



Annual Report 2007



Mermaid Maritime
Public Company Limited

History of Mermaid

- 1983** ***Incorporation:*** Incorporated in Thailand as “Mermaid Marine Services Ltd.” by a group of Danish marine professionals to provide offshore marine services. Our business initially consisted of marine safety-related services, such as life raft and firefighting maintenance services.
- 1995** ***Merger:*** Merged with Thoresen Laem Chabang Ltd., a subsidiary of Thoresen Thai Agencies Public Company Limited (“TTA”), and were renamed “Mermaid Maritime Ltd.”. We received certain tax and other privileges for investments in the offshore oil and gas services industry from the Board of Investment in Thailand (“BOI”) in the same year.
- 2003** ***Sub-Sea Services Expansion:*** Underwent an expansion of our sub-sea engineering services. Since 2003, we have purchased four vessels: the Mermaid Supporter (in August 2003), the Mermaid Responder (in September 2005), the Mermaid Commander (in October 2005) and the Mermaid Performer (in January 2006) through our subsidiary Mermaid Offshore Services Ltd. (“MOS”).
- 2004-2005** ***Entry into Offshore Drilling:*** Our Board of Directors reviewed our various business operations with a view to developing a long-term strategy. In line with the declared strategy, a feasibility study was undertaken to assess our entrance into the tender rig drilling business. Historically, this sector has been dominated by three major players - Smedvig ASA, Transocean Inc. and Pride International, Inc. The feasibility study concluded that opportunities existed for an Asian-based operator to enter this sector. Consequently in 2005, Mermaid Drilling Ltd. (“MDL”) acquired two tender rigs and commenced offering drilling services in the same year.
- We also began to provide accredited technical training services through our subsidiary Mermaid Training and Technical Services Ltd. (“MTTS”) to engineering and inspection personnel.
- 2006-2007** ***Restructuring and Positioning for Growth:*** As part of our strategy to focus our attention on our growing tender rig drilling and sub-sea engineering services business, we decided to dispose of our safety services, ships chandlery services and our majority-owned subsidiary Darium Thai Offshore Ltd. (“DTOL”). In 2006, we sold our former subsidiaries Mermaid Safety Services Ltd. and Mermaid Maritime (Vietnam) Ltd. to Mermaid Safety Services Ltd.’s management for a consideration of THB 36.1 million. As a result, we no longer engage in providing marine safety services. We ceased our ships chandlery services in the second quarter of the financial year ending September 30, 2007, sold our former subsidiary that conducted this business, Mermaid Supply Ltd., in August 2007, and we are in the process of dissolving DTOL. We sold the three vessels owned by DTOL (in March 2006, November 2006 and April 2007) for a total consideration of US\$8.6 million. In October 2007, we listed on the Singapore Exchange Limited (“SGX”).

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Financial Highlights

(Consolidated numbers)

	Year Ended 30 September	
	2007	2006
(Baht in millions, except share, per share data, and ratios)		
Income Statement Data:		
Service income and sales	4,131.27	3,167.36
Cost of service and sales	2,814.67	2,166.73
Gross profit	1,316.60	1,000.63
Service and administrative expenses	740.16	422.70
Interest expenses	175.26	189.30
Interest income	11.05	2.26
Other income	25.39	39.04
Income taxes	18.82	26.87
Profit (loss) attributable to minority interests	7.79	(14.40)
Gain (loss) on exchange rate	114.49	149.67
Net income	541.08	538.33
Per Share Data:		
Net income (basic)	1.41	1.40
Net book value	7.55	6.22
Balance Sheet Data (at end of year):		
Cash and cash equivalents (net of depreciation)	511.70	185.31
Property, plant and equipment	4,011.34	4,072.27
Total assets	5,945.73	5,495.04
Total liabilities	3,050.70	3,109.67
Issued share capital	383,205,340	383,205,340
Total shareholders' equity	2,895.03	2,385.37
Other Financial Data:		
Net cash flows provided by (used in) operating activities	893.87	256.29
Net cash flows provided by (used in) investing activities	(432.60)	(659.45)
Net cash flows provided by (used in) financing activities	(134.88)	455.21
Capital expenditures included in investing activities:		
Vessels and equipment purchases (gross)	(716.91)	(690.54)
Financial Ratios:		
Return on shareholders' equity (%)	20.49	25.50
Return on total assets (%)	9.46	10.75
Net profit margin (%)	13.10	17.00
Total debt to total capitalisation	0.46	0.53
Net debt to total net capitalisation	0.40	0.51

Message from Chairman

2007 – A New Era Dawns

We are pleased to present Mermaid Maritime Public Company Limited's ("Mermaid") first annual report. Mermaid's successful initial public offering ("IPO") on the Singapore Exchange Limited ("SGX") in October 2007 was just the beginning of an exciting future.

High oil prices and technological advances have created a strong growth outlook in offshore oil and gas exploration and production. Offshore production is expected to represent over 35% of world oil production by 2015, because offshore oil and gas is the only significant opportunity to add reserves outside of the Middle East and former Soviet Union. Therefore, offshore oil and gas is strategically important to global oil and gas companies.

The business dynamics are increasing investments in all areas of the offshore sector. By 2010, it is anticipated that nearly USD 250 billion will be spent annually on exploration, development, production, and transportation in the offshore oil and gas business, up from USD 163 billion in 2005. By focusing on our niche businesses of sub-sea engineering and drilling, Mermaid should be well-positioned to compete for new projects in our focus area of Southeast Asia.

Niche Businesses That Provide Stability

Mermaid provides an opportunity to invest in a specialised offshore services business. Our corporate strategy has been the development of niche businesses that focus on the production side of the offshore oil and gas industry, which we believe is less volatile than the exploration side. Less volatility should result in greater long-term stability for Mermaid.

Mermaid's key investments are described below:

Offshore Supply and Diving Support Vessels are specialised vessels designed to quickly carry people and equipment to offshore locations and support various sub-sea engi-



neering operations, with a particular emphasis on inspection, repair, and maintenance of existing facilities. The mix of people and owned vessels and equipment, which is unusual for this business, creates significant value added for our clients. The sub-sea engineering group operates primarily on short-term contracts or project-based commitments. In 2007, we executed more than 40 major assignments.

Tender Drilling Rigs are specialised barges that can accommodate people and carry derrick equipment sets. The tender drilling rigs are towed to existing platforms, to which the derrick equipment set is transferred for actual drilling. Platforms, which must be built and installed by our clients, are required for actual drilling. Our tender drilling rigs operate under fixed-rate contracts and have an average remaining term of 1.5 years. Demand for production drilling and tender rigs is expected to remain high.

In 2007, the sub-sea engineering group performed exceptionally well. Average day rates and vessel utilisation increased 63.00% and 29.92%, respectively, in 2007 as compared to 2006. These factors resulted in higher revenues (+69.42%) and net profits (+101.68%) for the group. We continue to see strong demand for sub-sea engineering services and expect the group to perform exceptionally well in 2008.

In 2007, the drilling group did not perform well due to low rig utilisation. One of our tender drilling rigs, MTR-1, was off-hire for 70 days to complete its five-year special survey. After a few months of work, an accident occurred that resulted in another 87 days of off-hire for MTR-1. MTR-2 worked for most of 2007 before beginning its five-year special survey in September 2007. We expect MTR-2 will be back in operations around March 2008 after various client-mandated upgrades are completed. We expect stronger rig utilisation in 2008, which should improve the drilling group's financial results.

Even though the drilling group underperformed, Mermaid's balanced business mix still resulted in 2007 net profits increasing 0.51% over 2006 net profits.

Growth Focus

Mermaid intends to acquire new assets organically and through acquisitions. We recently agreed to build one new tender drilling rig and one new remotely operated vehicle ("ROV") support vessel, both of which are scheduled for delivery in 2009. Three additional options are included in the newbuild tender drilling rig contract, which we hope to exercise over time.

We recently acquired 25.00% of Worldclass Inspiration Sdn. Bhd., whose sole asset is majority ownership of Allied Marine and Equipment Sdn. Bhd. ("AME"), to access the sub-sea engineering market in Malaysia. The indirect 22.5% stake in AME increases our sub-sea engineering assets and pool of qualified employees. We also formed a broad partnership with Kencana Petroleum Berhad ("Kencana") to jointly own drilling rigs (through a company owned 75% by Mermaid and 25% by Kencana) and market and operate them in Malaysia (through a company owned 60% by Kencana and 40% by Mermaid).

We are working on additional growth opportunities in 2008 and believe that the IPO proceeds of SGD

246 million will provide sufficient funds to execute our growth plans.

Disciplined Capital Employment

Mermaid's primary focus as we acquire new assets organically and through acquisitions is to grow in an accretive and disciplined manner. The overriding objective is to increase the revenues and profitability of the sub-sea engineering and drilling groups and exceed our financial return targets.

In summary, we believe that Mermaid has an exciting future, which is underpinned by a number of factors:

- The offshore oil and gas markets are growing rapidly.
- Mermaid's unique mix of businesses is poised to take advantage of this growth and creates a good diversification between medium-term fixed-rate contracts and short-term, or project-based, contracts.
- Significant opportunities to grow organically and through acquisitions should emerge in the next few years.

We take this opportunity to thank our clients for allowing us to play an increasingly important role in their offshore activities. We thank the Board of Directors for their commitment during this active time. We thank our Shareholders for their continued support of our strategic initiatives.

Finally, we thank our employees, who have worked very hard to execute the business. We will continue to work very hard to achieve our vision of becoming a premier sub-sea engineering and drilling company.

Yours sincerely,



M.L. Chandchutha Chandratat

Board of Directors



The Board of Directors (“Board”) is responsible for Mermaid’s overall management and strategic direction. The Board is required to meet on a quarterly basis to review and monitor our financial position and operations. Ad-hoc meetings are called to discuss other major issues, such as establishment and capital

increases of new subsidiaries, significant asset investments, and annual budget approvals. Our Articles of Association provide that our Board will consist of not fewer than five Directors.

The following table sets forth information regarding our Directors.

Name	Age	Position
01 M.L. Chandchutha Chandratat	41	Chairman and Non-Executive Director
02 David Stewart Simpson	46	Managing Director
03 Surasak Khaoroptham	41	Non-Executive Director
04 Pichet Sithi-Amnuai	42	Independent Director
05 Leslie George Merszei	60	Independent Director
06 Ng Chee Keong	58	Independent Director
07 Lim How Teck	56	Independent Director

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

01 : M.L. Chandchutha Chandratat

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

02 : 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., which was based in Nigeria. From 2000 to 2002, he was the Country Manager, Equatorial Guinea, for Transocean, providing drilling rig services. From 1998 to 2000, he was the Technical Manager for Transocean for Australia and South East Asia, based in Singapore. From 1996 to 1998, he was the Operations Manager for Sedco Forex Thailand. He has been working in the oil and gas services industry for over 25 years and received a National Safety Diploma from the British Safety Council and has taken numerous safety, technical and managerial courses throughout his career.

03 : Surasak Khaoroptham

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

04 : Pichet Sithi-Annua

is our Independent Director. He was appointed to our Board of Directors on June 21, 2007. Since 2000, he has been the Managing Director of Play & Music Company Limited. He is currently also an independent director and member of the audit, compensation and remuneration committees of Bualuang Securities Public Company Limited. From 1994 to 2000, he was the First Vice President, Corporate Finance Department at Jardine Fleming Thanakom Securities. 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.

05 : Leslie George Merszei

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

06 : Ng Chee Keong

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

07 : Lim How Teck

is our Independent Director. He was appointed to our Board of Directors on June 26, 2007. He is the Chairman of Tuas Power Ltd and Singapore Commodity Exchange, and Executive Chairman of Redwood International Pte. Ltd., an investment and consultancy company. 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.

Executives



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

Name	Age	Occupation
01 David Stewart Simpson	46	Managing Director
02 John Willoughby Crane III	46	Chief Financial Officer
03 Svein Nodland	49	Director, MDL
04 Mark Andrew Shepherd	45	Director, MOS
05 Magne Hovden	52	General Manager, MDL
06 Simon Matthew Turner	41	General Manager, MOS

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

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

02 : John Willoughby Crane III

has been our Chief Financial Officer since April 2007. He established Aspire Pacific Ltd., a Hong Kong-based advisory firm specialising in strategic consultancy, business development, and private equity in 2004. Prior to establishing Aspire Pacific Ltd., he was with JP Morgan from 1993 to 2004 in various positions, including as the Head of Investment Banking and subsequently President of JP Morgan Securities (Thailand) Ltd. Prior to that, he held positions in business development for United Technologies based in Singapore and with Unico (Japan) based in Shanghai. A graduate of the Lauder Institute at the University of Pennsylvania, he has an M.B.A. in Finance from the Wharton School and an MA in International Studies from the University of Pennsylvania.

03 : Svein Nodland

has been the Director of our subsidiary, Mermaid Drilling Ltd., since it was established in 2005. Prior to joining us, he was Director of Frontier Investments A.S. and Tender Rig Asia Ltd. from 2003 to 2005, where he was responsible for establishing and introducing a niche production drilling and well service company. From 2002 to 2003, he was the Senior Vice President of Fred Olsen Energy ASA. Between 1995 and 1998, he was the Managing Director of Dolphin Drilling Ltd. From 1998 to 2002, he was the CEO of Dolphin Drilling Ltd. and Dolphin AS. He obtained a certificate in petroleum engineering - Drilling Superintendent/Drilling Supervisor level from Stavanger University College in 1981, a certificate in petroleum drilling technology from Stavanger University College between 1978 and 1980, and a business degree from Eigersund Commercial School in 1976.

04 : Mark Andrew Shepherd

has been with Mermaid since 1994 and is currently Operations Director for both Mermaid Offshore Services Ltd. and Mermaid Training and Technical Services Ltd. 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.

05 : Magne Hovden

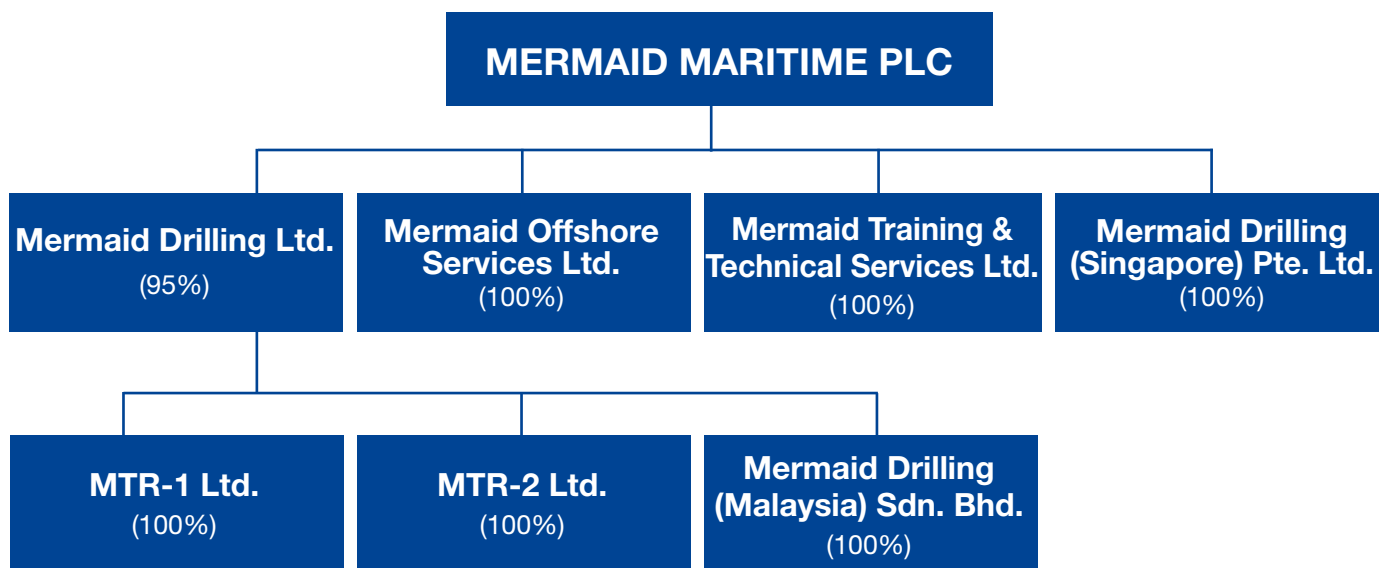
has been the Operations Manager of Mermaid Drilling Ltd. since October 2005 and is currently General Manager. He has experience in a broad range of drilling operations, from deep water drilling, tender supported drilling vessel, long reach platform drilling, drilling of high pressure high temperature wells and well intervention operations for various operators worldwide. He also has extensive experience in supervising mechanical completion and commissioning activities related to the start-up of production and drilling systems in several major projects. He attended Real Artium-Bergen Katedralskole (as a private candidate) from 1990 to 1992, and Marketing and Business Development - Business NKS School from 1989 to 1990. He received his Drilling Technology Certificate from Stavanger Maritime School in 1983.

06 : Simon Mathew Turner

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

Corporate & Management Structure

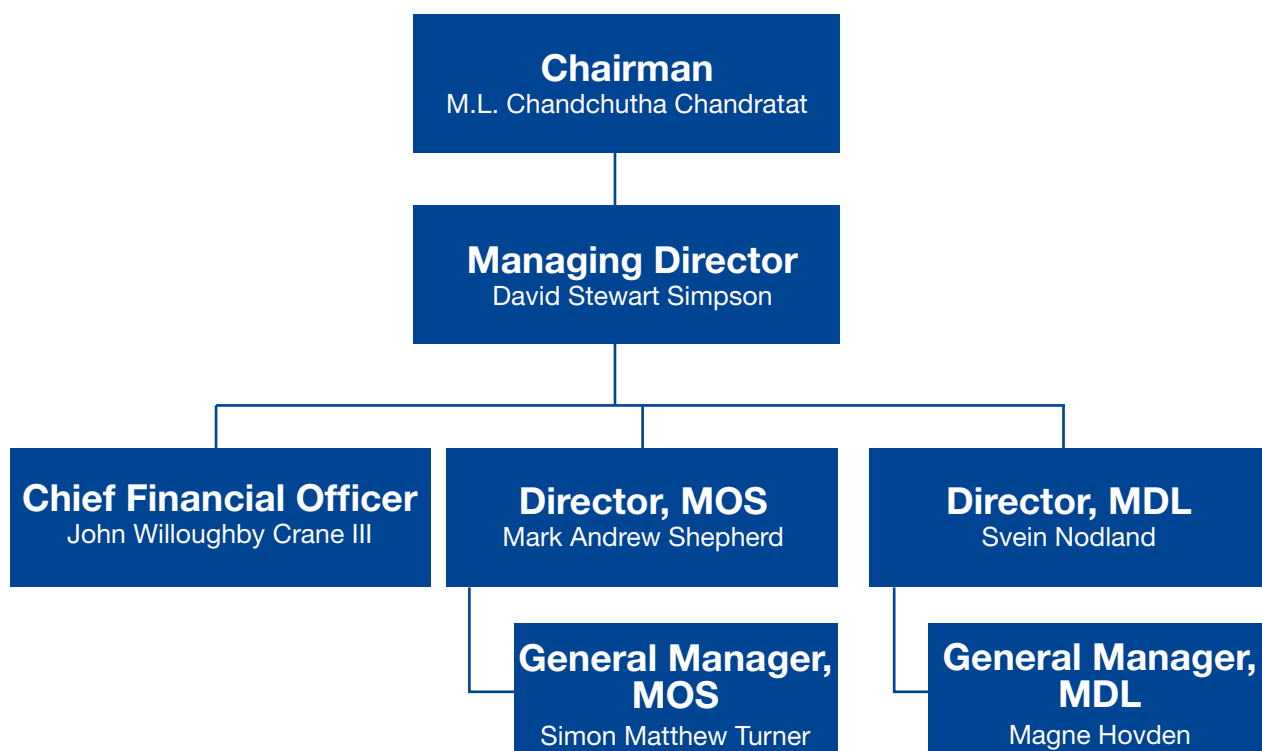
Corporate Structure (Holding and Operating Companies)



(as at 30 September 2007)

Note: This corporate chart lists Mermaid's holding and operating companies. Dormant companies are not included. As at 30 September 2007, Mermaid has three dormant companies: Darium Thai Offshore Ltd. (under dissolution), MTR-1 (Singapore) Pte. Ltd. (newly incorporated) and MTR-2 (Singapore) Pte. Ltd. (newly incorporated). Please see "List of Companies in the Group as at 30 September 2007."

Management Structure



List of Companies in the Group as at 30 September 2007

No.	Company	Type of Business	Place of Incorporation	Type of Share	Paid-up Capital	Shares Issued	No. of Shares held	% of Shareholding	Remark
1.	Mermaid Maritime Public Company Limited ("MMPLC")	Holding Co.	Thailand	Ordinary	Baht541,205,340	541,205,340	-	-	
2.	Mermaid Offshore Services Ltd. ("MOS")	Sub-sea engineering	Thailand	Ordinary	Baht550,000,000	55,000,000	54,999,994	100.00%	
3.	Mermaid Training & Technical Services Ltd. ("MTTS")	Vocational training	Thailand	Ordinary	Baht2,000,000	2,000,000	199,994	100.00%	
4.	Mermaid Drilling Ltd. ("MDL")	Holding Co.	Thailand	Ordinary	Baht410,000,000	41,000,000	389,499,994	95.00%	
5.	Darium Thai Offshore Ltd. ("DTOL")	Anchor Handling / Tug Support	Thailand	Ordinary	Baht212,400,000	212,400	108,317	51.00%	Under dissolution
6.	Mermaid Drilling (Singapore) Pte. Ltd. ("MDS")	Holding Co.	Singapore	Ordinary	USD1	USD1	1	100.00%	
7.	MTR-1 Ltd. ("MTR1")	Drilling	Thailand	Ordinary	Baht240,000,000	24,000,000	23,999,994	100.00%	held by MDL
8.	MTR-2 Ltd. ("MTR2")	Drilling	Thailand	Ordinary	Baht350,000,000	35,000,000	34,999,994	100.00%	held by MDL
9.	Mermaid Drilling (Malaysia) Sdn. Bhd. ("MDMSB")	Drilling	Malaysia	Ordinary	RM250,000	250,000	250,000	100.00%	held by MDL
10.	MTR-1 (Singapore) Pte. Ltd. ("MTR1SG")	Drilling	Singapore	Ordinary	USD1	USD1	1	100.00%	Dormant held by MDS
11.	MTR-2 (Singapore) Pte. Ltd. ("MTR2SG")	Drilling	Singapore	Ordinary	USD1	USD1	1	100.00%	Dormant held by MDS

Business

Overview

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

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

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

During the development into the tender rig drilling and sub-sea engineering markets, we identified opportunities that demanded local presence in some countries. Recognising this, we reacted and appointed local agent representatives that hold the required licenses and permits, thereby increasing our market opportunities outside Thailand. To date, this has proven successful with operations performed or ongoing in Indonesia, and Vietnam. To improve our market penetration in Malaysia, we acquired a 22.5% indirect stake in Allied Marine and Equipment Sdn. Bhd. ("AME") a sub-sea engineering company, and formed a partnership with Kencana Petroleum Berhad ("Kencana") to jointly own drilling rigs (through a company owned 75% by Mermaid and 25% by Kencana) and to market and operate them in Malaysia (through a company 60% owned by Kencana and 40% by Mermaid).

For the financial year that ended on September 30, 2007, drilling services and sub-sea engineering services contributed 35.0% and 64.1% of our total revenues, respectively.

Competitive Strengths

We believe our competitive strengths are as follows:

Established operational track record in South East Asia. Mermaid is one of the largest sub-sea engineering services providers operating in South East Asia. We have over 10 years of experience in providing sub-sea engineering services and over 25 years experience in servicing the oil and gas industry in South East Asia. In 2005, we commenced the provision of drilling services to the South East Asia market. We have successfully built a client base of independent and national oil and gas companies providing repeat business in Thailand, Indonesia, Malaysia, and Vietnam. Our geographical base in South East Asia allows us to respond in a timely and efficient manner to our clients' needs. We believe our emphasis on quality and safety and our operational track record provide us with a competitive advantage in our business.

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

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

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

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

Experienced management. Mermaid's senior management has an average of over 20 years of experience in providing drilling or sub-sea engineering services around the world. Members of our senior management have extensive operational experience with recognised industry leaders operating in all major offshore oil and gas locations. Our management and employees have undergone extensive training and development programs in order for us to meet our clients' needs and provide safe and efficient drilling and sub-sea engineering services.

Our management has a proven track record of growing businesses through acquisitions and organically. Our management has overseen the acquisition and successful integration of our two tender rigs and four support vessels. As a result, our service income and sales have grown significantly from Baht 1,307.46 million in the financial year that ended on September 30, 2005 to Baht 4,131.27 million in the financial year that ended on September 30, 2007, equal to a compounded annual growth rate of 78%

Strategies and Key Objectives

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

Further expand our tender rig drilling operations. Mermaid commenced the tender rig drilling services business in 2005 with the acquisition of two tender rigs. We plan to continue to expand our fleet through acquisitions if appropriate opportunities arise, and/or the construction of new build tender rigs, as market conditions warrant. MDL has committed to one new tender rig to be built by Kencana HL Sdn. Bhd. at a cost of USD 136 million. This new build contract includes options for three more tender rigs. MDL expects to take delivery of the new build tender rig by early 2010. The new tender rig is expected to be employed in South East Asia.

Further expand our sub-sea engineering operations. Mermaid plans to continue to expand the sub-sea engineering services business through the expansion of our fleet by acquisitions, if appropriate opportunities arise, and/or the construction of new vessels. MOS has committed to a new ROV/air dive support vessel to be built by Jaya Shipbuilding and Engineering Pte. Ltd. at a cost of USD 26.39 million. MOS expects to take delivery of the vessel by late 2009. MOS acquired a 22.5% indirect stake in AME to improve its business in Malaysia and access a greater pool of assets and employees.

MOS has also entered into a contract with a ship owner to charter a new DP diving support vessel due for delivery in 2009. MOS has an option to purchase this vessel following three years of charter. Based on client indications and our market assessments, we expect high demand for this vessel's capabilities and believe it will achieve high utilization. We have also recently purchased two new ROV systems, both of which were delivered in July 2007.

Exploit opportunities outside our primary focus area. Although Mermaid's primary focus is on the South East Asian countries of Thailand, Indonesia, Malaysia, and Vietnam, MDL and MOS are well placed to take advantage of global market opportunities as they arise. We have an established reputation with our existing client base, many of which are blue chip companies who operate globally. MOS also plans to continue to expand the geographic focus of its operations from the markets it currently serves, to other regions in Asia, including Cambodia, Brunei, China and India. In furtherance of this strategy, we secured the charter of Binh Minh, an ROV/air dive support vessel. We believe that securing the Binh Minh has strengthened MOS' access to the markets in Vietnam and South China.

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

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

Industry

Overview

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 and revenues, areas available for exploration and development, and oil and gas prices.

Oil and gas companies have until recently been reluctant to increase exploration and production spending. However, their recent aggressive plans to increase production, reserves and market share have translated into increased exploration and production spending for these companies. A number of field development projects, which had been previously delayed or postponed have been resumed. The low drilling activity in the last few years has resulted in the increase in demand for such services today. Based on client indications, we believe that exploration and production budgets are increasing and should lead to sustained levels of activity in the drilling and sub-sea engineering services markets.

The Asian market for drilling and sub-sea engineering services offers the potential for high utilisation and favourable day-rates as a result of: (i) stronger demand for oil and gas in the region; (ii) significant growth in regional economies, especially in China and India; and (iii) new projects planned by exploration and production companies in Asia, according to Fearnleys.

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.

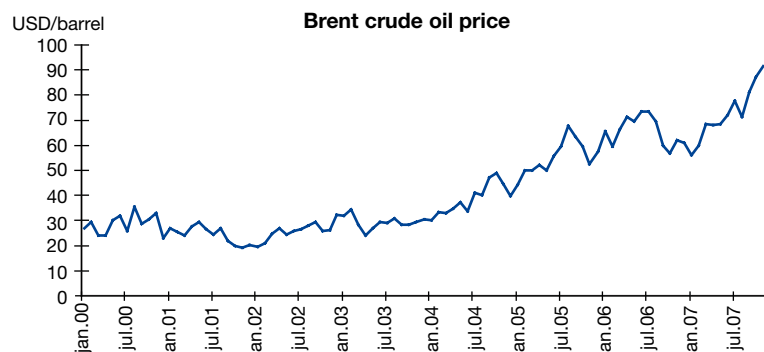
Oil and gas prices

Oil and gas prices are at the top end of their historical range and are well above the hurdle rates that oil and gas companies have established for both their committed and uncommitted development projects to be economically viable.

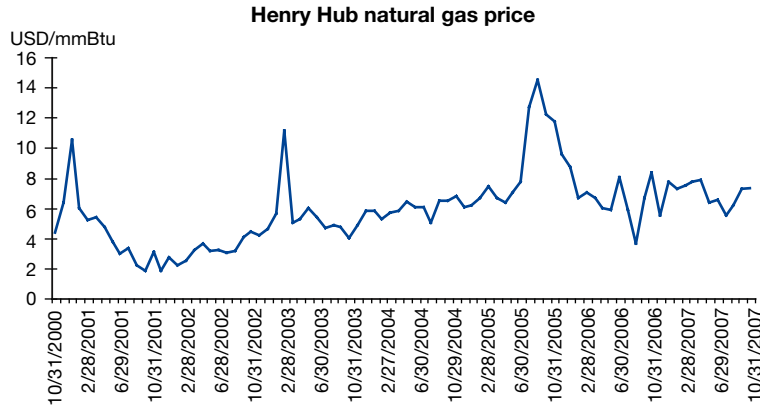
Factors such as increased global demand, declining production levels, extreme weather conditions and political instability in some oil and gas producing countries have contributed to rising oil and gas prices.

In 2006, the annual average price measured in nominal terms for a barrel of Brent crude oil exceeded USD 60 per barrel for the first time, representing an increase of more than 15.0% over the 2005 figure. Further, on August 7, 2007, the price of a barrel of Brent crude oil touched a high of USD 77.05 per barrel.

The charts below illustrate historical oil and gas prices.



Source: Fearnleys

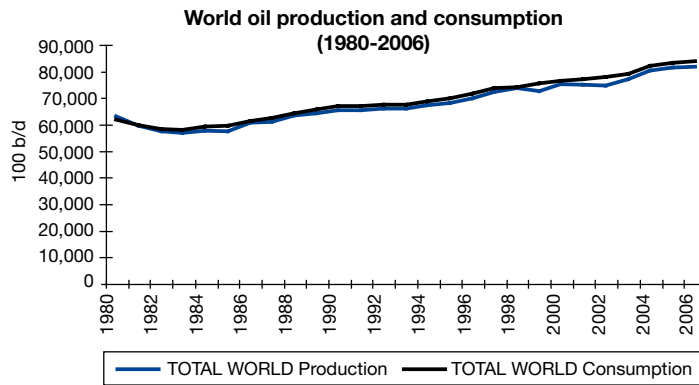


Source: Fearnleys

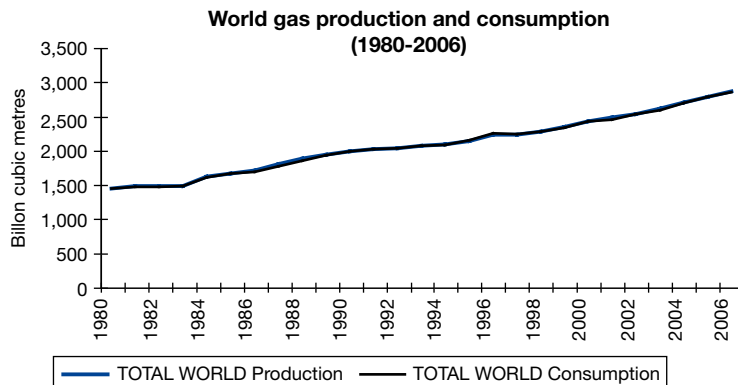
Oil and gas production and consumption

From 1995 to 2006, consumption of oil increased from 69,830 to 83,719 million barrels per day, while production of oil increased from 68,125 to 81,663 million barrels per day. Similarly, from 1995 to 2006, consumption of gas increased from 208 to 276 billion cubic feet per day, while production of gas increased from 207 to 277 billion cubic feet per day.

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



Source: BP Statistical Review of World Energy June 2007



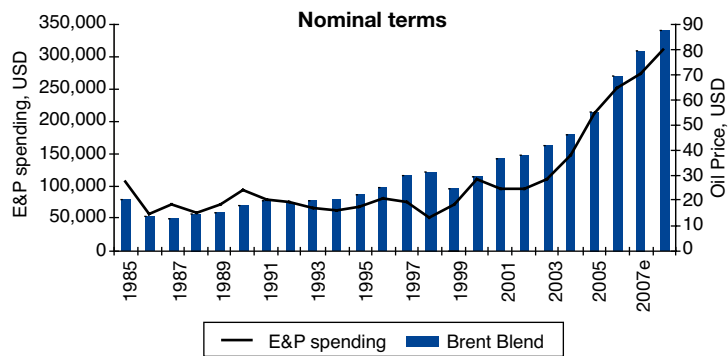
Source: BP Statistical Review of World Energy June 2007

In order to meet the rising global oil demand and as a result of depleting onshore reserves, there has been a greater focus on offshore exploration and production. Offshore oil production is still 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 in part due to technological developments that have made exploration more feasible and cost effective.

Exploration and production spending

Exploration and production spending has historically been driven by oil and gas prices. In turn, exploration and production spending is a driver of drilling and sub-sea engineering services. The chart below illustrates global exploration and production spending and oil price.

Exploration and production spending and oil price



Source: Fearnleys

Drilling services industry

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

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

Types of drilling units

Tender rigs

A tender rig is a barge 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

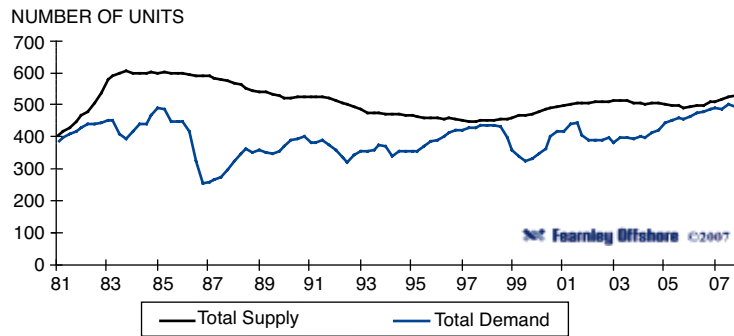
The utilization of mobile offshore drilling units ("MODUs") is at historical high levels. Day-rates for these MODUs have also continued to climb to new highs. As a result of limited rig availability, oil and gas companies are now entering into contracts for rig capacity well ahead of contract commencement. Industry consensus suggests that utilization level of MODUs should remain relatively high for at least the next five years. This is supported by the fact that oil and gas companies are now securing MODU capacities for long-term periods of up to three to five years.

Global MODU fleet as of December 2007

Areas:	Jackups	Semi-submersibles	Drillships	Tenders
Africa - Other		2		
Africa - West	25	18	10	7
Asia - Caspian	9	7		
Asia - Far East	23	21	22	
Asia - South	37	3	6	
Asia - SouthEast	80	29	6	22
Australia	5	10	1	
Black Sea	5	1		
Europe - East	5	4		
Europe - North Sea	36	39	1	
Mediterranean	10	6	3	
MidEast - Persian Gulf	95	5		
MidEast - Red Sea	13			
N. America - Canadian Atlantic		1		
N. America - Mexico	34	6		
N. America - US GOM	98	30	6	
S. America - Brazil	8	25	7	
S. America - Other & Carib.	6	4		
S. America - Venezuela	2			2

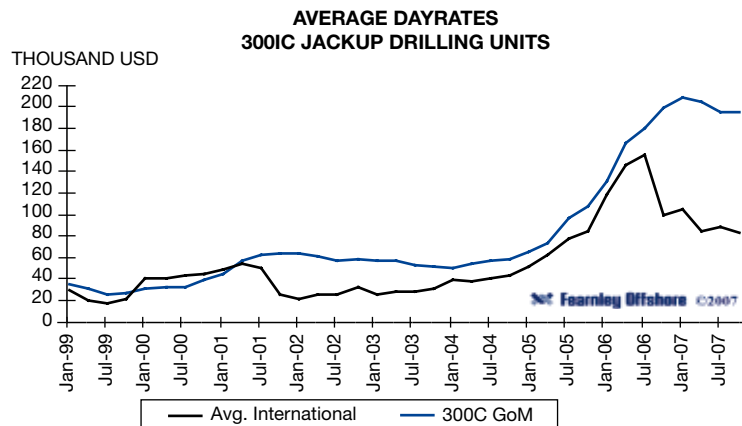
The charts below illustrate supply and demand for MODUs.

**SUPPLY AND DEMAND WORLDWIDE
 SEMISUBMERSIBLES, JACKUPS AND DRILLSHIPS**



Source: Fearnleys

Historical jack-ups day rates



Source: Fearnleys

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

Tender rig market

According to Fearnleys, the global fleet of tender rigs comprises 30 units, including new builds under construction, as of December 2007. The majority of these operates in South East Asia and has been contracted for the next one to three years by oil and gas companies in the region.

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

However, tender rigs are normally preferred by oil and gas companies that have oil platforms which are able to accommodate both tender rigs and jack-up rigs. The use of tender rigs tend to reduce costs for oil and gas companies as tender rigs lighten the weight of the oil platform, shorten the construction period by reducing the complexity of the oil platform and, as a result, reduce construction risk.

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

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

World fleet of tender drilling rigs

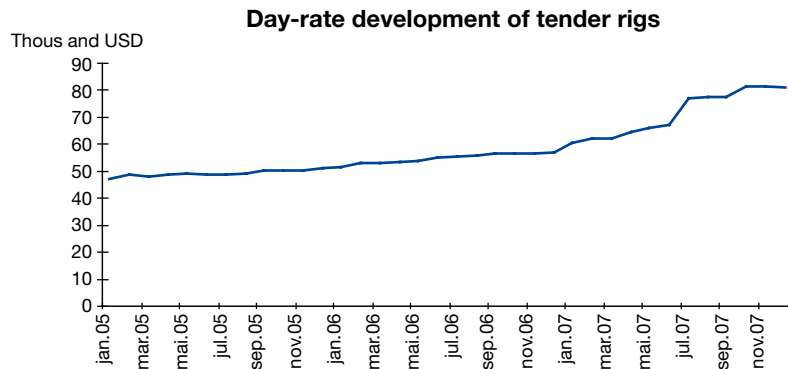
Rig Name	Manager	Rig Type	Current Region	Current Status
Seahawk	Atwood Oceanics	Tender	Africa - West	Drilling
Charley Graves	KCA Deutag	Tender	Asia - SouthEast	Drilling
Searex 10	KCA Deutag	Tender	Asia - SouthEast	Modification
Searex 9	KCA Deutag	Tender	Asia - SouthEast	Modification
W D Kent	KCA Deutag	Tender	Asia - SouthEast	Modification
KM1	Mermaid Drilling	Tender	Asia - SouthEast	Under Construction
MTR-1	Mermaid Drilling	Tender	Asia - SouthEast	Drilling
MTR-2	Mermaid Drilling	Tender	Asia - SouthEast	Maintenance
GP-14	PDVSA	Tender	S. America - Venezuela	Ready Stacked
GP-18	PDVSA	Tender	S. America - Venezuela	Ready Stacked
Al Baraka I	Pride International	Tender	Africa - West	Drilling
Alligator	Pride International	Tender	Africa - West	Drilling
Barracuda	Pride International	Tender	Africa - West	Drilling
Baruna I	PT Patra	Tender	Asia - SouthEast	Accommodation
TAD-1	Saipem	Tender	Africa - West	Drilling
T-10	Seadrill Ltd	Tender	Asia - SouthEast	Drilling
T-11	Seadrill Ltd	Tender	Asia - SouthEast	Under Construction
T-3	Seadrill Ltd	Tender	Asia - SouthEast	Drilling
T-4	Seadrill Ltd	Tender	Asia - SouthEast	Drilling
T-6	Seadrill Ltd	Tender	Asia - SouthEast	Drilling
T-7	Seadrill Ltd	Tender	Asia - SouthEast	Drilling
T-8	Seadrill Ltd	Tender	Africa - West	Drilling
T-9	Seadrill Ltd	Tender	Asia - SouthEast	Drilling
Teknik Berkat	Seadrill Ltd	Tender	Asia - SouthEast	Drilling
West Alliance	Seadrill Ltd	Tender	Asia - SouthEast	Drilling
West Berani	Seadrill Ltd	Tender	Asia - SouthEast	Drilling
West Menang	Seadrill Ltd	Tender	Africa - West	Drilling
West Pelaut	Seadrill Ltd	Tender	Asia - SouthEast	Drilling
West Setia	Seadrill Ltd	Tender	Asia - SouthEast	Drilling
West TBN	Seadrill Ltd	Tender	Asia - SouthEast	Under Construction

Source: Fearnleys

The tender rigs in the market are operating at near full utilisation as of December 2007, with client indications suggesting that utilisation is expected to continue at high levels for at least the next one to three years.

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

Notwithstanding this, contracted day rates in the tender rig market generally track rates in the jack-up market, as both these market segments are driven by cycles in the oil and gas industry. According to Fearnleys, current rates in the tender rig market range between USD 40,000-145,000/day, depending on the location and rig specifications.



Source: Fearnleys

Sub-sea engineering service industry

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

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

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

Some of the key value drivers for the sub-sea market going forward are expected to be 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 Asia 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 for long distances than oil, with more localized consumption and less exposure to regional political volatility.

Charter rates for sub-sea engineering vessels have been on the uptrend. Based on client indications, demand for sub-sea engineering services is expected to continue to remain strong for at least the next one to three years.

Management Discussion & Analysis

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

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

Subsea Engineering Services

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

Calendar-Vessel-Days for Offshore Service Vessels (“MOS”)

Unit: Days

Calendar-Vessel-Days	FY 2006		FY 2007	
	No. of Days	% Change	No. of Days	% Change
Owned Vessels	1,313	259.73%	1,460	11.20%
Chartered-in Vessels	320	14.70%	365	14.06%
Total	1,633	153.57%	1,825	11.76%

The average size of our own offshore service vessel fleet increased 11.20% in 2007, as the second-hand vessel acquired in 2006 was employed for the full year in 2007. For a similar reason, the chartered-in vessel days increased, even though we did not charter-in additional vessels in 2007.

Service Revenues: Service revenues increased 66.97% to Baht 2,867.44 million in 2007, or USD 44,012 per calendar-vessel-day, from Baht 1,717.36 million, or USD 27,001 per calendar-vessel-day in 2006. Vessel utilisation days improved from 970 days in 2006 to 1,349 days in 2007, resulting in a 77.17% utilisation rate. This reflects strong demand and a higher number of sub-sea engineering projects. In 2007, we worked on forty (40) major projects, as compared to forty-seven (47) major projects in 2006. The 2007 average project duration was longer, and more valued-added services, like ROV's, were provided as we owned more equipment.

Fleet Utilisation for Offshore Service Vessels

Item	FY 2006		FY 2007	
	No. of Days	% Change	No. of Days	% Change
Calendar-Ship-Days	1,633	153.57%	1,825	11.76%
Planned Off-Hire Days	0	0	77	100%
Available Days	1,633	15.57%	1,748	7.04%
Operating Days	970	138.92%	1,349	39.07%
Fleet Utilisation	59.40%	(3.64)%	77.17%	29.92%

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

Service Expenses: Service expenses increased 70.51% to Baht 1,929.43 million, or USD 29,668 per calendar-vessel-day, in 2007 from Baht 1,131.54 million or USD 17,764 per calendar-vessel-day, in 2006. The increase in service expenses was primarily due to a high utilisation rate, larger crew, and higher insurance premiums.

Depreciation: Depreciation expenses increased 49.91% to Baht 169.67 million in 2007, from Baht 113.18 million in 2006. An increase of Baht 56.49 million is attributable to the full year depreciation of two second-hand vessels in 2007, as compared to their partial year depreciation in 2006.

Offshore Drilling Services

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

Calendar-Rig-Days for Drilling Rigs ("MDL")

Calendar-Rig-Days	FY 2006		FY 2007	
	No. of Days	% Change	No. of Days	% Change
Owned Rigs	652	276.88%	730	11.96%
Chartered-in Rigs	0	0	0	0
Total	652	276.88%	730	11.96%

Fleet Utilisation for Drilling Rigs

Item	FY 2006		FY 2007	
	No. of Days	% Change	No. of Days	% Change
Calendar-Rig-Days	652	276.88%	730	11.96%
Planned Off-Hire Days	0	0%	70	100%
Available Days	652	276.88%	660	1.23%
Unplanned Off-Hire Days	23	100%	178	673.91%
Operating Days	629	263.58%	482	(23.37%)
Fleet Utilisation	96.47%	3.53%	73.03%	(24.30%)

Service Revenues: Service revenues decreased insignificantly to Baht 1,240.02 million, or USD 47,691 per calendar-rig-day, in 2007, compared to Baht 1,241.60 million, or USD 48,262 per calendar-rig-day, in 2006. The slight decrease was primarily due to a significantly lower utilisation rate of 73.03%, which was offset by the higher day rates charged to clients. One drilling rig had planned off-hire time for its five-year special survey. A subsequent accident on the same rig resulted in unplanned off-hire time of 87 days.

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

Service Expenses: Service expenses decreased 29.41% to Baht 419.70 million, or USD 16,119 per calendar-rig-day, in 2007 compared to Baht 594.60 million, or USD 23,703 per calendar-rig-day, in 2006. The decrease in expenses results from reclassification of specific non-operating expense incurred during the off-hire period to general and administrative expenses.

Depreciation: Depreciation increased 10.45% to Baht 274.26 million in 2007, from Baht 248.31 million in 2006. This was primarily due to additional purchases of tools and equipment for the drilling rigs.

Other Operating Results

General and administrative expenses: General and administrative expenses increased 72.69% to Baht 729.97 million in 2007, from Baht 422.70 million in 2006. The increase was mainly due to a reclassification of fixed and ongoing maintenance costs of two drilling rigs during their off-hire period of Baht 395.02 million. This increase was partially offset by the sale of Mermaid Safety Services Ltd. ("MSS"), Mermaid Maritime (Vietnam) Ltd. ("MMV") and Mermaid Supply Ltd. ("MSL") in 2007. Excluding the drilling rig's off-hire costs, general and administrative expenses fell 20.76% to Baht 87.75 million in 2007.

Interest expenses: Interest expenses decreased 7.41% to Baht 175.26 million in 2007, from Baht 189.30 million in 2006. USD 5.21 million and Baht 240.85 million of loans were repaid in 2007, and the Baht strengthened relative to the USD, reducing the Baht-equivalent amount. Since our revenues are primarily denominated in USD, we elected to fund our acquisitions in USD.

Interest income: Interest income increased 389.16% to Baht 11.05 million in 2007, from Baht 2.26 million in 2006. An increase in cash occurred from the sale of two vessels in Darium Thai Offshore Ltd. ("DTOL"), a subsidiary, in 2007. This company was dissolved and is being liquidated. Our average cash balance in 2007 was Baht 348.51 million, compared to Baht 159.29 million in 2006.

Foreign Exchange Gains (Losses): Foreign exchange gains of Baht 114.49 million were recorded in 2007, as a result of the strengthening of the Baht relative to USD. Most of our foreign exchange gains or losses are attributable to the revaluation of our USD denominated term loans at the end of each financial reporting period, and substantially all of the gains or losses are unrealised. As of the date of this report, our USD denominated revenues generally approximate our USD denominated operating expenses and interest and principal repayments.

Net gain (loss) on disposal and write off of property, plant, and equipment: In 2007, a net loss of Baht 10.20 million occurred primarily due to asset write offs of Baht 24.6 million from the fire accident on MTR-1. This loss was partially offset by gains on the sale of the two DTOL vessels Baht 12.3 million. In 2006, a net gain of Baht 9.27 million was due to the sale of one DTOL vessel.

Other Income: Other revenues decreased 24.49% to Baht 22.39 million in 2007, mainly from claims recovery of the crane boom accident of USD 379,437.70, or Baht 12.90 million. In 2006, the other income was a penalty charged to the seller for late delivery of a vessel of USD 275,000, or Baht 11.22 million.

As a result of the factors discussed above and the elimination of various inter-company transactions, our net income increased to Baht 541.08 million in 2007 from Baht 538.34 million in 2006.

Liquidity and Capital Resources

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

Total Capitalisation

Unit: Baht

Item	As of 30 September	
	FY 2006	FY 2007
Debt		
Bank overdrafts	40,058,490	20,274,164
Short-term debt	160,000,000	210,777,752
Current portion, long-term debt (including finance leases)	279,367,717	412,255,317
Long-term debt (including finance leases)	2,217,069,155	1,778,558,870
Total Debt	2,696,495,362	2,421,866,103
Shareholders' Equity		
Ordinary shares, Baht 1 par value, 383,205,340 shares authorised;	383,205,340	383,205,340
Additional paid-in capital	1,226,352,382	1,226,352,382
Retained earnings	603,855,230	1,144,936,986
Others	171,955,607	140,540,122
Total Shareholders' Equity	2,385,368,559	2,895,034,830
Total Capitalisation	5,081,863,921	5,316,900,933
Total Debt to Total Capitalisation	0.53	0.46
Net Debt to Total Net Capitalisation	0.51	0.40

As of 30 September 2007, our total cash and cash equivalents equalled Baht 511.70 million, compared to Baht 185.31 million at 30 September 2006. Our total liquidity, including cash, cash equivalents, and undrawn borrowings, was Baht 606.43 million as of 30 September 2007, a 120.27% increase from Baht 275.31 million as of 30 September 2006. The increase in total liquidity was mainly the result of net cash flows from operations and proceeds from the sale of vessels, partially offset by cash used for capital expenditures and investments. In our opinion, working capital is sufficient for our present requirements.

Net cash flows from operating activities increased to Baht 893.87 million in 2007 from Baht 256.29 million in 2006, mainly reflecting the increase in average day rates and higher asset utilisation day in MOS.

Net cash flows used in investing activities were Baht 432.60 million in 2007, of which Baht 254.21 million was provided by the proceeds from the sale of two multi-purpose offshore service vessels in DTOL and Baht 31.76 million was provided from the disposal of our investment in our subsidiaries. Baht 716.91 million was used for the payments for the ongoing construction of a new anchor handling, tug and supply ("AHTS") vessel, a new crane boom on MTR-1, and dry docking and special periodic survey for MTR-1.

Net cash flows used in financing activities were Baht 134.88 million in 2007, primarily as a result of proceeds from short-term and long-term loans from financial institutions of Baht 202.70 million and Baht 144.04 million, respectively, partially offset by the repayment of short-term and long-term loans from financial institutions of Baht 160.00 million and Baht 264.23 million, respectively.

As of 30 September 2007, Mermaid had total long-term debt including financial leases of Baht 2,190.81 million which comprised USD loans of USD 53.99 million and Baht loans of Baht 334.51 million, compared to Baht 2,496.44 million, which comprised USD loans of USD 55.80 million and Baht loan of Baht 396.32 million as of 30 September 2006. Outstanding loans were mainly for acquisitions of vessels, rigs, and equipment.

Use of IPO Proceeds

Mermaid's total proceeds received from the initial public offering ("IPO") of its shares was SGD 246,800,000, or equivalent to Baht 5,709.13 million, before deduction of issuing costs.

The actual use of IPO proceeds as at 19 December 2007 is summarised as follows:-

- SGD 24.08 million for subscription of shares in Worldclass Inspiration Sdn Bhd. This investment was announced via SGXNET on 6 December 2007.
- SGD 22.16 million as first instalment payment for one newbuild tender rig. This order was announced via SGXNET on 19 October 2007.

Capital Expenditures

In 2007, Mermaid had ongoing payments on one newbuild vessel whose total cost is expected to be Baht 453.20 million. As at 30 September 2007, the remaining cost was Baht 45.32 million, all of which is scheduled to be paid in 2008. We also acquired two new ROVs and a new crane boom totalling Baht 257.1 million.

In addition to acquisitions that we may undertake in future periods, we will incur additional capital expenditures in 2008, when the two vessels and MTR-2 undergo dry-docking and special surveys.

Qualitative and Quantitative Market Risk

Foreign Currency Fluctuation Risk

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

We entered into forward exchange contracts as a hedge against our Baht exposures. The fair market value of the forward exchange purchase and sell contracts were Baht 59.11 million and Baht 102.60 million, respectively, as of 30 September 2007. See more details in section “Consolidated and Company Financial Statements”.

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 USD and Baht interest rates, because almost all of our loans are denominated in USD and set against LIBOR. We pay interest on debt incurred under our existing credit facilities at a rate of LIBOR or MLR (primarily for short-term debt) plus or less certain margin.

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

Risk Factors

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

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

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

Depending on the market price of oil and gas, companies exploring for oil and gas may cancel or reduce their activities, thus reducing the demand for the Group. Although the level of offshore drilling and production activity improved in 2005 and 2006, there can be no assurance that activity levels will remain the same or increase. Any prolonged period of low drilling and production activity would likely have an adverse effect on the Group’s business and operations.

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

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

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

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

The Group is subject to a number of operating risks.

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

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

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

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

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

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

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

Since 1 October 2003, the Group has purchased two tender drilling rigs and three vessels. The Group has announced plans to purchase one newbuild tender drilling rig and one newbuild support vessel. There will be a time lag between the time the Group commits to purchase a newbuild tender drilling rig or vessel and the time such tender drilling rig or vessel becomes operational. In that time, the conditions affecting the industry may change such that the Group may be unable to achieve its projected returns. If the Group fails to effectively manage its current and future acquisitions and newbuilds, its results of operations could be adversely affected. The Group's expansion plans will require substantial management attention and significant company resources, both financial and human. The Group's growth has placed, and is expected to continue to place, significant demands on its personnel, management and other resources. If the Group does not continue or is unable to recruit the necessary skilled personnel, improve the Group operations and its financial, management and legal/compliance information systems to keep pace with the growth of the Group, the results of operations of the Group, may be adversely affected.

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

The Group industry is highly competitive with intense price competition.

The market segments and region in which the Group operates are highly competitive. Pricing is often the primary factor in determining which contractor is awarded a contract. Some of its competitors are larger than the Group, have more diverse fleets or fleets with generally higher specifications, have greater resources than the Group, and have greater brand recognition and greater geographic reach and/or lower capital costs than the Group has. This allows them to withstand industry downturns better,

compete on the basis of price, and relocate, build, and/or acquire additional assets, all of which may affect the Group's sales or profitability.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



Consolidated and Company Financial Statements

AUDITOR'S REPORT

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To the Shareholders of Mermaid Maritime Public Company Limited
(Formerly Mermaid Maritime Limited)

I have audited the accompanying consolidated and company balance sheets as of 30 September 2007 and 2006 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 position as at 30 September 2007 and 2006, 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.

Anothai Leekitwattana
Certified Public Accountant (Thailand) No. 3442
PricewaterhouseCoopers ABAS Limited

Bangkok
11 December 2007

Balance Sheets

As at 30 September 2007 and 2006

	Notes	Consolidated		Company	
		2007 Baht	2006 Restated Baht	2007 Baht	2006 Restated Baht
Assets					
Current assets					
Cash and cash equivalents	5	511,700,472	185,313,778	21,138,545	15,147,596
Trade accounts receivable - others, net	6	966,139,602	937,000,841	-	272,815
- related parties	27	260,453	15,505,297	55,602	249,938
Amounts due from related parties	27	89,335	77,408	107,470,386	68,464,099
Short-term loans to related parties	27	-	-	108,000,000	120,000,000
Inventories		-	23,556,222	-	-
Supplies and spare parts		113,580,970	84,233,052	-	-
Other current assets	8	226,891,902	125,198,289	89,952,394	18,200,047
Total current assets		1,818,662,734	1,370,884,887	326,616,927	222,334,495
Non-current assets					
Investments in subsidiaries - equity	7	-	-	2,357,672,477	1,885,965,773
Property, plant and equipment, net	9	4,011,341,500	4,072,274,357	237,363,482	260,225,027
Intangible assets, net	10	10,317,206	17,240,282	9,130,680	17,078,068
Deferred tax assets	11	59,605,621	31,241,185	-	-
Other non-current assets		45,802,984	3,399,652	568,980	588,480
Total non-current assets		4,127,067,311	4,124,155,476	2,604,735,619	2,163,857,348
Total assets		5,945,730,045	5,495,040,363	2,931,352,546	2,386,191,843

The notes to the consolidated and Company financial statements on pages 42 to 77 form an integral part of these consolidated financial statements

Balance Sheets (Cont'd)
 As at 30 September 2007 and 2006

	Notes	Consolidated		Company	
		2007 Baht	2006 Restated Baht	2007 Baht	2006 Restated Baht
Liabilities and shareholders' equity					
Current liabilities					
Bank overdrafts	12	20,274,164	40,058,490	-	-
Short-term loans from financial institutions	13	201,577,752	160,000,000	-	20,000,000
Trade accounts payable - others		353,795,790	224,569,724	-	-
- related parties	27	46,778,383	35,882,162	15,694	624,305
Other accounts payable		20,898,008	29,365,565	8,681,798	1,595,618
Amounts due to related parties	27	1,268,572	801,027	-	-
Current portion of long-term loans from financial institutions	14	406,245,182	272,890,333	24,800,000	24,800,000
Current portion of finance lease liabilities	15	6,010,135	6,477,384	2,584,071	3,077,401
Income taxes payable		14,153,584	9,748,432	-	-
Accrued expenses		104,446,376	21,756,389	41,825,512	3,032,505
Other current liabilities		93,329,898	85,684,517	9,108,931	3,080,479
Total current liabilities		1,268,777,844	887,234,023	87,016,006	56,210,308
Non-current liabilities					
Long-term loans from financial institutions	14	1,773,410,230	2,207,423,960	85,600,000	110,400,000
Finance lease liabilities	15	5,148,640	9,645,195	2,200,362	5,930,800
Retirement benefit obligations	16	3,358,501	5,368,626	1,545,412	4,375,651
Total non-current liabilities		1,781,917,371	2,222,437,781	89,345,774	120,706,451
Total liabilities		3,050,695,215	3,109,671,804	176,361,780	176,916,759
Shareholders' equity					
Share capital	17				
Registered share capital		674,537,393	383,205,340	674,537,393	383,205,340
Issued and fully paid up		383,205,340	383,205,340	383,205,340	383,205,340
Premium on share capital	17	1,226,352,382	1,226,352,382	1,226,352,382	1,226,352,382
Translation adjustments for investments in foreign subsidiaries		496,058	(4,137,868)	496,058	(4,137,868)
Retained earnings					
Appropriated - legal reserve	18	5,720,000	5,720,000	5,720,000	5,720,000
Unappropriated		1,139,216,986	598,135,230	1,139,216,986	598,135,230
Total parent's shareholders' equity		2,754,990,766	2,209,275,084	2,754,990,766	2,209,275,084
Minority interests		140,044,064	176,093,475	-	-
Total shareholders' equity		2,895,034,830	2,385,368,559	2,754,990,766	2,209,275,084
Total liabilities and shareholders' equity		5,945,730,045	5,495,040,363	2,931,352,546	2,386,191,843

The notes to the consolidated and Company financial statements on pages 42 to 77 form an integral part of these consolidated financial statements

Statements of Income

For the years that ended on 30 September 2007 and 2006

	Notes	Consolidated		Company	
		2007 Baht	2006 Restated Baht	2007 Baht	2006 Restated Baht
Service income	4	4,130,308,851	3,116,050,235	-	5,436,905
Sales	4	964,025	51,307,654	-	-
Total service income and sales		4,131,272,876	3,167,357,889	-	5,436,905
Cost of services	19	(2,813,738,530)	(2,131,670,646)	-	(3,346,343)
Cost of sales		(931,479)	(35,055,767)	-	-
Total cost of services and sales		(2,814,670,009)	(2,166,726,413)	-	(3,346,343)
Gross profit from services and sales		1,316,602,867	1,000,631,476	-	2,090,562
Service and administrative expenses	19	(729,968,197)	(422,704,024)	(103,590,673)	(130,884,499)
Management income	27	-	-	93,776,849	47,015,006
Interest income		11,052,673	2,259,527	8,663,814	17,491,425
Gain (loss) on exchange rates		114,493,191	149,674,655	127,002	(86,529)
Net gain (loss) on disposal and write off of property, plant and equipment		(10,197,814)	9,266,867	698,655	(42,900)
Gain (loss) on disposal of investments	7	2,994,986	-	2,994,986	(850,993)
Other income		22,389,394	29,769,880	13,455,178	33,417,610
Operating profit (loss)	19	727,367,100	768,898,381	16,125,811	(31,850,318)
Share profit of investments in subsidiaries, net-equity method		-	-	536,802,758	586,919,884
Profit before interest expenses and income taxes		727,367,100	768,898,381	552,928,569	555,069,566
Interest expenses		(175,263,238)	(189,297,017)	(9,427,210)	(14,504,003)
Profit before income taxes		552,103,862	579,601,364	543,501,359	540,565,563
Income taxes	20	(18,817,024)	(26,868,710)	(2,419,603)	(2,230,211)
Profit before minorities		533,286,838	552,732,654	541,081,756	538,335,352
Profit (loss) attributable to minority interests		7,794,918	(14,397,302)	-	-
Net profit for the year		541,081,756	538,335,352	541,081,756	538,335,352
Basic earnings per share	21				
Net profit for the year		1.41	1.40	1.41	1.40

The notes to the consolidated and Company financial statements on pages 42 to 77 form an integral part of these consolidated financial statements

Statements of Changes in Shareholders' Equity

For the years that ended on 30 September 2007 and 2006

Consolidated 2007

	Note	Issued and paid-up share capital Baht	Premium on share capital Baht	Translation adjustments for investments in foreign subsidiaries Baht	Appropriated retained earnings-legal reserve Baht	Unappropriated retained earnings Baht	Minority interests Baht	Total Baht
Beginning balance as at 1 October 2006		383,205,340	1,226,352,382	(4,137,868)	5,720,000	682,024,303	180,874,618	2,474,038,775
Retrospective adjustments from adoption of new accounting policies	3	-	-	-	-	(83,889,073)	(4,781,143)	(88,670,216)
Beginning balance after retrospective adjustment		383,205,340	1,226,352,382	(4,137,868)	5,720,000	598,135,230	176,093,475	2,385,368,559
Net profit for the year		-	-	-	-	541,081,756	(7,794,918)	533,286,838
Dividends paid by a subsidiary		-	-	-	-	-	(29,141,280)	(29,141,280)
Translation adjustments for investments in foreign subsidiaries		-	-	4,633,926	-	-	886,787	-
Ending balance as at 30 September 2007		383,205,340	1,226,352,382	496,058	5,720,000	1,139,216,986	140,044,064	2,895,034,830

Company 2007

	Note	Issued and paid-up share capital Baht	Premium on share capital Baht	Translation adjustments for investments in foreign subsidiaries Baht	Appropriated retained earnings-legal reserve Baht	Unappropriated retained earnings Baht	Total Baht
Beginning balance as at 1 October 2006		383,205,340	1,226,352,382	(4,137,868)	5,720,000	682,024,303	2,293,164,157
Retrospective adjustments from adoption of new accounting policies	3	-	-	-	-	(83,889,073)	(83,889,073)
Beginning balance after retrospective adjustment		383,205,340	1,226,352,382	(4,137,868)	5,720,000	598,135,230	2,209,275,084
Net profit for the year		-	-	-	-	541,081,756	541,081,756
Translation adjustments for investments in foreign subsidiaries		-	-	4,633,926	-	-	-
Ending balance as at 30 September 2007		383,205,340	1,226,352,382	496,058	5,720,000	1,139,216,986	2,754,990,766

The notes to the consolidated and Company financial statements on pages 42 to 77 form an integral part of these consolidated financial statements

Statements of Changes in Shareholders' Equity

For the years that ended on 30 September 2007 and 2006

Consolidated 2006 (Restated)								
	Note	Issued and paid-up share capital Baht	Premium on share capital Baht	Translation adjustments for investments in foreign subsidiaries Baht	Appropriated retained earnings-legal reserve Baht	Unappropriated retained earnings Baht	Minority interests Baht	Total Baht
Beginning balance as at 1 October 2005		383,205,340	1,226,352,382	43,736	5,720,000	80,533,339	163,403,304	1,859,258,101
Retrospective adjustments from adoption of new accounting policies	3	-	-	-	-	(20,733,461)	(1,458,306)	(22,191,767)
Beginning balance after retrospective adjustment		383,205,340	1,226,352,382	43,736	5,720,000	59,799,878	161,944,998	1,837,066,334
Issued share capital		-	-	-	-	-	220	220
Net profit for the year		-	-	-	-	538,335,352	14,397,302	552,732,654
Translation adjustments for investments in foreign subsidiaries		-	-	(4,181,604)	-	-	(249,045)	(4,430,649)
Ending balance as at 30 September 2006		383,205,340	1,226,352,382	(4,137,868)	5,720,000	598,135,230	176,093,475	2,385,368,559

Company 2006 (Restated)							
	Note	Issued and paid-up share capital Baht	Premium on share capital Baht	Translation adjustments for investments in foreign subsidiaries Baht	Appropriated retained earnings-legal reserve Baht	Unappropriated retained earnings Baht	Total Baht
Beginning balance as at 1 October 2005		383,205,340	1,226,352,382	-	-	5,720,000	1,695,811,061
Retrospective adjustments from adoption of new accounting policies	3	-	-	-	-	-	(20,733,461)
Beginning balance after retrospective adjustment		383,205,340	1,226,352,382	-	-	5,720,000	1,675,077,600
Net profit for the year		-	-	-	-	-	538,335,352
Translation adjustments for investments in foreign subsidiaries		-	-	(4,137,868)	-	-	(4,137,868)
Ending balance as at 30 September 2006		383,205,340	1,226,352,382	(4,137,868)	5,720,000	598,135,230	2,209,275,084

The notes to the consolidated and Company financial statements on pages 42 to 77 form an integral part of these consolidated financial statements

Statements of Cash Flows

For the years that ended on 30 September 2007 and 2006

		Consolidated		Company	
		2007	2006	2007	2006
		Baht	Restated Baht	Baht	Restated Baht
Notes					
Cash flows from operating activities					
Net profit for the year		541,081,756	538,335,352	541,081,756	538,335,352
Adjusted by:					
Depreciation	9	498,872,435	438,642,671	21,706,891	23,705,017
Amortisation of intangible assets	10	8,588,958	5,007,464	8,198,624	4,965,987
Net (gain) loss on disposal and write off of property, plant and equipment		10,197,814	(9,266,867)	(698,655)	42,900
(Gain) loss on disposal of investments in subsidiaries	7	(2,994,986)	-	(2,994,986)	850,993
Realised (gain) loss on exchange rate	13, 14	(16,302,797)	(4,151,300)	-	-
Unrealised (gain) loss on exchange rate	14	(165,290,431)	(175,743,922)	-	-
Provision (reversal) of bad and doubtful accounts receivable		1,705,780	11,013,506	(1,044,037)	99,698
Retirement benefit obligations		(2,010,125)	(452,675)	(2,830,239)	(1,309,900)
Share of profit in subsidiaries, net	7	-	-	(536,802,758)	(586,919,884)
Profit (loss) attributable to minority interests		(7,794,918)	14,397,302	-	-
Changes in operating assets and liabilities (excluding the effects of acquisition and disposal as described in note 7)					
- Trade accounts receivable - others		(45,614,369)	(689,279,993)	1,316,852	1,268,211
- Trade accounts receivable - related parties		15,244,844	5,127,557	194,336	(88,737)
- Amounts due from related parties		(11,927)	1,493,108	(39,006,287)	(21,270,028)
- Inventories		864,885	(243,827)	-	-
- Supplies and spare parts		(29,347,918)	(52,853,396)	-	-
- Other current assets		(108,924,278)	47,214,235	(71,752,382)	7,503,964
- Deferred tax assets		(28,364,436)	(21,273,595)	-	2,074,976
- Other non-current assets		(36,120,233)	(6,658,444)	19,500	101,770
- Trade accounts payable - others		138,400,789	143,417,800	-	(1,053,716)
- Trade accounts payable - related parties		10,896,221	(28,601,314)	(608,611)	981
- Other accounts payable		(7,778,301)	29,365,565	7,086,180	1,595,620
- Amounts due to related parties		467,545	6,807	-	-
- Income tax payable		5,937,306	(17,066,047)	-	(2,014,682)
- Accrued expenses		83,853,720	(6,605,210)	38,793,007	1,738,507
- Other current liabilities		28,310,268	34,465,480	6,028,452	(19,843,939)
Net cash inflows (outflows) from operating activities		893,867,602	256,290,257	(31,312,357)	(50,216,910)

The notes to the consolidated and Company financial statements on pages 42 to 77 form an integral part of these consolidated financial statements

Statements of Cash Flows (Cont'd)

For the years that ended on 30 September 2007 and 2006

	Notes	Consolidated		Company	
		2007	2006	2007	2006
		Baht	Restated Baht	Baht	Restated Baht
Cash flows from investing activities					
Proceeds from disposal of investment in subsidiaries		31,763,233	-	42,394,281	224,675
Payments on investment in subsidiaries	7	-	-	-	(208,832,133)
Dividends received from subsidiaries	7	-	-	30,330,720	9,503,560
Proceeds from short-term loans to related parties		-	-	666,000,000	706,500,000
Payments on short-term loans to related parties		-	-	(654,000,000)	(388,500,000)
Proceeds from disposals of property, plant and equipment		254,210,889	49,102,635	4,095,854	10,520,228
Purchases of property, plant and equipment		(716,910,430)	(690,535,528)	(2,242,544)	(32,718,582)
Purchases of intangible assets		(1,665,882)	(18,013,611)	(251,236)	(17,878,531)
Net cash inflows (outflows) in investing activities		(432,602,190)	(659,446,504)	86,327,075	78,819,217
Cash flows from financing activities					
Net proceeds (payments) from bank overdrafts		(19,784,326)	40,058,490	-	-
Proceeds of short-term loans from financial institutions	13	202,703,654	276,435,020	-	-
Payments on short-term loans from financial institutions	13	(160,000,000)	(217,575,710)	(20,000,000)	(50,000,000)
Payments on finance lease liabilities		(8,465,211)	(5,679,419)	(4,223,769)	(4,497,091)
Proceeds from long-term loans from financial institutions	14	144,035,685	467,650,840	-	14,900,000
Payments on long-term loans from financial institutions	14	(264,227,240)	(105,680,000)	(24,800,000)	(24,800,000)
Proceeds from short-term loans from related parties		-	-	-	25,000,000
Payments on short-term loans from related parties		-	-	-	(25,000,000)
Dividends paid to minority interests		(29,141,280)	-	-	-
Proceeds from issue of share capital from minority interests		-	220	-	-
Net cash inflows (outflows) from financing activities		(134,878,718)	455,209,441	(49,023,769)	(64,397,091)

The notes to the consolidated and Company financial statements on pages 42 to 77 form an integral part of these consolidated financial statements

Statements of Cash Flows (Cont'd)

For the years that ended on 30 September 2007 and 2006

	Consolidated		Company	
	2007	2006	2007	2006
	Baht	Restated Baht	Baht	Restated Baht
Net increase (decrease) in cash and cash equivalents	326,386,694	52,053,194	5,990,949	(35,794,784)
Cash and cash equivalents at the beginning of year	185,313,778	133,260,584	15,147,596	50,942,380
Cash and cash equivalents at the end of year	511,700,472	185,313,778	21,138,545	15,147,596
Supplementary information for cash flows:				
Interest paid	175,263,238	204,759,514	9,416,206	14,450,301
Tax paid	59,947,747	105,115,932	2,419,603	5,051,623
<u>Non-cash transactions</u>				
Consolidated				
As at 30 September 2007, the Group has unpaid liabilities under finance lease agreements for the purchase of fixed assets of Baht 11,158,775 (30 September 2006: Baht 16,122,579).				
Company				
As at 30 September 2007, the Company has unpaid liabilities under finance lease agreements for the purchase of fixed assets Baht 4,784,433 (30 September 2006: Baht 9,008,201).				

The notes to the consolidated and Company financial statements on pages 42 to 77 form an integral part of these consolidated financial statements

Notes to the Consolidated and Company Financial Statements

For the years that ended on 30 September 2007 and 2006

1 General information

Mermaid Maritime Public Company Limited (the “Company”) is a Public Company Limited which is incorporated in Thailand. 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 and merchant shipping lines. The scope of services comprises sub-sea engineering and inspection by divers and remotely operated vehicle (“ROV”) systems, non-destructive testing, and ownership and operation of a fleet of offshore service vessels and tender drilling rigs.

As at 30 September 2007, the Group employed 288 persons (30 September 2006: 296 persons).

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

The Company has registered as a Public Company Limited with the Department of Business Development, Ministry of Commerce effective on 15 January 2007. The Company has changed its name to Mermaid Maritime Public Company Limited since then.

The board of directors approved the issue of the audited consolidated and Company financial statements on 11 December 2007.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

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

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

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

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

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

2 Accounting policies (Cont'd)

2.1 Basis of preparation (Cont'd)

2.1.1 Amendments to Thai Accounting Standards

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

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

The amendments relating to TAS 44 “Consolidated and separate financial statements”, TAS 45 “Investments in associates”, and TAS 46 “Interests in joint ventures” is effective for the period beginning on or after 1 January 2007. Such amendments to accounting standards No. 44, 45, and 46 require a change from the equity method to the cost method for investments in subsidiaries, associates, and joint ventures presented in the Company separate financial statements. Under the cost method, income from investments will be recorded when dividends are declared. This change has an impact to the Company financial statements only and will not have an impact to the consolidated financial statements as described in note 2.1.1(a).

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

- TAS 25 : Cash flow statements
- TAS 29 : Leases
- TAS 31 : Inventories
- TAS 33 : Borrowing costs
- TAS 35 : Presentation of financial statements
- TAS 39 : Accounting policies, changes in accounting estimates and errors
- TAS 41 : Interim financial reporting
- TAS 43 : Business combinations
- TAS 49 : Construction contracts
- TAS 51 : Intangible assets

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

(a) Effect to balance sheet as at 30 September 2007 and statement of income for the year that ended on 30 September 2007:

The Group will be implementing the changes of accounting standards No. 44, 45 and 46 for the financial period commencing from 1 October 2007 onwards. For illustration purposes only, the Company has computed the effects of this change to the Company financial statements for the year that ended on 30 September 2007 and 2006. The results are shown as follows:

	30 September 2007	
	Restated Baht	As currently reporting Baht
Balance sheet		
Investments in subsidiaries	1,228,824,106	2,357,672,477
Retained earnings - Unappropriated	10,368,615	1,139,216,986
Statement of income		
Net profit for the year	35,425,605	541,081,756
Basic earnings per share	0.09	1.41

2 Accounting policies (Cont'd)

2.1 Basis of preparation (Cont'd)

(b) Effect to balance sheet as at 30 September 2006 and statement of income for the year that ended on 30 September 2006:

	30 September 2006	
	Restated Baht	As currently reporting Baht
Balance sheet		
Investments in subsidiaries	1,266,911,421	1,885,965,773
Retained earnings - Unappropriated	(25,056,990)	598,135,230
Statement of income		
Net profit (loss) for the year	(38,368,961)	538,335,352
Basic earnings per share	(0.10)	1.40

2.1.2 Adoption of new accounting policies

In 2007 financial statements, the Group has early adopted new accounting policies based on International Financial Reporting Standards listed below, which are relevant to its operations. The 2006 accounts have been restated, in accordance with the relevant requirements.

- IAS 12 : Income taxes
- IAS 16 : Property, plant and equipment
- IAS 19 : Employee benefits

The Thai accounting standard relating to IAS 16 has not been updated and is based on IAS 16 (revised 1998).

The impact to the consolidated and Company financial statements relating to the adopted policies have been disclosed in Note 3 to the financial statements.

2 Accounting policies (Cont'd)

2.2 Investments in subsidiaries

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

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

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

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

2.3 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 ruling on that date. Unrealised gains and losses on foreign exchange are recognised in the statements of income as incurred.

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

2.4 Cash and cash equivalents

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

2 Accounting policies (Cont'd)

2.5 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 statement of income within service and administrative expenses.

2.6 Inventories

Inventories, which mainly represent finished goods, comprise supplies, equipment, and consumer products for sale which are stated at the lower of cost or net realisable value. Cost of supplies, equipment, and consumer products is determined by the first-in, first-out method and cost of safety equipment is determined by the weighted average method. The cost of purchase comprises both the purchase price and costs directly attributable to the acquisition of the inventory, less all attributable discounts, allowances or rebates. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses. Allowance is made, where necessary, for obsolete, slow moving, and defective inventories.

2.7 Supplies and spare parts

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

2.8 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 derecognised. All other repairs and maintenance 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	5 to 13 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 on the cost of the vessel and tender rigs less an estimated scrap value.

2 Accounting policies (Cont'd)

2.8 Property, plant and equipment (Cont'd)

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

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

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

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

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

2.9 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).

2.10 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 income statement on a straight-line basis over the lease period.

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

2 Accounting policies (Cont'd)

2.11 Provisions

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

2.12 Revenue recognition

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

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

(a) Sales of goods

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

(b) Rendering of services

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

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

(c) Interest income

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

(d) Dividend income

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

2.13 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 Board of Directors and the annual dividends are approved by the Company's shareholders.

2 Accounting policies (Cont'd)

2.14 Financial instruments

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

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

2.15 Current and deferred income taxes

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

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

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

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

2.16 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.

2 Accounting policies (Cont'd)

2.16 Employee benefits (Cont'd)

(b) Retirement benefits (Cont'd)

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 obligation are charged or credited to income over the employees' expected average remaining working lives.

(c) Termination benefits

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

2.17 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 the business segment of the Group's/ Company's operations.

2.18 Related parties

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

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

3 Adoption of new accounting policies/Change in accounting policy

Adoption of new accounting policies

During the year 2007, the Group's management has early adopted new accounting policies as described in Note 2.1.2 as follows. This is in order to present financial statements that are more closely aligned to expected international accounting and to be more consistent with industry practice.

(1) IAS 12: Income taxes

The adoption of IAS 12- Income taxes has required that 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. Deferred income tax is determined using tax rates (and laws) 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. In previous years, tax was accounted for based on corporate income taxes currently payable in the period, and there was no recognition of deferred tax assets or liabilities.

(2) IAS 16: Property, plant and equipment

The adoption of IAS 16- component accounting approach has required each element of a large item of property, plant and equipment with a cost significant to the total cost to be separately identified and depreciated. If some of the separate elements have similar useful life, they have been grouped together for depreciation purposes. The component accounting approach also affected the treatment of dry-docking costs. Upon acquisition of a vessel or rig, the components of the vessel or rig which are required to be replaced at the next dry-docking are identified and their costs are depreciated over the period to the next estimated dry-docking date. When significant specific dry-docking costs are incurred prior to the expiry of the depreciation period, the remaining costs of the previous dry-docking are written off immediately. In previous years, the cost of each item of property, plant and equipment was recognised and depreciated as a single item, without consideration of the component accounting approach. Dry-docking was previously recorded as other asset in the balance sheet and amortised to the statement of income over the estimated period before the next dry-docking.

(3) IAS 19: Employee Benefits

The adoption of IAS19- Employee benefits has resulted in a change in the accounting policy for employee benefits. Provident funds are accounted for as defined contribution plans and contributions to provident funds are charged to the consolidated and Company statements of income when incurred. Obligations relating to severance and termination are accounted for by using the projected unit credit method. The benefit obligation is discounted using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid that have terms to maturity approximating to the terms of the related pension liabilities. Previously, the Group recorded its contributions to the provident funds and obligations for severance and termination as incurred.

Change in accounting policy

(4) Revenue - recognition of mobilisation fees

The Group has changed their revenue recognition accounting policy for mobilisation fees, to better reflect the underlying substance of these transactions. For the Group's drilling business, mobilisation activities are linked to underlying contracts and certain contracts include mobilisation fees at the start of the contracts. These mobilisation fees normally comprise a) a general upgrade of a rig or equipment, b) specific upgrades of equipment specific to the contract and c) operating expenses at the start up of the contract. In cases 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. Previously, the mobilisation fee revenue was recognised once the mobilisation activities were completed.

3 Adoption of new accounting policies/Change in accounting policy (Cont'd)

The Group has accounted for the effect of adoption of the new accounting policies retrospectively in the consolidated and Company financial statements. The impact on the consolidated and Company balance sheets as at 30 September 2007 and 2006, and consolidated and Company statements of income for the years that ended on 30 September 2007 and 2006 are as follows:

	Ref.	Consolidated		Company	
		2007 Baht	2006 Baht	2007 Baht	2006 Baht
Beginning balance of retained earnings as at 1 October 2006 and 2005 as previously reported		682,024,303	80,533,339	682,024,303	80,533,339
Retrospective adjustments:-					
IAS 12 Income Taxes	(1)	29,693,563	9,595,661	29,693,563	9,595,661
IAS 16 Property, plant and equipment	(2)	(101,502,810)	(24,537,322)	(101,502,810)	(24,537,322)
IAS 19 Employee Benefits	(3)	(5,218,952)	(5,791,800)	(5,218,952)	(5,791,800)
Revenue - recognition of mobilisation fees	(4)	(6,860,874)	-	(6,860,874)	-
Beginning balance of retained earnings as at 1 October 2006 and 2005 after retrospective adjustments		598,135,230	59,799,878	598,135,230	59,799,878
Beginning balance of minority interests as at 1 October 2006 and 2005 as previously reported		180,874,618	163,403,304	-	-
Retrospective adjustments:-					
IAS 12 Income Taxes	(1)	1,547,622	371,929	-	-
IAS 16 Property, plant and equipment	(2)	(5,817,990)	(1,800,734)	-	-
IAS 19 Employee Benefits	(3)	(149,674)	(29,501)	-	-
Revenue - recognition of mobilisation fees	(4)	(361,101)	-	-	-
Beginning balance of minority interests as at 1 October 2006 and 2005 after retrospective adjustments		176,093,475	161,944,998	-	-

3 Adoption of new accounting policies/Change in accounting policy (Cont'd)

	Ref.	Consolidated		Company	
		2007 Baht	2006 Baht	2007 Baht	2006 Baht
Balance sheets as at 30 September					
Increase in other current assets	(4)	4,006,237	367,426	-	-
Decrease in property, plant and equipment	(2)	(185,735,476)	(107,320,800)	(4,601,251)	(2,376,414)
Increase in deferred tax assets	(1)	59,605,621	31,241,185	-	-
Increase in other current liabilities	(4)	17,501,762	7,589,400	-	-
Increase in retirement benefit obligation	(3)	3,358,501	5,368,626	1,545,412	4,375,651

	Ref.	Consolidated		Company	
		2007 Baht	2006 Baht	2007 Baht	2006 Baht
Statements of income for the year ended 30 September					
Increase (decrease) in service income	(4)	(9,912,361)	(7,589,400)	-	-
Increase in cost of services	(2), (4)	(73,953,444)	(78,525,600)	-	-
Decrease in share profit of Investments in subsidiaries	(1),(2),(3),(4)	-	-	(54,919,065)	(63,623,655)
(Increase) decrease in service and administrative expenses	(2), (3)	1,187,706	(1,637,043)	605,402	(779,817)
(Increase) decrease in income taxes	(1)	28,364,436	21,273,595	-	(2,074,976)
		<u>(54,313,663)</u>	<u>(66,478,448)</u>	<u>(54,313,663)</u>	<u>(66,478,448)</u>
Decrease in earnings per share		(0.14)	(0.17)	(0.14)	(0.17)

4 Business segment information

The segment results for the years ended 30 September 2007 and 2006 are as follows:

	Consolidated						
	For the year that ended on 30 September 2007						
	Turn-key diving, ROV and NDT services to offshore industries Baht	Drilling Services Baht	Ownership and operation of multi- purpose offshore service vessels Baht	Training Services Baht	Ships chandlery Baht	Unallocated Baht	Group Baht
Total service income	2,867,436,971	1,242,865,144	8,651,340	14,975,633	-	-	4,133,929,088
Inter-segment service income	-	(2,844,452)	-	(775,785)	-	-	(3,620,237)
Service income	2,867,436,971	1,240,020,692	8,651,340	14,199,848	-	-	4,130,308,851
Total sales	-	-	-	-	964,025	-	964,025
Inter-segment sales	-	-	-	-	-	-	-
Sales	-	-	-	-	964,025	-	964,025
Total service income and sales	2,867,436,971	1,240,020,692	8,651,340	14,199,848	964,025	-	4,131,272,876
Operating profit (loss)	717,450,109	123,248,152	(3,778,244)	(1,314,102)	(14,141,609)	(94,097,206)	727,367,100
Interest expenses							(175,263,238)
Income taxes							(18,817,024)
Profit (loss) attributable to minority interest							7,794,918
Net profit for the year							541,081,756
Property, plant, equipment and intangible assets	2,123,775,456	1,640,228,725	-	11,160,363	-	246,494,162	4,021,658,706
Total assets							5,945,730,045

5 Cash and cash equivalents

Cash and cash equivalents comprise:

	Consolidated		Company	
	2007 Baht	2006 Baht	2007 Baht	2006 Baht
Cash on hand	1,285,003	1,183,740	192,416	293,470
Cash at banks	510,415,469	184,130,038	20,946,129	14,854,126
Total cash and cash equivalents	511,700,472	185,313,778	21,138,545	15,147,596

6 Trade accounts receivable - others, net

Trade accounts receivable - others, net comprise:

	Consolidated		Company	
	2007 Baht	2006 Baht	2007 Baht	2006 Baht
Trade accounts receivable - others	921,178,169	899,522,700	-	1,316,852
Accrued income	58,609,149	54,546,684	-	-
	979,787,318	954,069,384		1,316,852
<u>Less</u> Allowance for doubtful accounts	(13,647,716)	(17,068,543)	-	(1,044,037)
Trade accounts receivable - others, net	966,139,602	937,000,841	-	272,815

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

	Consolidated		Company	
	2007 Baht	2006 Baht	2007 Baht	2006 Baht
Trade accounts receivable under credit term	643,334,583	533,903,617	-	74,050
Aging of trade accounts receivable past due				
Less than 3 months	222,203,809	339,465,530	-	-
Overdue 3 to 6 months	4,926,616	30,785,734	-	-
Overdue 6 to 12 months	53,984,699	3,573,612	-	160,205
Overdue 12 months	55,337,611	46,340,891	-	1,082,597
	979,787,318	954,069,384	-	1,316,852
<u>Less</u> Allowance for doubtful accounts	(13,647,716)	(17,068,543)	-	(1,044,037)
Trade accounts receivable - other, net	966,139,602	937,000,841	-	272,815

7 Investments in subsidiaries - equity

The movement of investments in subsidiaries is as follows:

	Company	
	2007 Baht	2006 Baht
Opening balance	1,885,965,773	1,105,051,430
Additional investments	35	208,832,133
Dividends received	(30,330,720)	(9,503,560)
Proceeds from disposal of investments in subsidiaries	(42,394,281)	(224,675)
Gains (losses) from disposal of investments in subsidiaries	2,994,986	(850,993)
Increase in a subsidiary's liability responsible by the Company	-	(120,578)
Translation adjustments	4,633,926	(4,137,868)
Share of profit in subsidiaries	536,802,758	586,919,884
Ending balance	<u>2,357,672,477</u>	<u>1,885,965,773</u>

7 Investments in subsidiaries - equity

Investments in subsidiaries comprise investments in the following companies:

	Nature of business	Country of incorporation	Nature of relationship	Paid up capital (Million Baht)	Investment Portion (%)	Amount of		Amount in Balance Sheet
						Cost method	Equity method	
Subsidiaries								
- Darium Thai Offshore Ltd. (c)	Ownership and operation of multi-purpose offshore service vessels	Thailand	Shareholder	212.4	51	108,324,000	112,345,618	112,345,618
- Mermaid Offshore Services Limited	Turn-key diving, ROV and NDT services to offshore industries	Thailand	Shareholder	550.0	100	550,000,000	1,465,512,886	1,465,512,886
- Mermaid Training and Technical Services Ltd.	Sub-sea engineering training and examination services	Thailand	Shareholder	2.0	100	2,000,000	(3,338,687)	(3,338,687)
- Mermaid Drilling (Singapore) Pte. Ltd. (a) which has two subsidiaries as follows:	Production and exploration drilling services and support to the offshore oil and gas industries	Singapore	Shareholder	USD 1	100	35	(264,738)	(264,738)
MTR-1 (Singapore) Ltd. (b), MTR-2 (Singapore) Ltd. (b)	Drilling services Drilling services	Singapore Singapore		USD 1 USD 1	100 100			
- Mermaid Drilling Ltd. which has three subsidiaries as follows:	Production and exploration drilling services and support to the offshore oil and gas industries	Thailand	Shareholder	240.0	95	568,500,071	783,417,398	783,417,398
MTR-1 Ltd., MTR-2 Ltd., Mermaid Drilling (Malaysia) Sdn. Bhd.,	Drilling services Drilling services Drilling services	Thailand Thailand Malaysia		240.0 350.0 Malaysia Ringgit 250,000	100 100 100			
Total						1,228,824,106	2,357,672,477	2,357,672,477

As at 30 September 2007

In Baht

7 Investments in subsidiaries - equity (Cont'd)

Investments in subsidiaries comprise investments in the following companies: (Cont'd)

As at 30 September 2006 (Restated)

In Baht

Subsidiaries	Nature of business	Country of incorporation	Nature of relationship	Paid up capital (Million Baht)	Investment Portion (%)	Amount of		Amount in Balance Sheet
						Cost method	Equity method	
- Darium Thai Offshore Ltd.	Ownership and operation of multi-purpose offshore service vessels	Thailand	Shareholder	212.4	51	108,324,000	150,200,900	150,200,900
- Mermaid Supply Ltd. (d)	Ships Chandlery	Thailand	Shareholder	10.0	100	8,019,170	7,818,564	7,818,564
- Mermaid Offshore Services Limited	Turn-key diving, ROV and NDT services to offshore industries	Thailand	Shareholder	550.0	100	550,000,000	915,317,707	915,317,707
- Mermaid Safety Services Ltd. (e)	Safety equipment services and supply	Thailand	Shareholder	4.0	100	4,000,000	24,998,650	24,998,650
- Mermaid Training and Technical Services Ltd.	Sub-sea engineering training and examination services	Thailand	Shareholder	2.0	100	2,000,000	(377,208)	(377,208)
- MTR-3 Ltd. (f)	Drilling services	Thailand	Shareholder	1.0	100	1,000,000	952,530	952,530
- MTR-4 Ltd. (f)	Drilling services	Thailand	Shareholder	1.0	100	1,000,000	951,530	951,530
- Mermaid Drilling Ltd. which has three subsidiaries as follows:	Production and exploration drilling services and support to the offshore of and gas industries	Thailand	Shareholder	240.0	95	568,500,071	777,046,982	777,046,982
MTR-1 Ltd.,	Drilling services	Thailand		240.0	100			
MTR-2 Ltd., and	Drilling services	Thailand		350.0	100			
Mermaid Drilling (Malaysia) Sdn. Bhd.	Drilling services	Malaysia	Malaysia Ringgit	250,000	100			
- Mermaid Maritime (Vietnam) Ltd. (e)	Safety equipment services and supply	Vietnam	Shareholder	USD 580,013	100	24,068,180	9,056,118	9,056,118
Total						1,266,911,421	1,885,965,773	1,885,965,773

7 Investments in subsidiaries - equity (Cont'd)

- (a) On 27 February 2007, Mermaid Drilling Ltd. acquired a share capital in a newly established subsidiary, Mermaid Drilling (Singapore) Pte. Ltd. in Singapore with paid-up capital amounting to USD 1. On 7 September 2007, Mermaid Drilling Ltd. disposed its investment in Mermaid Drilling (Singapore) Pte. Ltd. to the Company at the purchase price of USD 1. On 19 September 2007, Mermaid Drilling (Singapore) Pte. Ltd., a subsidiary, entered into a contract with Kencana Petroleum Ventures Sdn. Bhd., incorporated in Malaysia, to establish a new company named Kencana Mermaid Drilling Sdn. Bhd., with a share capital of Malaysia Ringgit 100,000, with 60% held by Kencana Petroleum Ventures Sdn. Bhd. and 40% held by Mermaid Drilling (Singapore) Pte. Ltd. This new company is in the process of establishment.
- (b) On 27 September 2007, Mermaid Drilling (Singapore) Pte. Ltd. registered subsidiaries in Singapore, namely MTR-1 (Singapore) Ltd. and MTR-2 (Singapore) Ltd., with paid-up capital of USD 1 and USD 1, respectively. As at 30 September 2007, the subsidiaries have not commenced operations.
- (c) On 24 August 2007, Darium Thai Offshore Ltd., a subsidiary, ceased its commercial business. The dissolution was registered with the Ministry of Commerce on 24 August 2007. As at 30 September 2007, the subsidiary is in the process of liquidation.
- (d) On 17 August 2007, the Company sold its entire investment in Mermaid Supply Ltd. to a third party. The net investment at the disposed date was Baht 4,034,534. The net gain from disposal of the subsidiary amounting to Baht 265,546 was presented in the statements of income.
- (e) On 27 November 2006, the Company sold its entire investments in Mermaid Safety Services Ltd. and Mermaid Maritime (Vietnam) Ltd. to an overseas company. The net investments at the disposal date were Baht 24,998,651 and Baht 9,056,118, respectively. The net gains from disposals of these two subsidiaries amounting to Baht 1,251,349 and Baht 1,382,150, respectively were presented in the statements of income.
- (f) On 22 December 2006, the Company sold its entire investments in MTR-3 Ltd. and MTR-4 Ltd., both of which were dormant companies, to a third party. The net investments at the disposal date were Baht 952,530 and Baht 951,530, respectively. The net gains from disposals of these two subsidiaries amounting to Baht 95,940 were presented in the statements of income.

8 Other current assets

Other current assets comprise:

	Consolidated		Company	
	2007	2006	2007	2006
	Baht	Restated Baht	Baht	Restated Baht
Value added taxes refundable	39,777,772	37,262,946	12,814,142	13,340,666
Prepaid expenses	32,713,536	41,084,242	514,009	901,957
Advances to employees	3,727,493	1,833,718	947,138	73,886
Advances for business expenses	11,390,175	9,784,085	439	39,886
Other receivables	24,582,096	26,961,048	-	-
Deferred mobilisation cost	4,006,237	367,426	-	-
Transaction costs relating to Initial Public Offering	75,592,238	-	75,592,238	-
Other current assets	35,102,355	7,904,824	84,428	3,843,652
	226,891,902	125,198,289	89,952,394	18,200,047

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

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

Consolidated (Restated)

	Land Baht	Buildings Baht	Buildings improvement Baht	Tools and equipment Baht	Office equipment Baht	Motor vehicles Baht	Motor support vessels and tender rigs Baht	Dry-docking Baht	Motor launches Baht	Motor Construction in Process Baht	Total Baht
At 30 September 2006											
Cost	42,226,507	203,582,952	14,392,563	402,365,300	38,838,936	32,186,944	3,714,701,603	27,895,767	1,231,931	263,899,292	4,741,321,795
Less Accumulated depreciation	-	(15,465,312)	(2,726,008)	(55,465,206)	(16,052,421)	(12,265,761)	(552,449,301)	(13,872,060)	(751,369)	-	(669,047,438)
Net book amount	42,226,507	188,117,640	11,666,555	346,900,094	22,786,515	19,921,183	3,162,252,302	14,023,707	480,562	263,899,292	4,072,274,357
For the year ended 30 September 2007											
Opening net book amount	42,226,507	188,117,640	11,666,555	346,900,094	22,786,515	19,921,183	3,162,252,302	14,023,707	480,562	263,899,292	4,072,274,357
Additions	-	-	910,261	44,571,460	1,712,201	4,970,474	58,402,643	109,690,607	-	500,599,765	720,857,411
Transferred in (out)	-	-	-	37,613,282	1,544,462	-	46,440,642	-	-	(85,598,386)	-
Disposals	-	(5,800,560)	-	(6,502,263)	(1,674,085)	(7,069,079)	(233,531,350)	-	-	(3,677,785)	(258,255,122)
Write off	-	-	-	(32,442)	-	-	(24,630,269)	-	-	-	(24,662,711)
Depreciation charge	-	(12,085,903)	(2,907,086)	(43,828,793)	(5,958,425)	(4,495,414)	(402,061,586)	(27,285,228)	(250,000)	-	(498,872,435)
Closing net book amount	42,226,507	170,231,177	9,669,730	378,721,338	18,410,668	13,327,164	2,606,872,382	96,429,086	230,562	675,222,886	4,011,341,500
At 30 September 2007											
Cost	42,226,507	197,221,345	15,302,824	475,761,866	39,507,882	23,306,079	3,413,462,558	137,586,374	1,231,931	675,222,886	5,020,830,252
Less Accumulated depreciation	-	(26,990,168)	(5,633,094)	(97,040,528)	(21,097,214)	(9,978,915)	(806,590,176)	(41,157,288)	(1,001,369)	-	(1,009,488,752)
Net book amount	42,226,507	170,231,177	9,669,730	378,721,338	18,410,668	13,327,164	2,606,872,382	96,429,086	230,562	675,222,886	4,011,341,500

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

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

	Company (Restated)							
	Land Baht	Buildings Baht	Building improvement Baht	Tools and equipments Baht	Office equipments Baht	Motor vehicles Baht	Construction in Process Baht	Total Baht
At 30 September 2006								
Cost	42,226,507	197,221,345	13,775,951	294,098	28,219,137	18,905,964	-	300,643,002
Less Accumulated depreciation	-	(14,904,266)	(2,726,008)	(46,743)	(14,045,096)	(8,695,862)	-	(40,417,975)
Net book amount	42,226,507	182,317,079	11,049,943	247,355	14,174,041	10,210,102	-	260,225,027
For the year ended 30 September 2007								
Opening net book amount	42,226,507	182,317,079	11,049,943	247,355	14,174,041	10,210,102	-	260,225,027
Additions	-	-	910,261	2,190	679,710	613,000	37,383	2,242,544
Transferred in (out)	-	-	-	(11,323)	11,323	-	-	-
Disposals	-	-	-	-	(165,138)	(3,232,060)	-	(3,397,198)
Depreciation charge	-	(12,085,904)	(2,907,086)	(57,112)	(4,174,529)	(2,482,260)	-	(21,706,891)
Closing net book amount	42,226,507	170,231,175	9,053,118	181,110	10,525,407	5,108,782	37,383	237,363,482
At 30 September 2007								
Cost	42,226,507	197,221,345	14,686,212	277,788	28,479,053	11,186,784	37,383	294,115,072
Less Accumulated depreciation	-	(26,990,170)	(5,633,094)	(96,678)	(17,953,646)	(6,078,002)	-	(56,751,590)
Net book amount	42,226,507	170,231,175	9,053,118	181,110	10,525,407	5,108,782	37,383	237,363,482

As at 30 September 2007, the Group owns land, buildings, four support vessels, two motor launches, six remotely operated vehicles, one saturation diving system and two tender rigs (30 September 2006: Land, buildings, two accommodation vessels, four support vessels, two motor launches, four remotely operated vehicles, one saturation diving system and two tender rigs). All the above assets, except four remotely operated vehicles, have been mortgaged with various banks as collateral for their overdrafts and loans facilities as described in note 12, 13 and 14. These assets are mortgaged at a total value of Baht 2,574,814,000 and USD 15,000,000 (30 September 2006: Baht 2,302,550 and USD 15,000,000).

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

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

	Consolidated		Company	
	2007 Baht	2006 Restated Baht	2007 Baht	2006 Restated Baht
Depreciation charged to				
- Cost of service	400,148,031	379,739,575	-	-
- Service and administrative expenses	98,724,404	58,903,096	21,706,891	23,705,017
	<u>498,872,435</u>	<u>438,642,671</u>	<u>21,706,891</u>	<u>23,705,017</u>

10 Intangible assets, net

	Consolidated		Company	
	2007 Baht	2006 Baht	2007 Baht	2006 Baht
Beginning balance				
Cost	22,937,256	4,923,645	22,708,994	4,830,463
<u>Less</u> Accumulated amortisation	(5,696,974)	(689,510)	(5,630,926)	(664,939)
Net book amount	<u>17,240,282</u>	<u>4,234,135</u>	<u>17,078,068</u>	<u>4,165,524</u>
For the year ended 30 September				
Opening net book amount	17,240,282	4,234,135	17,078,068	4,165,524
Additions	1,665,882	18,013,611	251,236	17,878,531
Amortisation charge	(8,588,958)	(5,007,464)	(8,198,624)	(4,965,987)
Closing net book amount	<u>10,317,206</u>	<u>17,240,282</u>	<u>9,130,680</u>	<u>17,078,068</u>
Ending balance				
Cost	24,603,138	22,937,256	22,960,230	22,708,994
<u>Less</u> Accumulated amortisation	(14,285,932)	(5,696,974)	(13,829,550)	(5,630,926)
Net book amount	<u>10,317,206</u>	<u>17,240,282</u>	<u>9,130,680</u>	<u>17,078,068</u>

11 Deferred income tax

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

	Consolidated		Company	
	2007 Baht	2006 Restated Baht	2007 Baht	2006 Restated Baht
Deferred income tax assets:				
Deferred income tax asset to be recovered after 12 months	59,061,785	31,072,995	-	-
Deferred income tax asset to be recovered within 12 months	543,836	168,190	-	-
Total	59,605,621	31,241,185	-	-
The gross movement on the deferred income tax account is as follows:				
Beginning of the year	31,241,185	9,967,590	-	-
Statements of income charged	28,364,436	21,273,595	-	-
Ending of the year	59,605,621	31,241,185	-	-

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

	Retirement benefit obligations Baht	Impairment losses Baht	Decelerated tax depreciation Baht	Total Baht
Deferred tax assets				
At 30 September 2005 (Restated)	1,713,306	475,605	7,778,679	9,967,590
Charged/(credited) to the consolidated statement of income	(1,593,449)	(475,605)	23,342,649	21,273,595
At 30 September 2006 (Restated)	119,857	-	31,121,328	31,241,185
Charged/(credited) to the consolidated statement of income	423,979	-	27,940,457	28,364,436
At 30 September 2007	543,836	-	59,061,785	59,605,621

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

The Group did not recognise deferred income tax assets of Baht 51,961,275 (2006: Baht 30,952,354) in respect of losses amounting to Baht 173,204,250 (2006: Baht 103,174,513). Tax losses expiring in 2012 amount to Baht 173,204,250 (2011: Baht 103,174,513).

12 Bank overdrafts

The Group has bank overdraft facilities of Baht 75,000,000 (30 September 2006: Baht 90,000,000), which are guaranteed by the Company and a mortgage of the Company's land and buildings as mentioned in Note 9.1.

As at 30 September 2007, the Group has unused bank overdraft facilities of Baht 54,725,826 (30 September 2006: Baht 50,000,000).

13 Short-term loans from financial institutions

As at 30 September 2007, Mermaid Offshore Services Ltd., a subsidiary, raised short-term loans with original maturity between one to six-months from financial institutions amounting to Baht 201,577,752 (30 September 2006: Baht 160,000,000), which bear interest at a fixed rate and MLR minus certain margins (30 September 2006: MLR minus a certain margin to MLR). The loans are secured by mortgages of certain land and buildings as mentioned in Note 9.1.

The movement of short-term loans from financial institutions for the years that ended on 30 September 2007 and 2006 is as follows:

	Consolidated		Company	
	2007 Baht	2006 Baht	2007 Baht	2006 Baht
Beginning balance	160,000,000	105,291,990	20,000,000	70,000,000
Addition during year	202,703,654	276,435,020	-	-
Repayment during year	(160,000,000)	(217,575,710)	(20,000,000)	(50,000,000)
Realised gains on exchange rate	(1,125,902)	(4,151,300)	-	-
Ending balance	201,577,752	160,000,000	-	20,000,000

14 Long-term loans from financial institutions

Long-term loans from financial institutions comprise:

	Consolidated		Company	
	2007 Baht	2006 Baht	2007 Baht	2006 Baht
Long-term loans from financial institutions	2,179,655,412	2,480,314,293	110,400,000	135,200,000
<u>Less</u> Current portion of long-term loans	(406,245,182)	(272,890,333)	(24,800,000)	(24,800,000)
Long-term portion of loans	1,773,410,230	2,207,423,960	85,600,000	110,400,000

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

	Consolidated		Company	
	2007 Baht	2006 Baht	2007 Baht	2006 Baht
Beginning balance	2,480,314,293	2,294,087,375	135,200,000	145,100,000
Addition during year	144,035,685	467,650,840	-	14,900,000
Repayment during year	(264,227,240)	(105,680,000)	(24,800,000)	(24,800,000)
Realised gains on exchange rate	(15,176,895)	-	-	-
Unrealised gains on exchange rate	(165,290,431)	(175,743,922)	-	-
Ending balance	2,179,655,412	2,480,314,293	110,400,000	135,200,000

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

Maturity of total long term loan from financial institutions is as follow:

	Consolidated		Company	
	2007 Baht	2006 Baht	2007 Baht	2006 Baht
Less 1 year	406,245,182	272,890,333	24,800,000	24,800,000
1 - 5 years	1,615,445,081	1,860,483,329	85,600,000	110,400,000
Over 5 years	157,965,149	346,940,631	-	-
	<u>2,179,655,412</u>	<u>2,480,314,293</u>	<u>110,400,000</u>	<u>135,200,000</u>

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

	Consolidated		Company	
	2007 Baht	2006 Baht	2007 Baht	2006 Baht
Currency				
USD	1,856,305,412	2,100,114,293	-	-
Baht	323,350,000	380,200,000	110,400,000	135,200,000
	<u>2,179,655,412</u>	<u>2,480,314,293</u>	<u>110,400,000</u>	<u>135,200,000</u>

Long-term loans from financial institutions comprise:

Loans for the purchase of support vessels and equipment are granted by local commercial banks, and are in Thai Baht and US Dollars, having a total outstanding balance of Baht 212,950,000 and USD 21,647,750 as at 30 September 2007 (30 September 2006: Baht 245,000,000 and USD 21,148,750) with repayment terms within 5 - 7 years. As at 30 September 2007, interest rates on the Thai Baht loans and US Dollar loans are as follows:

- The loan balance of Baht 30,000,000 (30 September 2006: Baht 40,000,000): fixed rates for the first 3 years and MLR thereafter;
- The loan balance of Baht 163,000,000 (30 September 2006: Baht 205,000,000): MLR minus a certain margin for the first 2 years and MLR thereafter;
- The loan balance of Baht 19,950,000 (30 September 2006: Nil): MLR minus a certain margin.
- The loan balance of USD 12,500,000 (30 September 2006: USD 15,000,000): USD-LIBOR plus a certain margin for the first year and USD-LIBOR plus a certain margin thereafter; and
- The loan balance of USD 9,147,750 (30 September 2006: USD 6,148,750): USD-LIBOR plus a certain margin.

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

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

Loans for the purchase of tender rigs are granted by a local commercial bank and are denominated in US Dollars with a total outstanding balance of USD 32,338,000 as at 30 September 2007 (30 September 2006: USD 34,650,000) with repayment terms within 9 years, including a 1.5-year grace period. These loans bear interest at the rate of USD-LIBOR plus a certain margin, are secured by mortgages of the tender rigs as mentioned in Note 9.1, and guaranteed by the Company and two subsidiaries.

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

Loan for the purchase of land and construction of a building is granted by a local commercial bank and is denominated in Thai Baht with a total outstanding balance of Baht 110,400,000 as at of 30 September 2007 (30 September 2006: Baht 135,200,000) and a repayment term of 6.5 years. The loan is secured by mortgages of the Company's land and building as mentioned in Note 9.1. This loan bears interest at the rate of MLR minus a certain margin until 14 June 2007 and MLR thereafter.

Credit facilities

As at 30 September 2007, the available credit facilities for long-term loans from financial institutions were Baht 89,478,626 (or USD 2,602,250) (30 September 2006: Baht 225,870,847 (or USD 6,001,250)).

15 Finance lease liabilities

Finance lease liabilities comprise:

	Consolidated		Company	
	2007 Baht	2006 Baht	2007 Baht	2006 Baht
Finance lease liabilities	12,160,354	18,125,967	5,215,399	10,311,013
<u>Less</u> Deferred interest expenses	(1,001,579)	(2,003,388)	(430,966)	(1,302,812)
Total finance lease liabilities	11,158,775	16,122,579	4,784,433	9,008,201
<u>Less</u> Current portion of finance lease liabilities	(6,010,135)	(6,477,384)	(2,584,071)	(3,077,401)
Long-term portion of finance lease liabilities	5,148,640	9,645,195	2,200,362	5,930,800

As at 30 September 2007, finance lease liabilities to purchase motor vehicles carry fixed interest rates (30 September 2006: fixed interest rates). The leases have repayment terms within 3 - 5 years without guarantee (30 September 2006: without guarantee).

16 Retirement benefit obligations

	Consolidated		Company	
	2007 Baht	2006 Restated Baht	2007 Baht	2006 Restated Baht
Balance sheet obligations for Retirement benefits	3,358,501	5,368,626	1,545,412	4,375,651
Statements of income charge for Retirement benefits	2,391,634	1,669,201	494,893	628,130
Retirement benefits The amounts recognised in the balance sheet are determined as follows:				
Present value of funded obligations	3,686,482	6,802,383	1,537,070	1,536,627
Unrecognised actuarial (gains) losses	(327,981)	(1,433,757)	8,342	2,839,024
Liability in the balance sheet	3,358,501	5,368,626	1,545,412	4,375,651

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

	Consolidated		Company	
	2007 Baht	2006 Restated Baht	2007 Baht	2006 Restated Baht
Beginning of the year	6,802,383	5,658,341	1,536,627	2,868,723
Current service cost	2,079,523	1,380,370	435,118	511,586
Interest cost	230,349	282,599	84,257	152,950
Actuarial (gains) losses	(1,024,014)	1,602,950	2,535,012	(58,602)
Benefits paid	(4,401,759)	(2,121,877)	(3,053,944)	(1,938,030)
Ending of the year	3,686,482	6,802,383	1,537,070	1,536,627

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

	Consolidated		Company	
	2007 Baht	2006 Restated Baht	2007 Baht	2006 Restated Baht
Current service cost	2,079,523	1,380,370	435,118	511,586
Interest cost	230,349	282,599	84,257	152,950
Amortisation of actuarial (gains) losses	81,762	6,232	(24,482)	(36,406)
Total, included in staff costs	2,391,634	1,669,201	494,893	628,130

These amounts were included in services and administrative expenses.

16 Retirement benefit obligations (Cont'd)

The principal actuarial assumptions used were as follows:

	Consolidated		Company	
	2007	2006	2007	2006
Discount rate	6.00%	6.50%	6.00%	6.50%
Future salary increase	6.00%	6.00%	6.00%	6.00%

17 Share capital and premium on share capital

Share capital, issued and paid - up, comprises:

	Par value Baht	Number of registered shares shares	Issued and paid-up shares shares	Ordinary shares Baht	Share premium Baht	Total Baht
As at 30 September 2005	10	38,320,534	38,320,534	383,205,340	1,226,352,382	1,609,557,722
Issued shares	-	-	-	-	-	-
As at 30 September 2006	10	38,320,534	38,320,534	383,205,340	1,226,352,382	1,609,557,722
Pre - split	10	38,320,534	38,320,534	383,205,340	1,226,352,382	1,609,557,722
As at 2 August 2007	1	383,205,340	383,205,340	383,205,340	1,226,352,382	1,609,557,722
Post - split	1	383,205,340	383,205,340	383,205,340	1,226,352,382	1,609,557,722
Additional shares registered	1	291,332,053	-	-	-	-
As at 30 September 2007	1	674,537,393	383,205,340	383,205,340	1,226,352,382	1,609,557,722

On 11 July 2007, the Extraordinary Shareholders' Meetings passed a resolution to approve the alteration of par value of the Company's share capital from Baht 10 each to Baht 1 each and an increase the Company's share capital from Baht 383,205,340 to Baht 674,537,393 by issuing 291,332,053 new ordinary shares at par value of Baht 1 per share. The Company registered the alteration of par value and the increased share capital with the Ministry of Commerce on 2 August and 9 August 2007, respectively.

As at 30 September 2007, the registered and paid-up share capital of the Company was 674,537,393 ordinary shares with a par value of Baht 1 per share and paid-up share capital of the Company was 383,205,340 ordinary shares, with a par value of Baht 1 per share (30 September 2006: 38,320,340 ordinary shares with a par value of Baht 10 per share). There remains another 291,332,053 unissued ordinary shares.

18 Legal reserve

As a Company Limited, the legal reserve was set up in accordance with the provisions of the Civil and Commercial Code which requires the appropriation as legal reserve of at least 5% of net profits derived from the business of the Company at each dividend distribution until the reserve reaches 10% of the registered share capital.

As described in Note 1, the Company has registered as a Public Company Limited on 15 January 2007. Under the Public Limited Company Act., B.E. 2535, the Company is required to set aside as legal reserve at least 5% of its net profit after accumulated deficit brought forward (if any) until the reserve is not less than 10% of the registered capital. The legal reserve is non-distributable.

As at 30 September 2007, the Company has not appropriated an additional legal reserve amounting to Baht 27,054,088. The additional legal reserve will be proposed at the next Annual General Shareholder Meeting.

19 Operating profit

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

	Consolidated		Company	
	2007 Baht	2006 Restated Baht	2007 Baht	2006 Restated Baht
Expenses included in cost of services				
Crew, staff and subcontractor costs	1,249,776,355	939,414,632	-	58,958,515
Vessel expenses and repair and maintenance expenses	299,814,009	336,748,704	-	-
Charter hire and equipment rental	603,639,523	131,659,946	-	-
Depreciation	400,148,031	379,739,575	-	-
Expense included in service and administrative expenses				
Staff cost	151,909,151	178,913,521	47,014,397	58,958,515
Depreciation	98,724,404	58,903,096	21,706,891	23,705,017

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

	Consolidated 2007 Baht
Loss of fixed assets due to fire damage	129,803,476

20 Income tax expenses

	Consolidated	
	2007 Baht	2006 Restated Baht
Current tax	47,181,460	48,142,305
Deferred tax (Note 11)	(28,364,436)	(21,273,595)
Total	18,817,024	26,868,710

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:

	2007 Baht	2006 Restated Baht
Profit before income taxes - accounting	552,103,862	579,601,364
Tax at the domestic rate of 30%	156,631,159	173,880,409
Adjustments;		
Income not subject to tax	(212,729,507)	(183,768,161)
Expenses not deductible for tax purposes	2,321,191	9,599,227
Utilisation of previously unrecognised tax losses	(724,949)	(199,441)
Tax losses for which no deferred income tax assets was recognised	51,961,275	30,952,354
Tax charges from domestic operations	6,459,168	30,464,388
Tax charges from overseas operations	40,722,292	17,677,917
Total tax charges	47,181,460	48,142,305
Tax charges	47,181,460	48,142,305
The effect from change of deferred tax assets	(28,364,436)	(21,273,595)
	18,817,024	26,868,710
The average effective tax rate	3.41%	4.64%

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

21 Basic earnings per share

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

The Company, therefore, calculated basic earnings per share for the years that ended on 30 September 2007 and 2006 by using the weighted average number of post - split ordinary shares as shown below:

	2007	2006 Restated
Net profit for the year attributable to ordinary shareholders (Baht)	541,081,756	538,335,352
Weighted average number of ordinary shares (shares)	383,205,340	383,205,340
Basic earnings per share (Baht)	1.41	1.40

There are no potential dilutive ordinary shares in issue for the years that ended on 30 September 2007 and 2006.

22 Financial instruments

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

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

22 Financial instruments (Cont'd)

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

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

Forward foreign exchange contract

As at 30 September 2007 and 30 September 2006, the settlement dates on open forward foreign exchange contracts were within 1 year. The local currency amounts to be paid and received, and contractual exchange rates of the outstanding contracts were:

	Consolidated		Company	
	30 September 2007 Baht	30 September 2006 Baht	30 September 2007 Baht	30 September 2006 Baht
Foreign currency forward purchase contracts				
30 September 2007: GBP 46,892 at the average rate of Baht 68.00 (30 September 2006: Nil)	3,188,656	-	-	-
30 September 2007: USD 1,631,990 at the average rate of Baht 34.27 (30 September 2006: Nil)	55,920,302	-	-	-
	59,108,958			
Foreign currency forward sell contracts				
30 September 2007: USD 3,000,000 at the average rate of Baht 34.20 (30 September 2006: Nil)	102,600,000	-	-	-
	102,600,000			

Net fair values

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

	Consolidated		Company	
	30 September 2007 Baht	30 September 2006 Baht	30 September 2007 Baht	30 September 2006 Baht
Foreign currency forward purchase contracts				
Favourable forward - GBP foreign exchange contracts	46,203	-	-	-
Unfavourable forward - USD foreign exchange contracts	(164,254)	-	-	-
Foreign currency forward sell contracts				
Unfavourable forward - USD foreign exchange contracts	(113,547)	-	-	-
Net unfavourable forward	(231,598)			

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

23 Promotional privileges

As at 30 September 2007, three offshore and drilling subsidiaries received promotional privileges from the Board of Investment (“BOI”) under a number of different categories, including services of submerged structure inspection, service of underwater equipment, service of inspection of marine pollution, and drilling services. The main privileges include exemption from payment of import duty on machinery and exemption from corporate income tax for the promoted activities for a period of 8 years from the date when income is first derived, or when approval is given by the BOI.

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

24 Guarantees

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

	Consolidated / Company			
	2007		2006	
	Baht	USD	Baht	USD
Letters of guarantee issued by banks in the normal course of business	71,264,000	989,733	19,536,880	618,500
A guarantee for short-term loans of subsidiaries to a financial institution	321,320,000	2,000,000	195,000,000	2,000,000
A guarantee for long-term loans of subsidiaries to a financial institution	212,950,000	53,985,750	245,000,000	55,798,750
A guarantee for forward contract facility of a subsidiary to a financial institution	55,000,000	-	30,000,000	-

25 Contingent asset

On 14 June 2007, a subsidiary’s tender rig was involved in a fire accident. Loss of fixed assets amounting to Baht 129,803,476 (or USD 3,767,976) has been included in the statement of income for the year ended 30 September 2007. As at 30 September 2007, it is probable that the subsidiary will receive a refund from insurance companies amounting to Baht 50,134,141 (or USD 1,442,077).

26 Commitments

(a) *Capital commitments*

Ship building contract

In November 2005, a subsidiary entered into a ship building contract with a seller in respect of a multi-purpose offshore vessel at the purchase price of Baht 453,200,000. As at 30 September 2007, the subsidiary has a remaining commitment of Baht 45,320,000 (30 September 2006: Baht 226,600,000).

Vessel equipment contract

In September 2007, a subsidiary entered into a vessel equipment contract with a seller in respect of a dynamically positioned (class 2) supply vessel at the purchase price of Baht 113,470,830 (or USD 3,300,000). As at 30 September 2007, the subsidiary has a remaining commitment of Baht 79,429,581 (or USD 2,310,000) (30 September 2006: nil).

(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	
	2007 Baht	2006 Baht	2007 Baht	2006 Baht
No later than 1 year	443,841,995	69,726,965	-	-
Later than 1 year and no later than 5 years	355,471,031	-	-	-

Vessel Charter Contract

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

(c) *Service Agreements*

As at 30 September 2007, the Group has two outstanding drilling service agreements. The remaining agreement periods are between one and two years.

27 Related party transactions

As at 30 September 2007, the Group is controlled by Thoresen Thai Agencies Public Company Limited; an immediate parent company, which owns 78.09% of the Company's shares (30 September 2006: 74.01%).

Significant related party transactions are as follows:

27.1 Transactions with related parties

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

	For the year that ended on 30 september			
	Consolidated		Company	
	2007	2006	2007	2006
	Baht	Restated Baht	Baht	Restated Baht
Revenues				
Sales	-	1,896,949	-	-
Service income	1,452,744	49,114,867	-	-
Interest income	-	-	8,200,818	16,944,453
Management income	-	-	93,776,849	47,015,006
Rental income	863,140	-	9,536,615	10,744,564
Others	530,608	-	102,483	23,190,965
Expenses				
Crew expenses	5,187,849	12,218,170	-	-
Vessel expenses and repair and maintenance expenses	7,131,555	11,332,433	-	-
Vessel and equipment rental	271,402,123	191,183,792	-	-
Management fee	176,849	3,781,911	-	-
Interest expenses	-	1,923,802	-	1,923,802

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

- a) Sales and service income are transacted at price normally charged to a third party.
- b) The interest income rates charged are based on the underlying borrowing costs of the Company (30 September 2006: cost of funds plus 1% per annum).
- c) Management fee income is charged based on actual cost plus margin.
- d) Rental income is transacted at contract prices.
- e) Crew expenses, vessel and maintenance expenses, and expenses of rental vessel and equipment are transacted at prices normally charged to a third party.
- f) Management fee expense is calculated at the rate of 2% of a subsidiary's revenue (30 September 2006: at the rate of 2% of a subsidiary's revenue and US\$ 100 per day).
- g) Interest expense is nil in 2007 (30 September 2006: LIBOR plus 2% per annum).

27 Related party transactions (Cont'd)

27.2 Accounts receivable and payable - related parties

	Consolidated		Company	
	2007 Baht	2006 Baht	2007 Baht	2006 Baht
<u>Accounts receivable - trade</u>				
Subsidiaries	-	-	-	52,724
Other related parties	260,453	15,505,297	55,602	197,214
	<u>260,453</u>	<u>15,505,297</u>	<u>55,602</u>	<u>249,938</u>
<u>Accounts receivable - others</u>				
Subsidiaries	-	-	107,414,784	68,464,099
Other related parties	89,335	77,408	55,602	-
	<u>89,335</u>	<u>77,408</u>	<u>107,470,386</u>	<u>68,464,099</u>
<u>Accounts payable - trade</u>				
Other related parties	46,778,383	35,882,162	15,694	624,305
	<u>46,778,383</u>	<u>35,882,162</u>	<u>15,694</u>	<u>624,305</u>
<u>Accounts payable - others</u>				
Other related parties	1,268,572	801,027	-	-
	<u>1,268,572</u>	<u>801,027</u>	<u>-</u>	<u>-</u>

27.3 Short-term loans to related parties

For the year ended 30 September

	Consolidated		Company	
	2007 Baht	2006 Baht	2007 Baht	2006 Baht
Subsidiaries	-	-	108,000,000	120,000,000

As at 30 September 2007, the Company provided short-term loans totalling Baht 108,000,000 to Mermaid Offshore Services Ltd. (30 September 2006: Baht 120,000,000) which bear interest at MLR plus 1% per annum (30 September 2006: MLR plus 1% per annum). The loans are unsecured and can be called at anytime.

28 Subsequent events

28.1 Additional investment

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

On 6 December 2007, Mermaid Offshore Services Ltd, a subsidiary, entered into an agreement with Worldclass Inspiration Sdn Bhd to subscribe for 8,162,963 ordinary shares with a par value of RM 1 per share, at a subscription price of RM 4.1 per share, totalling RM 33,511,111. The amount of the subscription shares represents 25% of the total share capital of Worldclass Inspiration Sdn Bhd.

On 10 November 2007 and 1 December 2007, the shareholders at the Extraordinary General Meetings of Mermaid Offshore Services Ltd., a subsidiary, passed resolutions to approve an increase of registered share capital from 55,000,000 ordinary shares with a par value of Baht 10 per share to 200,300,000 ordinary shares with a par value of Baht 10 per share. The subsidiary registered the increased share capital with the Ministry of Commerce on 4 December 2007.

28.2 Purchase of fixed asset in a subsidiary

On 22 October 2007, a Mermaid Kencana Rig 1 Pte. Ltd., a subsidiary, entered into a contract with Kencana HL Sdn. Bhd. for the design, construction and completion of a Self-Erected Tender Rig and a Derrick Equipment Set at the purchase price of Baht 3,129,044,100 (or USD 91,000,000) and Baht 1,556,329,500 (or USD 45,000,000), respectively.

On 2 November 2007, a Mermaid Offshore Services Ltd., a subsidiary, entered into a contract with Lexmar Engineering Pte. Ltd. to purchase a Saturation Diving System at the purchase price of Baht 404,024,925 (or USD 11,750,000).

On 6 December 2007, Mermaid Offshore Services Ltd., a subsidiary, entered into a contract with Jaya Shipbuilding and Engineering Pte. Ltd. for the design, construction and completion of a 63-meter DP2 ROV Support Vessel at the purchase price of Baht 907,552,100 (or USD 26,390,000).

28.3 Initial Public Offering

On 11 October 2007, the Company had successfully placed and priced its Initial Public Offering ("IPO") of new ordinary shares amounting to 158,000,000 shares with offering price of SGD 1.56 per share totalling SGD 246,480,000 on the Singapore Exchange Securities Trading Limited ("SGX-ST"). On 16 October 2007, the SGX-ST has set new ordinary shares of the Company to be traded on its main board. The Company registered such increased paid-up share capital with the Ministry of Commerce of Thailand on 15 October 2007 for 140,000,000 shares and on 26 October 2007 for 18,000,000 shares at the par value of Baht 1 each.

General Disclosures

1. Mermaid Shares held by Directors

As at 21 October 2007, Mermaid had a total of 541,205,340 ordinary shares issued and fully paid. Mermaid has no convertible securities. The direct and deemed interests of each Director of Mermaid in Mermaid's ordinary shares were as follows:

Name	Direct	% of Issued Share Capital	Deemed	% of Issued Share Capital
M.L. Chandchutha Chandratat	110,000	0.020	None	n/a
Mr. David Stewart Simpson	76,000	0.014	None	n/a
Mr. Surasak Khaoroptham	None	n/a	None	n/a
Mr. Pichet Sithi-Amnuai	None	n/a	None	n/a
Mr. Leslie George Merszei	None	n/a	None	n/a
Mr. Lim How Teck	None	n/a	None	n/a
Mr. Ng Chee Keong	None	n/a	None	n/a

2. Material Contracts Involving Interested Persons

There were no material contracts of Mermaid or its subsidiaries involving the interests of Mermaid's chief executive officer, each Director of Mermaid, or any of the controlling shareholders of Mermaid, entered into during the financial year ended 30 September 2007 or still subsisting as at 30 September 2007.

3. Shareholder Base and Voting Rights

The only class of equity securities in Mermaid are ordinary shares. As at 19 December 2007, there were 1,478 shareholders holding a total of 541,205,340 ordinary shares in Mermaid.

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

- the sale or transfer of all or a substantial part of Mermaid's business to any other person;
- 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, Mermaid's dissolution and the amendment of Mermaid's Memorandum of Association and Articles of Association.

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 19 December 2007, the distribution of ordinary shares amongst all shareholders was as follows:

No. of Shares	No. of Shareholders
1-999	8
1,000-10,000	1,250
10,001-1,000,000	206
1,000,001 and above	14

5. Details of Substantial Shareholders

As at 19 December 2007, the names of substantial shareholders and a breakdown of their direct and deemed interests as shown in Mermaid's register of substantial shareholders were as follows:

Name	Direct	Deemed	Total
Thoresen Thai Agencies PLC (see Note 1)	191,602,670 (35.40%)	107,648,600 (19.89%)	299,251,270 (55.29%)
Thoresen Chartering (HK) Limited	107,648,600 (19.89%)	-	107,648,600 (19.89%)
Thailand Equity Fund ("TEF") (see Notes 2, 3, 4 and 5)	81,576,020 (15.07%)	-	81,576,020 (15.07%)

Note 1: The deemed interest arises from shares of Mermaid held by Thoresen Chartering (HK) Limited, 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 L.L.P. ("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 19 December 2007, the 20 largest holders of ordinary shares in Mermaid and the numbers held by such shareholders were as follows:

	Name	No. of Shares	%	Aggregate %
1.	Thoresen Thai Agencies PLC	191,602,670	35.40	35.40
2.	Thoresen Chartering (HK) Ltd	107,648,600	19.89	55.29
3.	Thailand Equity Fund	81,576,020	15.07	70.37
4.	DBS Nominees Pte Ltd	33,724,884	6.23	76.60
5.	Morgan Stanley Asia (S'pore) Pte Ltd	27,099,867	5.01	81.61
6.	HSBC (Singapore) Noms Pte Ltd	22,141,700	4.09	85.70
7.	Citibank Noms S'pore Pte Ltd	18,067,616	3.34	89.03
8.	Raffles Nominees Pte Ltd	16,587,500	3.06	92.10
9.	HL Bank Nominees (S) Pte Ltd	12,250,000	2.26	94.36
10.	DBSN Services Pte Ltd	5,977,000	1.10	95.47
11.	DB Nominees (S) Pte Ltd	2,630,000	0.49	95.95
12.	Oversea-Chinese Bank Noms Pte Ltd	1,963,000	0.36	96.32
13.	ING Nominees (S'pore) Pte Ltd	1,150,000	0.21	96.53
14.	Merrill Lynch (S'pore) Pte Ltd	1,120,000	0.21	96.74
15.	OCBC Securities Pte Ltd	852,000	0.16	96.89
16.	United Overseas Bank Nominees Pte Ltd	647,300	0.12	97.01
17.	Royal Bank Of Canada (Asia) Ltd	645,000	0.12	97.13
18.	Phillip Securities Pte Ltd	567,000	0.10	97.24
19.	DBS Vickers Secs (S) Pte Ltd	555,000	0.10	97.34
20.	UOB Kay Hian Pte Ltd	444,000	0.08	97.42

7. Shareholding Held by Public

As at 19 December 2007, the percentage of ordinary shares held in the hand of the public was 29.59%. This is in compliance with Rule 723 of the SGX-ST Listing Manual which requires that at least 10% of equity securities in a class that is listed shall at all times held by the public.

8. Dealings in Securities

Mermaid is in the process of devising and adopting policies to govern the conduct of its directors and officers in relation to dealing in Mermaid shares, taking into relevant consideration Rule 1207(18) of the SGX-ST Listing Manual.

9. Non-Audit Fees

Non-audit fees paid to PricewaterhouseCoopers ABAS Ltd. during the financial year ended 30 September 2007 amounted to Baht 10,733,842. This was for work related to Mermaid's initial public offering ("IPO") of shares on the Singapore Exchange Limited ("SGX"). The work had begun before the Audit Committee was appointed. However, the Audit Committee had subsequently reviewed this transaction and was of the opinion that this transaction did not affect to the independence of PricewaterhouseCoopers ABAS Ltd. conducting the audit, nor did it affect the independence of their audit signatory's review and certification of the financial statements.

10. Interested Person Transactions

Mermaid's interested person transactions for the year ended 30 September 2007 pursuant to Rule 907 of the SGX-ST Listing Manual were as follows:

	Baht
Revenues	
Service income	225,962
Rental income	863,140
Expenses	
Crew expenses	2,620,009
Vessel expenses and repair and maintenance expenses	1,847,593

Company	Type of revenue/expense	Baht
Thor Nautilus Shipping Co., Ltd.	Services income	75,000
Thor Jasmine Shipping Co., Ltd.	Services income	75,000
TSC Maritime Ltd.	Services income	75,962
		225,962

Company	Type of revenue/expense	Baht
ISS Thoresen Agencies Ltd.	Rental income	96,000
Gulf Agency (Thailand) Ltd.	Rental income	767,140
		863,140

Company	Type of revenue/expense	Baht
Gulf Agency (Thailand) Ltd.	Crew expense	578,615
ISS Thoresen Agencies Ltd.	Crew expense	2,041,394
		2,620,009

Company	Type of revenue/expense	Baht
ISS Thoresen Agencies Ltd.	Vessel port due	924,080
Gulf Agency (Thailand) Ltd.	Vessel port due	738,590
TSC Maritime Ltd.	Vessel repair and maintenance	184,923
		1,847,593

11. Land, Buildings and Key Movable Assets

As at 30 September 2007, land and buildings owned by Mermaid and held for investment purposes were as follows:

Unit: Baht Million

No.	Description	Location	Purchase Year	Cost	Net Book Value	Ownership
1.	Land	Pinthong Industrial Estate, Chonburi, Thailand	2003	24.72	24.72	Freehold
2.	Land	Laem Chabang, Chonburi, Thailand	2001	10.41	10.41	Freehold
3.	Land	Songkhla, Thailand	2000	6.33	6.33	Freehold
4.	Building A&B	Built on land at no. (1) above	2005	135.42	120.57	On freehold land
5.	Building C	Built on land at no. (1) above	2005	53.70	48.84	On freehold land
6.	Building 1	Built on land at no. (3) above	2000	4.99	3.50	On freehold land
7.	Building 2	Built on land at no. (3) above	2003	2.29	1.90	On freehold land

As at 30 September 2007, Mermaid's key movable assets were four vessels and two tender rigs owned by its subsidiaries as follows:

Unit: Baht million

No.	Subsidiary Name	Name of Vessels/Rigs	Year of Build	Year of Purchase	Cost	Net Book Value
1.	Mermaid Offshore Services Ltd.	Mermaid Supporter	1982	2003	34.15	19.64
2.	Mermaid Offshore Services Ltd.	Mermaid Commander	1987	2005	956.41	831.92
3.	Mermaid Offshore Services Ltd.	Mermaid Responder	1993	2005	153.32	117.19
4.	Mermaid Offshore Services Ltd.	Mermaid Performer	1982	2006	127.82	93.24
5.	MTR-1 Ltd.	MTR-1	1978	2005	891.16	639.90
6.	MTR-2 Ltd.	MTR-2	1976	2005	1,254.20	915.97

12. Employee Share Option Plan

Mermaid has an employee share option plan ("Plan") approved by the shareholders on 11 July 2007. Rule 852(1) of the SGX-ST Listing Manual requires certain disclosures to be made in relation to the execution of the Plan. As at 19 December 2007, the Plan has not been implemented and is still subject to approval of the Thai Securities Exchange Commission ("SEC"). The disclosure requirements under Rule 852(1) are therefore not currently applicable.

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 2007, Mermaid is generally in compliance with the principles and guidelines of the Singapore Code of Corporate Governance 2005 (“Code”).

Specific Disclosures pursuant to the Code

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

There are three 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:

Responsibilities of the Audit Committee include, among other things:

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

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

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

Nomination Committee:

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

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

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

Remuneration Committee:

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

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

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

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

Name of Director	Board Meetings	Audit Committee Meetings
M.L. Chandchutha Chandratat	12/13	-
Mr. David Stewart Simpson	13/13	-
Mr. Surasak Khaoroptham	12/13	-
Mr. Pichet Sithi-Amnuai	6/6	1/1
Mr. Lim How Teck	4/5	1/1
Mr. Ng Chee Keong	4/5	-
Mr. Leslie George Merszei	5/5	1/1
Ms. Mantanee Surakarnkul	7/7	-
Mr. Pongsak Kanchanakpan	4/6	-
Mr. Andrew John Airey	5/7	-
Ms. Oraporn Lerdthuwanon	5/7	-
Mr. Jorgen Christian Lundbaek	-	-

Note: The Remuneration Committee and the Nomination Committee did not meet during the period 26 June 2007 (date of formation) to 30 September 2007.

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

All material transactions of Mermaid and its subsidiaries (collectively the “Group”) require approval of the Board. All loans to the Group and corporate guarantees issued by the Group with a value of above USD 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 of independence as set forth in the Code that may compromise their independence.

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

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

6. Composition of Nomination Committee.

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

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

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

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

Name	Position	Audit Committee	Remuneration Committee	Nomination Committee
M.L. Chandchutha Chandratat	Chairman / Non-Executive Director	-	✓	✓
Mr. David Stewart Simpson	Managing Director	-	-	-
Mr. Surasak Khaoroptham	Non-Executive Director	-	-	-
Mr. Pichet Sithi-Amnuai (appointed 21 June 2007)	Independent Director	✓ (chair)	-	-
Mr. Lim How Teck (appointed 25 June 2007)	Independent Director	✓	-	-
Mr. Ng Chee Keong (appointed 25 June 2007)	Independent Director	-	✓ (chair)	✓ (chair)
Mr. Leslie George Merszei (appointed 25 June 2007)	Independent Director	✓	✓	✓
Ms. Mantanee Surakarnkul (resigned 25 June 2007)	Non-Executive Director	-	-	-
Mr. Pongsak Kanchanakpan (resigned 21 June 2007)	Non-Executive Director	-	-	-
Mr. Andrew John Airey (resigned 25 June 2007)	Non-Executive Director	-	-	-
Ms. Oraporn Lerdthuwanon (resigned 25 June 2007)	Executive Director	-	-	-
Mr. Jorgen Christian Lundbaek (resigned 05 October 2006)	Executive Director	-	-	-

Note: In preparation for Mermaid's initial public offering ("IPO") and its listing on the Singapore Exchange Limited ("SGX"), the Board was restructured in June 2007 in order to comply with applicable legal and best practice requirements associated with these events. As a result of the said restructuring, Mr. Pongsak Kanchanakpan, Mr. Andrew John Airey, Ms. Oraporn Lerdthuwanon and Ms. Mantanee Surakarnkul resigned and were replaced with Mr. Pichet Sithi-Amnuai, Mr. Lim How Teck, Mr. Ng Chee Keong and Mr. Leslie George Merszei respectively. Those Directors that resigned are still available to assist Mermaid as and when needed. The profile of the replacement Directors are detailed in the section on "Board of Directors".

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.

As a majority of the Board comprises new members, the Board has plans to develop a method of self-assessment of its performance taking into relevant consideration the results of the business operations.

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

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

11. Composition of Remuneration Committee.

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

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

Name	Below SGD 250,000	SGD 250,000 to SGD 499,999	SGD 500,000 and above
M.L. Chandchutha Chandratat	x		
Mr. David Stewart Simpson		x	
Mr. Surasak Khaoroptham	x		
Mr. Pichet Sithi-Amnuai (**)	x		
Mr. Lim How Teck Lim (**)	x		
Mr. Ng Chee Keong (**)	x		
Mr. Leslie George Merszei (**)	x		
Ms. Mantanee Surakarnkul (**)	*N/A	*N/A	*N/A
Mr. Jorgen Christian Lundbaek (**)	x		
Mr. Pongsak Kanchanakpan (**)	*N/A	*N/A	*N/A
Mr. Andrew John Airey (**)	*N/A	*N/A	*N/A
Ms. Oraporn Lerdthuwanon (**)	x		

*N/A: Not applicable as there was no remuneration paid.

Note: Directors with a (**) next to their names did not serve a full year term for the financial year ended 30 September 2007. For actual remuneration of these Directors, see “*Actual remuneration of persons who have served as a Director of the Company for any part of the financial year ended 30 September 2007*”.

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

Name	[1]	[2]	[3]	[4]
M.L. Chandchutha Chandratat	0%	0%	100%	0%
Mr. David Stewart Simpson	65%	16%	19%	0%
Mr. Surasak Khaoroptham	0%	0%	100%	0%
Mr. Pichet Sithi-Amnuai	0%	0%	100%	0%
Mr. Lim How Teck	0%	0%	100%	0%
Mr. Ng Chee Keong	0%	0%	100%	0%
Mr. Leslie George Merszei	0%	0%	100%	0%
Ms. Mantanee Surakarnkul	*N/A	*N/A	*N/A	*N/A
Mr. Jorgen Christian Lundbaek	100%	0%	0%	0%
Mr. Pongsak Kanchanakpan	*N/A	*N/A	*N/A	*N/A
Mr. Andrew John Airey	*N/A	*N/A	*N/A	*N/A
Ms. Oraporn Lerdthuwanon	70%	25%	5%	0%

*N/A: Not applicable as there was no remuneration paid.

14. Actual remuneration of persons who have served as a Director of the Company for any part of the financial year ended 30 September 2007.

Name	Commenced	End	Actual Remuneration (in SGD)
Mr. Jorgen Christian Lundbaek	01 Oct 2006	05 Oct 2006	26,087
Ms. Mantanee Surakarnkul	01 Oct 2006	25 June 2007	*N/A
Mr. Pongsak Kanchanakpan	01 Oct 2006	21 June 2007	*N/A
Ms. Oraporn Lerdthuwanon	01 Oct 2006	25 June 2007	65,604
Mr. Andrew John Airey	01 Oct 2006	25 June 2007	*N/A
Mr. Pichet Sithi-Amnuai	21 June 2007	Present	11,413
Mr. Lim How Teck	25 June 2007	Present	9,130
Mr. Ng Chee Keong	25 June 2007	Present	9,065
Mr. Leslie George Merszei	25 June 2007	Present	12,130

*N/A: Not applicable as there was no remuneration paid.

Note: Actual remuneration calculated in Baht terms. Exchange Rate is Baht 23 = SGD 1.

15. 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. John Willoughby Crane III	x		
Mr. Mark Andrew Shepherd	x		
Mr. Simon Matthew Turner	x		
Mr. Svein Nodland	x		
Mr. Magne Hovden		x	

16. 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.

Name	[1]	[2]	[3]	[4]
Mr. John Willoughby Crane III	100%	0%	0%	0%
Mr. Mark Andrew Shepherd	74%	0%	26%	0%
Mr. Simon Matthew Turner	79%	0%	21%	0%
Mr. Svein Nodland	100%	0%	0%	0%
Mr. Magne Hovden	65%	0%	35%	0%

17. 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.

18. Details of employee share schemes.

On 11 July 2007, the shareholders approved the Employee Share Option Plan ("Plan"). The Plan is a share option incentive plan and provides for the administration of the issue of the share option component which forms part of the remuneration policy of the Group. The objectives of the Plan are to retain key employees whose contributions are essential to Mermaid's long-term growth and profitability, and to align the interests of its participants with the interests of the shareholders.

As at 30 September 2007, the Plan has not yet been implemented and is still subject to the approval of the Thai Securities Exchange Commission ("SEC").

19. Composition of Audit Committee and details of its activities.

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

The Audit Committee was formed on 26 June 2007 and met on one occasion on 27 June 2007 for the purposes of considering and reviewing those matters related to the IPO and listing of Mermaid on the SGX which required the approval of the Audit Committee under applicable laws, rules and regulations.

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

The Board values a sound management internal control system. To safeguard shareholders' investments and Mermaid's assets, its key executives oversees different departments and business units to ensure the adequacy of financial, operational and compliance controls, including risk management policies.

In support of this, the Board also assigned the Company Secretary to oversee compliance with the law and regulations concerning public companies. Based on the information provided to it, the Company believes that the system of internal controls and risk management is adequate.

21. Specific Case of non-Compliance with the Code of due to Legal Restriction.

Thai regulations currently do not recognise telephonic and videoconference meetings. Therefore, Mermaid is presently unable to comply with the recommendation in Guideline 1.4 of the Code 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, Mermaid is in compliance with this recommendation insofar as it relates to its subsidiaries incorporated in Malaysia and Singapore.

The Company

Name of Company	Mermaid Maritime Public Company Limited
Registration No.	010755000017
Establish Since	1983
Date of Conversion to Public Company	15 January 2007
Date of Being Listed on the SGX	16 October 2007
Company Secretary	Vincent Siaw e-mail: vincents@mermaid-maritime.com
Registered Office	26/28-29 Orakarn Building, 9 th Floor, Soi Chidlom, Ploenchit Road, Kwaeng Lumpinee, Khet Pathumwan, Bangkok 10330, Thailand Website: http://www.mermaid-maritime.com
Telephone	+66 (0) 2255 3115 +66 (0) 2255 3116
Facsimile	+66 (0) 2255 1079
Type of Business	Drilling Services Sub-sea Engineering Services
Registered Capital	Baht 674,537,393
Paid-up Capital	Baht 383,205,340 as at 30 September 2007 <i>(Baht 541,205,340 as at 19 December 2007)</i>
No. of Issued Shares	383,205,340 ordinary shares fully paid as at 30 September 2007 <i>(541,205,240 ordinary shares fully paid as at 19 December 2007)</i>
Par Value/Share	Baht 1



Mermaid Maritime
Public Company Limited

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