'000
Trade accounts receivable under credit terms	414,462	1,079,138	-	-
Aging of trade accounts receivable past due:				
Less than 3 months	525,063	341,468	-	-
Overdue 3 to 6 months	97,021	7,737	-	-
Overdue 6 to 12 months	142	3,268	-	-
Overdue 12 months	4,179	34,351	-	-
	1,040,867	1,465,962	-	-
<u>Less</u> Allowance for doubtful accounts	(4,179)	(4,179)	-	-
Trade accounts receivable - other, net	1,036,688	1,461,783	-	-

8 Investments in subsidiaries and associates

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

Name	Classification	Country of incorporation	Percentage of holding	
			As at 30 September 2009	As at 30 September 2008
Darium Thai Offshore Ltd.	-	Thailand	- ⁽¹⁾	51.0
Mermaid Offshore Services Ltd. which has one associate and two subsidiaries as follows:	Subsidiary	Thailand	100.0	100.0
Worldclass Inspiration Sdn. Bhd.	Associate	Malaysia	25.0	25.0
Seascope Surveys (Thailand) Ltd.	Subsidiary	Thailand	80.0	80.0
Seascope Surveys Pte. Ltd. which has two subsidiaries as follows:	Subsidiary	Singapore	80.0	80.0
PT Seascope Surveys Indonesia	Subsidiary	Indonesia	97.0	97.0
Seascope Inspection Services Pte. Ltd.	Subsidiary	Singapore	100.0	100.0
Mermaid Drilling Ltd. which has three subsidiaries as follows:	Subsidiary	Thailand	95.0	95.0
MTR-1 Ltd.	Subsidiary	Thailand	100.0	100.0
MTR-2 Ltd.	Subsidiary	Thailand	100.0	100.0
Mermaid Drilling (Malaysia) Sdn. Bhd.	Subsidiary	Malaysia	100.0	100.0
Mermaid Training and Technical Services Ltd.	Subsidiary	Thailand	100.0	100.0
Mermaid Drilling (Singapore) Pte. Ltd. which has five subsidiaries and one associate as follows:	Subsidiary	Singapore	100.0	100.0
MTR-1 (Singapore) Ltd.	Subsidiary	Singapore	100.0	100.0
MTR-2 (Singapore) Ltd.	Subsidiary	Singapore	100.0	100.0
Mermaid Kencana Rig 1 Pte. Ltd.	Subsidiary	Singapore	75.0	75.0
Mermaid Kencana Rig 2 Pte. Ltd.	Subsidiary	Singapore	100.0	100.0
Kencana Mermaid Drilling Sdn. Bhd.	Associate	Malaysia	40.0	40.0
Mermaid Kencana Rigs (Labuan) Pte. Ltd.	Subsidiary	Malaysia	75.0	-

⁽¹⁾ The liquidation was completed on 24 August 2009.

8.1 Investments in subsidiaries

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

	Company	
	2009 Baht'000	2008 Baht'000
Opening balance	3,543,392	1,228,824
Additional investments in subsidiaries	1,708,191	2,408,572
Gain on disposal of investment in a subsidiary	4,538	-
Return of capital investment from a liquidated subsidiary	(18,857)	(94,004)
Ending balance	5,237,264	3,543,392

8 Investments in subsidiaries and associates (Cont'd)

8.1 Investments in subsidiaries (Cont'd)

During the year that ended on 30 September 2009, the Company and its subsidiaries, had additional investments as follows:

Mermaid Drilling (Singapore) Pte. Ltd.

On 29 December 2008, the Company subscribed for shares of Mermaid Drilling (Singapore) Pte. Ltd., totalling Baht 797.7 million (or USD 24 million) for Mermaid Drilling (Singapore) Pte. Ltd. to invest further in Mermaid Kencana Rig 1 Pte. Ltd. On 30 December 2008, Mermaid Kencana Rig 1 Pte. Ltd. increased its paid-up capital by Baht 1,063.6 million (or USD 32 million). USD 24 million and USD 8 million of capital were subscribed by Mermaid Drilling (Singapore) Pte. Ltd. and Kencana Petroleum Ventures Sdn. Bhd., respectively, reflecting their proportion of shareholding.

The share subscription in Mermaid Drilling (Singapore) Pte. Ltd. on 29 December 2008 consists of the following:

	Baht Million
Share subscription paid in advance on 1 October 2008	115.8
Additional investment	681.9
Total share subscription on 29 December 2008	<u>797.7</u>

Subsequently on 31 March 2009, the Company subscribed for additional shares of Mermaid Drilling (Singapore) Pte. Ltd., totalling Baht 99.3 million (or USD 3 million) for Mermaid Drilling (Singapore) Pte. Ltd. to invest further in Mermaid Kencana Rig 1 Pte. Ltd. On the same date, Mermaid Kencana Rig 1 Pte. Ltd. increased its paid-up capital by Baht 132.4 million (or USD 4 million). USD 3 million and USD 1 million were received from Mermaid Drilling (Singapore) Pte. Ltd. and Kencana Petroleum Ventures Sdn. Bhd., respectively, reflecting their proportion of shareholding.

Mermaid Drilling (Malaysia) Sdn. Bhd.

On 16 February 2009, Mermaid Drilling Ltd., a subsidiary, made a payment to invest in Mermaid Drilling (Malaysia) Sdn. Bhd. amounting to Baht 2.3 million (or RM 250,000).

Mermaid Kencana Rigs (Labuan) Pte. Ltd.

On 11 May 2009, Mermaid Drilling (Singapore) Pte. Ltd. subscribed for shares of Mermaid Kencana Rigs (Labuan) Pte. Ltd., totalling USD 3. On the same date, Mermaid Kencana Rigs (Labuan) Pte. Ltd. increased its paid-up capital by USD 4 which were received from Mermaid Drilling (Singapore) Pte. Ltd. of USD 3 and Kencana Petroleum Ventures Sdn. Bhd. of USD 1, reflecting their proportion of shareholding.

PT Seascope Surveys Indonesia

On 3 February 2009, Seascope Surveys Pte. Ltd., an indirect subsidiary, made a payment to invest in PT Seascope Surveys Indonesia amounting to Baht 1.8 million (or USD 50,000).

Seascope Surveys Pte. Ltd.

On 19 March 2009, Mermaid Offshore Services Ltd., a subsidiary, made the second installment payment of Baht 83.5 million (or USD 2.3 million) in respect of the acquisition of its 80% shareholding in Seascope Surveys Pte. Ltd. which was transacted in March 2008.

On 24 April 2009, Mermaid Offshore Services Ltd., a subsidiary, made the final installment payment of Baht 3.8 million (or USD 0.1 million) in respect of the acquisition of its 80% shareholding of Seascope Surveys Pte. Ltd. which was transacted in March 2008.

8 Investments in subsidiaries and associates (Cont'd)

8.1 Investments in subsidiaries (Cont'd)

Seascope Surveys Pte. Ltd. (Cont'd)

Details of the goodwill arisen from acquisition is as follows:-

	Consolidated	
	2009 Baht'000	2008 Baht'000
Beginning balance	180,898	-
Total cash paid for purchase consideration	87,296	224,073
Fair value of net assets acquired	-	(43,175)
Write-off	(1,884)	-
Ending balance	266,310	180,898

Mermaid Offshore Services Ltd.

On 30 September 2009, Mermaid Offshore Services Ltd., a subsidiary, increased its share capital from Baht 2,003 million to Baht 2,930 million by issuing 92.7 million new ordinary shares at a par value of Baht 10 per share. The Company invested Baht 927 million to subscribe for the issued shares, which is equivalent to Baht 10 per share.

Seascope Inspection Services Pte. Ltd.

As at 30 September 2009, Seascope Inspection Services Pte. Ltd., an indirect subsidiary, is in the process of dissolution.

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 and August 2009, the Company received a return of its capital investment from this subsidiary amounting to Baht 94.0 million and Baht 18.9 million, respectively. The liquidation was completed on 24 August 2009.

8.2 Investments in associates

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

	Consolidated	
	2009 Baht'000	2008 Baht'000
Opening balance	405,296	-
Additional investments in associates	-	373,164
Share of profits (losses) of investments in associates	(17,329)	32,132
Ending balance	387,967	405,296

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	603,595	2,323	8,145	(658)	25	(165)
Allied Marine & Equipment Sdn. Bhd.	Malaysia	2,104,217	1,487,532	576,733	5,033	22.5 (indirect)	1,133
Kencana Mermaid Drilling Sdn. Bhd. ⁽¹⁾	Malaysia	6,763	6,961	-	(906)	40	-
							968
							(18,297)
							(17,329)

Less Amortisation and write-off of intangible assets

⁽¹⁾ The Group has not recognised a loss from Kencana Mermaid Drilling Sdn. Bhd. of Baht 0.4 million (2008: Baht 0.3 million). The accumulated loss which has not been recognised was Baht 0.7 million (2008: Baht 0.3 million).

9 Other long-term investments

- On 26 December 2008, Mermaid Offshore Services Ltd., a subsidiary, entered into a Sale and Purchase Agreement with the shareholders of Nemo Subsea IS for the purchase of 20 shares representing 20% of the total shares in Nemo Subsea IS. The total purchase value was Baht 75.8 million (or USD 2.2 million) representing a price of Baht 3.8 million (or USD 108,000) per share.
- On 7 May 2009, Mermaid Offshore Services Ltd., a subsidiary, entered into a Sale and Purchase Agreement with the shareholders of Nemo Subsea IS for the purchase of another 0.5% of the total shares in Nemo Subsea IS. The total purchase value was Baht 1.9 million (or USD 0.06 million).

10 Other current assets

Other current assets comprise:

	Consolidated		Company	
	2009 Baht'000	2008 Baht'000	2009 Baht'000	2008 Baht'000
Value added taxes refundable	27,391	42,806	5,398	10,821
Prepaid expenses	23,675	40,947	1,331	1,013
Advances to employees	5,872	6,251	569	796
Advances for business expenses	49,938	153,093	-	119
Other receivables	-	95,124	-	-
Prepaid withholding tax	18,103	13,540	7,142	3,044
Deferred mobilisation cost	10,639	-	-	-
Other current assets	1,396	6,351	1,614	1,162
	137,014	358,112	16,054	16,955

11 Property, plant and equipment, net

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

	Consolidated								Bahr'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
At 30 September 2008											
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
For the year that ended on 30 September 2009											
Opening 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
Additions	-	-	2,164	155,728	5,358	475	-	9,489	-	3,199,427	3,372,641
Transferred in (out)	-	(2,946)	2,946	197,756	-	-	(2,696)	-	-	(195,060)	-
Disposals	(219)	(184)	-	(6,535)	-	(1,085)	(1,341)	-	-	-	(9,364)
Write-off	-	-	-	(59)	(95)	(7)	-	-	-	-	(161)
Depreciation charge	-	(11,656)	(4,309)	(154,090)	(10,599)	(5,054)	(283,410)	(85,268)	(47)	-	(554,433)
Closing net book amount	35,136	141,339	7,224	1,322,618	16,811	10,558	2,574,348	266,289	1	5,926,635	10,300,959
At 30 September 2009											
Cost	35,136	189,481	20,056	1,663,439	56,704	22,819	4,041,341	450,189	298	5,926,635	12,406,098
Less Accumulated depreciation	-	(48,142)	(12,832)	(340,821)	(39,893)	(12,261)	(1,466,993)	(183,900)	(297)	-	(2,105,139)
Net book amount	35,136	141,339	7,224	1,322,618	16,811	10,558	2,574,348	266,289	1	5,926,635	10,300,959

11 Property, plant and equipment, net (Cont'd)

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

	Company						Baht'000	
	Land	Buildings	Building improvement	Tools and equipment	Office equipment	Motor vehicles	Construction in process	Total
At 30 September 2008								
Cost	35,355	189,431	14,329	278	31,944	8,745	37	280,119
<u>Less</u> 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
For the year that ended on 30 September 2009								
Opening net book amount	35,355	153,275	5,962	126	9,970	3,329	37	208,054
Additions	-	-	1,928	17	833	-	-	2,778
Disposals	(219)	(141)	-	-	-	(730)	-	(1,090)
Depreciation charge	-	(11,656)	(2,921)	(58)	(4,357)	(1,486)	-	(20,478)
Closing net book amount	35,136	141,478	4,969	85	6,446	1,113	37	189,264
At 30 September 2009								
Cost	35,136	189,115	16,257	295	32,777	5,285	37	278,902
<u>Less</u> Accumulated depreciation	-	(47,637)	(11,288)	(210)	(26,331)	(4,172)	-	(89,638)
Net book amount	35,136	141,478	4,969	85	6,446	1,113	37	189,264

11 Property, plant, and equipment, net (Cont'd)

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

As at 30 September 2009, there are land and buildings, one saturation diving system, one remotely operated vehicle, and two tender rigs that are mortgaged with various banks as collateral for their overdrafts and loans facilities as described in Note 15. These assets are mortgaged at a total value of Baht 2,606 million (30 September 2008: Baht 2,522 million and USD 15 million in respect of one support vessel).

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

	Consolidated		Company	
	2009 Baht'000	2008 Baht'000	2009 Baht'000	2008 Baht'000
Depreciation charged to				
- Cost of services	519,704	453,958	-	-
- Service and administrative expenses	34,729	107,297	20,478	20,499
	554,433	561,255	20,478	20,499

12 Intangible assets, net

	Consolidated		Company	
	2009 Baht'000	2008 Baht'000	2009 Baht'000	2008 Baht'000
Computer software				
Beginning balance				
Cost	39,808	24,603	24,606	22,960
<u>Less</u> Accumulated amortisation	(22,866)	(14,286)	(20,509)	(13,829)
Net book amount	16,942	10,317	4,097	9,131
For the year that ended on 30 September				
Opening net book amount	16,942	10,317	4,097	9,131
Additions	8,305	15,205	-	1,646
Disposals	(1,679)	-	-	-
Write-off	(16)	-	-	-
Amortisation charge	(7,451)	(8,580)	(3,138)	(6,680)
Closing net book amount	16,101	16,942	959	4,097
Ending balance				
Cost	45,452	39,808	24,606	24,606
<u>Less</u> Accumulated amortisation	(29,351)	(22,866)	(23,647)	(20,509)
Net book amount	16,101	16,942	959	4,097

13 Deferred tax assets, net

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

	Consolidated		Company	
	2009 Baht'000	2008 Baht'000	2009 Baht'000	2008 Baht'000
Deferred tax assets				
- to be recovered within 12 months	34,668	-	-	-
- to be recovered after 12 months	223,668	213,605	-	-
Total	258,336	213,605	-	-
Deferred tax liabilities				
- to be paid within 12 months	-	-	-	-
- to be paid after 12 months	(29,912)	-	-	-
Total	(29,912)	-	-	-
Deferred tax assets, net				
- to be recovered within 12 months	34,668	-	-	-
- to be recovered after 12 months	193,756	213,605	-	-
Total	228,424	213,605	-	-

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

	Consolidated		Company	
	2009 Baht'000	2008 Baht'000	2009 Baht'000	2008 Baht'000
Opening net book amount	213,605	59,606	-	-
Statements of income (charged)/credited (Note 20)	14,819	153,999	-	-
Closing net book amount	228,424	213,605	-	-

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Employee benefit obligations Baht'000	Tax loss carry- forwards Baht'000	Depreciation Baht'000	Total Baht'000
Deferred tax assets				
At 30 September 2007	544	-	59,062	59,606
(Charged)/credited to 2008 consolidated statement of income	313	145,510	8,176	153,999
At 30 September 2008	857	145,510	67,238	213,605
(Charged)/credited to 2009 consolidated statement of income	41,692	3,039	-	44,731
At 30 September 2009	42,549	148,549	67,238	258,336

13 Deferred tax assets, net (Cont'd)

Deferred tax liabilities	Depreciation Baht'000	Total Baht'000
At 30 September 2007	-	-
Charged/(credited) to 2008 consolidated statement of income	-	-
At 30 September 2008	-	-
Charged/(credited) to 2009 consolidated statement of income	(29,912)	(29,912)
At 30 September 2009	(29,912)	(29,912)

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

The Company and certain subsidiaries did not recognise deferred income tax assets of Baht 104.7 million (2008: Baht 79.2 million) in respect of tax loss carry-forwards amounting to nil (2008: Baht 264.1 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.

14 Other non-current assets

	Consolidated		Company	
	2009 Baht'000	2008 Baht'000	2009 Baht'000	2008 Baht'000
Deposit and prepayment	116,026	11,023	-	-
Others	4,371	3,329	569	569
Total	120,397	14,352	569	569

15 Long-term loans from financial institutions

Long-term loans from financial institutions comprise:

	Consolidated		Company	
	2009 Baht'000	2008 Baht'000	2009 Baht'000	2008 Baht'000
Current portion of long-term loans	466,834	416,570	24,800	24,800
Long-term portion of loans	2,073,459	1,521,857	36,000	60,800
Loans from financial institutions	2,540,293	1,938,427	60,800	85,600

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

	Consolidated		Company	
	2009 Baht'000	2008 Baht'000	2009 Baht'000	2008 Baht'000
Beginning balance	1,938,427	2,179,655	85,600	110,400
Additions during year	1,361,976	170,565	-	-
Repayments during year	(756,167)	(395,882)	(24,800)	(24,800)
Realised (gains) losses on exchange rates	13,381	(10,363)	-	-
Unrealised (gains) losses on exchange rates	(17,324)	(5,548)	-	-
Ending balance	2,540,293	1,938,427	60,800	85,600

As at 30 September 2009 and 2008, maturity of long-term loans from financial institutions is as follows:

	Consolidated		Company	
	2009 Baht'000	2008 Baht'000	2009 Baht'000	2008 Baht'000
Less than 1 year	466,834	416,570	24,800	24,800
1 - 5 years	2,006,227	1,340,933	36,000	60,800
Over 5 years	67,232	180,924	-	-
	2,540,293	1,938,427	60,800	85,600

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

	Consolidated		Company	
	2009 Baht'000	2008 Baht'000	2009 Baht'000	2008 Baht'000
Currencies:				
US Dollar	1,606,016	1,697,277	-	-
Thai Baht	934,277	241,150	60,800	85,600
	2,540,293	1,938,427	60,800	85,600

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

Long-term loans from financial institutions comprise:

Loans for the purchase of support vessels and equipment are granted by local commercial banks, and are denominated in Thai Baht and US Dollars, having a total outstanding balance of Baht 873.5 million and USD 24.6 million as at 30 September 2009 (30 September 2008: Baht 155.5 million and USD 21.9 million) with repayment terms within 5 - 10 years. As at 30 September 2009, interest rates on the Thai Baht loans and US Dollar loans are as follows:

- The loan balance of Baht 10 million (30 September 2008: Baht 20 million): MLR;
- The loan balance of Baht 88.2 million (30 September 2008: Baht 135.5 million): three-month fixed deposit rates plus a certain margin;
- The loan balance of Baht 775.3 million (30 September 2008: Nil): three-month fixed deposit rates plus a certain margin;
- The loan balance of USD 24.6 million (30 September 2008: USD 21.9 million): USD-LIBOR plus a certain margin.

Certain loans are currently secured by mortgages of equipment as mentioned in Note 11.1 and are guaranteed by the Company.

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 23.1 million as at 30 September 2009 (30 September 2008: USD 27.7 million) with repayment terms within 9 years. 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 11.1, and guaranteed by the Company and two subsidiaries.

Loan for the purchase of land and construction of buildings is granted by a local commercial bank and is denominated in Thai Baht with a total outstanding balance of Baht 60.8 million as at 30 September 2009 (30 September 2008: Baht 85.6 million) with repayment term of 6.5 years. The loan is secured by mortgages of the Company's land and buildings as mentioned in Note 11.1. This loan bears interest at the three-month fixed deposit rates plus a certain margin.

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

Borrowing facilities

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

		30 September 2009			
		Consolidated		Company	
		Baht Million	USD Million	Baht Million	USD Million
Floating interest rate					
- expiring within one year		274	122	-	-
		30 September 2008			
		Consolidated		Company	
		Baht Million	USD Million	Baht Million	USD Million
Floating interest rate					
- expiring within one year		-	136	-	-

16 Employee benefit obligations

Employee benefit obligations comprise:

	Consolidated		Company	
	2009 Baht'000	2008 Baht'000	2009 Baht'000	2008 Baht'000
Current portion of employee benefits	115,560	-	-	-
Long-term portion of employee benefits	33,285	5,373	2,960	2,065
Employee benefit obligations	148,845	5,373	2,960	2,065

	Consolidated		Company	
	2009 Baht'000	2008 Baht'000	2009 Baht'000	2008 Baht'000
Balance sheets obligations for:				
Retirement benefits	11,151	5,373	2,960	2,065
Retention incentives	137,694	-	-	-
	148,845	5,373	2,960	2,065

(a) Retirement benefits

The amounts recognised in the balance sheet are determined as follows:

	Consolidated		Company	
	2009 Baht'000	2008 Baht'000	2009 Baht'000	2008 Baht'000
Present value of obligations	11,784	6,012	2,974	2,079
Unrecognised actuarial gains	(633)	(639)	(14)	(14)
Liability in the balance sheet	11,151	5,373	2,960	2,065

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

	Consolidated		Company	
	2009 Baht'000	2008 Baht'000	2009 Baht'000	2008 Baht'000
Beginning of the year	6,012	3,687	2,079	1,537
Current service cost	5,411	2,884	780	1,244
Interest cost	361	243	100	100
Actuarial losses	-	-	15	-
Benefits paid	-	(802)	-	(802)
Ending of the year	11,784	6,012	2,974	2,079

16 Employee benefit obligations (Cont'd)

(a) Retirement benefits (Cont'd)

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

	Consolidated		Company	
	2009 Baht'000	2008 Baht'000	2009 Baht'000	2008 Baht'000
Current service cost	5,411	2,113	780	780
Interest cost	361	243	100	100
Amortisation of actuarial (gains) losses	6	33	15	15
Total, included in staff costs	5,778	2,389	895	895

These amounts are included in service and administrative expenses.

The principal actuarial assumptions used are as follows:

	Consolidated		Company	
	2009	2008	2009	2008
Discount rate	6.00%	6.00%	6.00%	6.00%
Future salary increase	6.00%	6.00%	6.00%	6.00%
Mortality rate	0.11%-1.48%	0.11%-1.48%	0.11%-1.48%	0.11%-1.48%
Resignation rate	0%-30%	0%-30%	0%-30%	0%-30%

(b) Retention incentives

The amounts recognised in the balance sheet are determined as follows:

	Consolidated		Company	
	2009 Baht'000	2008 Baht'000	2009 Baht'000	2008 Baht'000
Present value of obligations	137,694	-	-	-

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

	Consolidated		Company	
	2009 Baht'000	2008 Baht'000	2009 Baht'000	2008 Baht'000
Beginning of the year	-	-	-	-
Current service cost	111,311	-	-	-
Capitalisation to equipment	26,383	-	-	-
Ending of the year	137,694	-	-	-

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

	Consolidated		Company	
	2009 Baht'000	2008 Baht'000	2009 Baht'000	2008 Baht'000
Current service cost	111,311	-	-	-

These amounts are included in cost of services.

17 Share capital and premium on share capital

Share capital, issued and paid-up, comprises:

	Par value Baht	Number of registered ordinary shares Shares'000	Issued and paid-up ordinary shares Shares'000	Share premium Baht'000	Total Baht'000
As at 30 September 2007	1	674,537	383,205	1,226,352	1,609,557
Issued shares	1	-	158,000	5,244,439	5,402,439
As at 30 September 2008	1	674,537	541,205	6,470,791	7,011,996
Issued shares	1	3,000	-	-	-
Decrease in number of shares registered	1	(132,634)	-	-	-
As at 30 September 2009	1	544,903	541,205	6,470,791	7,011,996

As at 30 September 2009 and 2008, all issued shares are fully paid.

At the Annual General Meeting No. 1/2009 held on 29 January 2009, there were significant matters approved by the shareholders as follows:

- A reduction in the registered share capital of the Company from Baht 674,537,393 to Baht 541,903,340 by means of the cancellation of 132,634,053 ordinary shares with a par value of Baht 1 each that have remained unissued or unallocated from the initial public offering and the 2008 Employee Share Option Plan. The reduction in the registered share capital was registered with the Ministry of Commerce on 10 February 2009.
- The 2009 Employee Share Option Plan ("ESOP 2009") to issue and offer up to 3,000,000 warrants to employees (including any employees who are directors) of the Company or subsidiaries under ESOP 2009 pursuant to its terms.
- An increase in the registered share capital of the Company from Baht 541,903,340 to Baht 544,903,340 by means of the issuance of 3,000,000 ordinary shares with a par value of Baht 1 each. The increase in the registered share capital was registered with the Ministry of Commerce on 11 February 2009.
- The allocation of 3,000,000 new ordinary shares from the increase in registered capital for distribution under ESOP 2009.

As at 30 September 2009, the registered share capital of the Company was 544.9 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 2008: registered 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). There remains another 3.7 million unissued ordinary shares.

18 Legal reserves

	Consolidated		Company	
	2009 Baht'000	2008 Baht'000	2009 Baht'000	2008 Baht'000
As at 1 October	39,717	5,720	39,717	5,720
Allocation during the year	-	33,997	-	33,997
As at 30 September	39,717	39,717	39,717	39,717

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

19 Expenses by nature

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

	Consolidated		Company	
	2009 Baht'000	2008 Baht'000	2009 Baht'000	2008 Baht'000
Crew, staff and subcontractor costs	2,020,859	1,989,806	47,807	38,858
Vessel expenses and repair and maintenance expenses	750,419	719,684	-	-
Charter hire and equipment rental	490,969	492,124	-	-
Depreciation	554,433	561,255	20,478	20,499
Amortisation of intangible assets	7,451	8,580	3,138	6,680
Office and office equipment rental	7,206	6,763	2,207	2,428
Others	425,129	639,895	22,249	21,566
Total cost of services and service and administrative expenses	4,256,466	4,418,107	95,879	90,031

20 Income tax expenses

	Consolidated		Company	
	2009 Baht'000	2008 Baht'000	2009 Baht'000	2008 Baht'000
Current taxes	130,804	62,037	-	-
Deferred taxes (Note 13)	(14,819)	(153,999)	-	-
Exchange rate difference	(274)	-	-	-
Total	115,711	(91,962)	-	-

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:

	Consolidated		Company	
	2009 Baht'000	2008 Baht'000	2009 Baht'000	2008 Baht'000
Profit before income taxes - accounting	863,089	1,070,095	(30,559)	138,862
Tax at the domestic rate of 30%	258,927	321,028	(9,168)	41,659
Adjustments:				
Income not subject to tax and additional taxable expenses	(286,157)	(340,413)	(18)	(69,336)
Expenses not deductible for tax purposes	2,246	8,788	178	1,015
Utilisation of previously unrecognised tax losses	(79,422)	(65,801)	(58,635)	(32,755)
Tax losses for which no deferred income tax assets were recognised	104,668	79,234	67,643	59,417
Tax charges from domestic operations	262	2,836	-	-
Tax charges from overseas operations	130,542	59,201	-	-
Total tax charges	130,804	62,037	-	-
Tax charges	130,804	62,037	-	-
The effect from change of deferred tax assets	(15,093)	(153,999)	-	-
	115,711	(91,962)	-	-
The average effective tax rate	13.41%	(8.59%)	-	-

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

21 Earnings (losses) per share

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

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

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

For the calculation of the diluted earnings (losses) per share, the weighted average number of shares assuming conversion of all dilutive potential ordinary shares as at 30 September 2009 are 335,457 shares (as at 30 September 2008: Nil).

21 Earnings (losses) per share (Cont'd)

	Consolidated		Company	
	2009	2008	2009	2008
Weighted average number of ordinary shares (Shares'000)	541,205	534,066	541,205	534,066
Effect of dilutive potential ordinary shares				
Employee Shares Option Plan (Shares'000)	335	-	335	-
Weighted average number of ordinary shares for diluted (losses) earnings (Shares'000)	541,540	534,066	541,540	534,066
Net profits (losses) for the period attributable to ordinary shareholders (Baht'000)	714,485	1,156,291	(30,559)	138,862
Basic and diluted earnings (losses) per share (Baht)	1.32	2.17	(0.06)	0.26

There is no significant impact from dilutive potential ordinary shares in issue for the years that ended 30 September 2009 and 2008.

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 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.

As at 30 September 2009 and 2008, financial assets carried on the consolidated balance sheet include cash and cash equivalents, short-term investments, trade accounts receivable, amounts due from related parties, and loans to related parties. Financial liabilities carried on the consolidated balance sheet include 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.

Cross currency and interest rate swap contracts

On 29 December 2008, Mermaid Offshore Services Ltd., a subsidiary, entered into a cross currency and interest rate swap contract with a local commercial bank for a long term loan in Thai Baht currency with a maturity date of 31 August 2012. As at 30 September 2009, the outstanding loan balance is Baht 262.7 million and the loan has a notional amount of USD 7.5 million.

On 6 February 2009, Mermaid Offshore Services Ltd., entered into another cross currency and interest rate swap contract with a commercial bank for a long-term loan facility in Thai Baht currency of Baht 786.2 million. The loan has a notional amount of USD 22.5 million and a maturity date of December 2016. As at 30 September 2009, the loan has not been fully drawn down.

Net fair values

The net fair values of the cross currency and interest rate swap contracts at the balance sheet date are as follows:

	Consolidated		Company	
	30 September 2009 Baht'000	30 September 2008 Baht'000	30 September 2009 Baht'000	30 September 2008 Baht'000
Favourable cross currency and interest rate swap contract	21,847	-	-	-

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

23 Promotional privileges

As at 30 September 2009, 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 2009 and 2008, the Group and the Company have outstanding guarantees as follows:

	Consolidated			
	30 September 2009		30 September 2008	
	Baht'000	USD'000	Baht'000	USD'000
A guarantee for long-term loans of subsidiaries to a financial institution	-	28,935	-	-
	Company			
	30 September 2009		30 September 2008	
	Baht'000	USD'000	Baht'000	USD'000
Letters of guarantee issued by banks in the normal course of business	15,897	552	15,650	2,062
A guarantee for long-term loans of subsidiaries to a financial institution	873,477	47,660	155,550	49,664

25 Commitments

(a) Capital commitments

	Consolidated		Company	
	30 September 2009	30 September 2008	30 September 2009	30 September 2008
	Baht'000	Baht'000	Baht'000	Baht'000
Vessel and rig building contracts				
US Dollar	2,020,654	3,037,081	-	-
Norwegian Krone	1,815,114	9,739	-	-
Euro	385,824	-	-	-
Vessel equipment contracts				
US Dollar	30,328	201,243	-	-
Singapore Dollar	21,888	37,237	-	-
Pound Sterling	-	172,519	-	-

25 Commitments (Cont'd)

(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	
	2009 Baht'000	2008 Baht'000	2009 Baht'000	2008 Baht'000
No later than 1 year	349,779	113,870	-	-
Later than 1 year and no later than 5 years	-	292,801	-	-

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 in the fourth calendar quarter of 2009.

(c) Service Agreements

As at 30 September 2009, the Group has one outstanding drilling service agreement. The remaining agreement period is 7 months.

26 Related party transactions

As at 30 September 2009, the Group is controlled by Thoresen Thai Agencies Public Company Limited which owns 57.14 % of the Company's shares (30 September 2008: 57.14%).

Significant related party transactions are as follows:

26.1 Transactions with related parties

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

	For the year that ended on 30 September			
	Consolidated		Company	
	2009 Baht'000	2008 Baht'000	2009 Baht'000	2008 Baht'000
Revenues				
<u>Service income</u>				
Other related parties	5,455	2,193	-	-
<u>Interest income</u>				
Subsidiaries	-	-	30,660	26,324
An associate	8,285	14,147	-	-
	8,285	14,147	30,660	26,324

26 Related party transactions (Cont'd)

26.1 Transactions with related parties (Cont'd)

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

	For the year that ended on 30 September			
	Consolidated		Company	
	2009 Baht'000	2008 Baht'000	2009 Baht'000	2008 Baht'000
<u>Management fee income</u>				
Subsidiaries	-	-	70,320	70,320
<u>Rental income</u>				
Subsidiaries	-	-	8,285	8,289
Other related parties	1,674	1,686	1,674	1,686
	1,674	1,686	9,959	9,975
Expenses				
<u>Cost of services</u>				
Other related parties	43,311	24,111	-	-

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

- Service income is transacted at prices normally charged to a third party.
- The interest income rates charged are not less than fixed deposit rate.
- Management fee income is charged based on actual cost plus margin.
- Rental income is transacted at contract prices.
- Cost of services is transacted at prices normally charged to a third party.

26.2 Accounts receivable and payable - related parties

	Consolidated		Company	
	2009 Baht'000	2008 Baht'000	2009 Baht'000	2008 Baht'000
<u>Trade accounts receivable</u>				
Other related parties	113	152	-	-
<u>Amounts due from related parties</u>				
Subsidiaries	-	-	-	275,665
Associates	1,928	14,225	474,020	-
Other related parties	25	27	25	27
	1,953	14,252	474,045	275,692
<u>Trade accounts payable</u>				
Associates	6,248	-	-	-
Other related parties	3,710	-	-	-
	9,958	-	-	-
<u>Amounts due to related parties</u>				
Subsidiaries	-	-	4	3
Other related parties	29	51	29	14
	29	51	33	17

26 Related party transactions (Cont'd)

26.3 Short-term loans to related parties

	Interest rate (%)	Consolidated		Company	
		2009 Baht'000	2008 Baht'000	2009 Baht'000	2008 Baht'000
Subsidiaries					
- Baht	2.75%	-	-	200,000	65,000
- US Dollar	2.75%	-	-	537,102	898,651
- Singapore Dollar	7.00%	-	-	-	1,117,160
		-	-	737,102	2,080,811
Associate					
- Singapore Dollar	8.50%	-	1,117,160	-	-
- Malaysian Ringgit	3.50%	-	30,829	-	-
		-	1,147,989	-	-
		-	1,147,989	737,102	2,080,811

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

27 Subsequent events

27.1 At the Extraordinary General Meeting of Shareholders No.1/2009 held on 14 October 2009, there were significant matters approved by the shareholders as follows:

- A reduction in the registered share capital of the Company from Baht 544,903,340 to Baht 541,903,340 by means of the cancellation of 3,000,000 ordinary shares with a par value of Baht 1 each that have remained unissued or unallocated under ESOP 2009. The reduction in the registered share capital was registered with the Ministry of Commerce on 15 October 2009.
- An increase in the registered share capital of the Company from Baht 541,903,340 to Baht 788,797,743 by means of issuance of 246,894,403 new ordinary shares with a par value of Baht 1 each. The increase in the registered share capital was registered with the Ministry of Commerce on 16 October 2009.
- The allocation of 243,542,403 rights shares from the increase in registered share capital for offering to registered shareholders. The rights shares issue will be offered at an issue price of SGD 0.64 for each rights share on the basis of nine new ordinary shares for every twenty existing ordinary shares with a par value of Baht 1 each in the capital of the Company.
- The allocation of 352,000 new shares from the increase in registered share capital to provide for the adjustments of the options under ESOP 2008 and the allocation of 3,000,000 new shares from the increase in registered share capital for distribution under ESOP 2009.

27.2 On 14 October 2009, the Company entered into a forward contract for selling Singapore Dollars and buying US Dollars with a financial institution for expected net cash inflows from the rights issue of SGD 150 million.

27 Subsequent events (Cont'd)

27.3 On 26 October 2009, Mermaid Offshore Services Ltd. ("MOS"), a subsidiary, entered into Sale and Purchase Agreements with the shareholders of Nemo Subsea IS and Nemo Subsea AS for the purchase of the shares as follows:

- Purchase of 76.5 shares representing 76.50% of the total shares in Nemo Subsea IS. The total purchase value is Baht 362.4 million (or USD 10.8 million);
- Purchase of 1,000 shares representing 100.00% of the total shares in Nemo Subsea AS which owns 3 shares representing 3.00% of the total shares in Nemo Subsea IS. The total purchase value is Baht 14.2 million (or USD 0.4 million).

Nemo Subsea AS is a Norwegian private limited company whose sole purpose is to act as legal owner of the M.V. "Mermaid Asiana" for the benefit of Nemo Subsea IS, a Norwegian partnership. The vessel is nearing the completion of its construction at ASL Shipyard Pte. Ltd.'s shipyard in Singapore and is presently scheduled for delivery to Nemo Subsea AS in the fourth calendar quarter of 2009. Upon delivery, the vessel was originally planned to commence a time charter with MOS through, firstly, a bareboat charter from Nemo Subsea AS to the service provider who shall be responsible to operate the vessel, and secondly a time charter of the vessel from such service provider to MOS. In parallel with negotiations leading up to the execution of the transactions, MOS has concluded an agreement with the service provider and Nemo Subsea AS to terminate the time charter with such service provider as described in note 25 (b) "Vessel Charter Contract" and for MOS to directly bareboat charter the vessel from Nemo Subsea AS. This will, among other things, allow MOS to directly operate the vessel.

The Group is in the process of calculating the net asset fair value of Nemo Subsea IS and Nemo Subsea AS, and the difference between the net fair value and purchase consideration price will be considered as goodwill.

27.4 On 16 November 2009, the Remuneration Committee passed a resolution to approve the allocation of warrants under the approved Employee Stock Option Scheme for 2009 ("ESOP 2009") for employees totalling 891,000 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 warrant holders 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.

27.5 On 16 November 2009, the Remuneration Committee passed a resolution to approve the additional allocation of warrants under the approved ESOP 2008 for employees totalling 300,600 warrants according to the rights issue as mentioned in Note 27.1.

27.6 On 19 November 2009, the Company received the rights issue fund of Baht 3,696.1 million from the shareholders. The fund is split to an increase in share capital of Baht 243.5 million and share premium of Baht 3,452.6 million before deducting expenses relating to the rights issue as mentioned in Note 27.1. The additional paid-up share capital was registered with the Ministry of Commerce on 23 November 2009.

The Company



Name of Company

Mermaid Maritime Public Company Limited

Place of Incorporation

Kingdom of Thailand

Registration No.

0107550000017

In Business Since

1983

Date of Conversion to Public Company

15 January 2007

Date of Listing

16 October 2007

Place of Listing

Singapore Stock Exchange

Company Secretary

Dr. Vincent Siaw
e-mail: vincents@mermaid-maritime.com

Corporate Head Office

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

Telephone

+662 255 3115 (local dial 02 255 3115)
+662 255 3116 (local dial 02 255 3116)

Facsimile

+662 255 1079 (local dial 02 255-1079)

Type of Business

Offshore Drilling Services
Sub-Sea Engineering Services

Registered Capital

Baht 788,797,743

Paid-up Capital

Baht 784,747,743

No. of Issued Shares

784,747,743 ordinary shares

Par Value/Share

Baht 1

Corporate Website:

<http://www.mermaid-maritime.com>
(all information current as at 09 December 2009)





Mermaid Maritime Public Company Limited

26/28-29 Orakarn Building, 9th Floor, Soi Chidlom, Ploenchit Road
Lumpinee, Pathumwan, Bangkok 10330, Thailand
Tel. +66 (0) 2255 3155 Fax +66 (0) 2255 1079