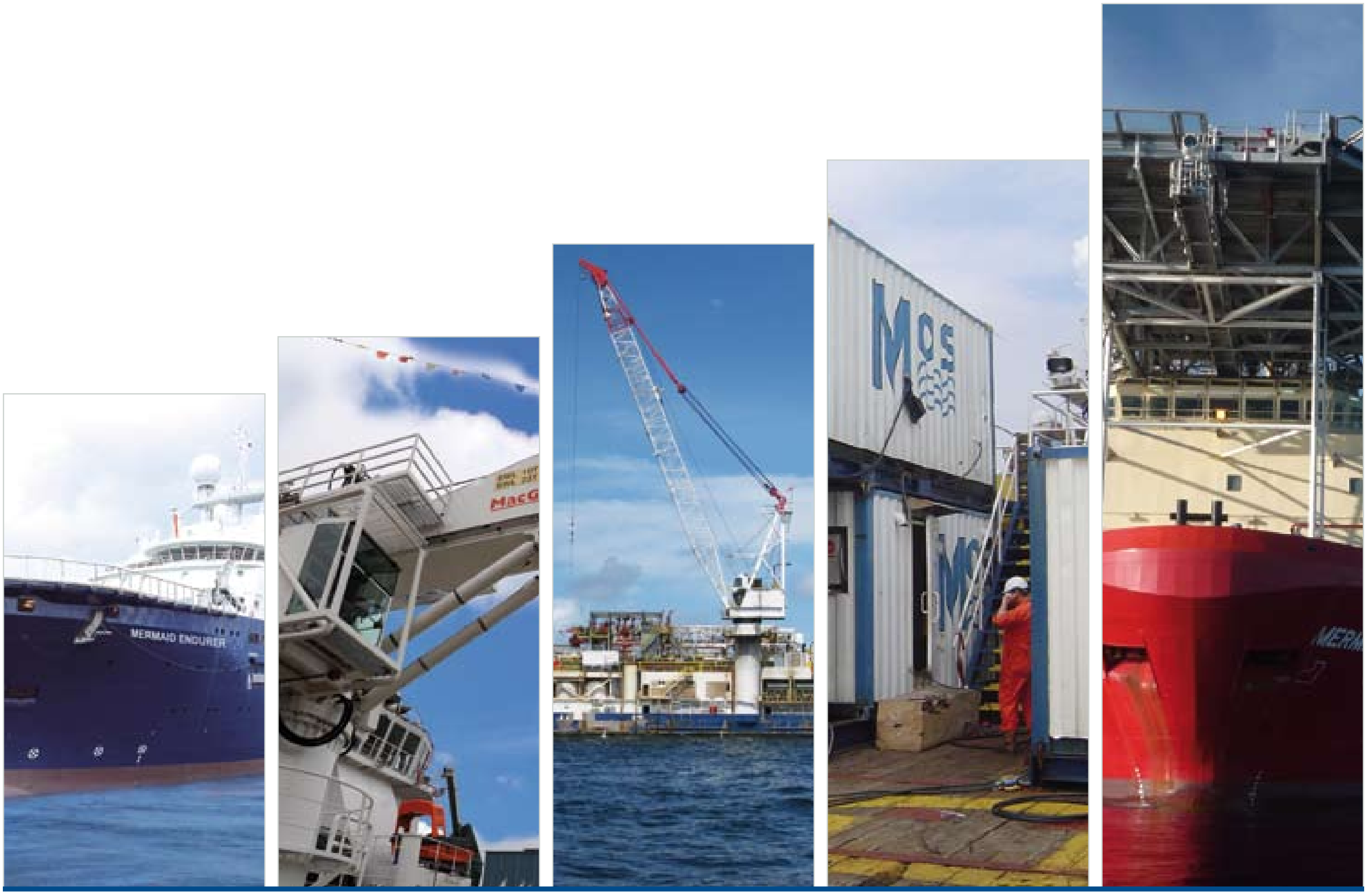
Mermaid Maritime
Public Company Limited



ENGINEERING FOR BETTER
MID-TERM FUNDAMENTALS

Mermaid Maritime Public Company Limited

ANNUAL REPORT
2010

CONTENTS

Key Strengths

FACT SHEET

Balanced Earnings | Asset Ownership | Client Relationship | Niche Services

27
years since Mermaid Maritime's establishment

5
regions in which Mermaid Maritime operates: South East & East Asia, India, Middle East, South America and the North Sea

500
skilled workers, crews, technicians, service providers & management

2
high-specification jack-ups under construction with 49% ownership

4
saturation diving systems

14
remotely operated vehicles

2
tender drilling rigs

8
subsea vessels

Key Milestones

1983
Established in Thailand.

2003
Incorporated Mermaid Offshore Services Ltd. and purchased 'Mermaid Supporter'.

2005
Expanded subsea business and purchased 'Mermaid Responder' and 'Mermaid Commander'. Incorporated Mermaid Drilling Ltd. and commenced offshore drilling services with purchase of tender rigs 'MTR-1' and 'MTR-2'.

2006
Purchased 'Mermaid Performer'.

2007
Converted to a public company and listed on the Singapore Stock Exchange. IPO raised ~SGD 218 million. Ordered newbuild ' Mermaid Sapphire'.

2008
Acquired Seascape Surveys for access to hydrographic and positioning services. Took delivery of 'Mermaid Challenger'. Acquired 20% of 'Mermaid Asiana' under contruction.

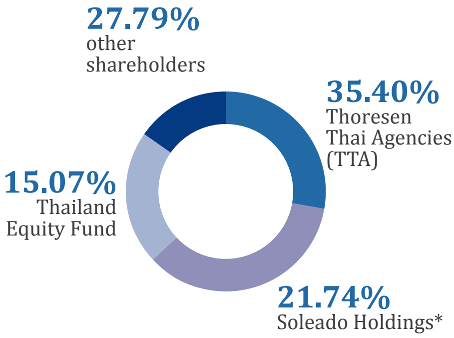
2009
Acquired 'Mermaid Endurer' under construction. Took delivery of 'Mermaid Sapphire' and purchased remaining 80% of 'Mermaid Asiana' under construction. Raised ~ SGD 156 million from rights issue.

2010
Acquired Subtech to expand subsea services in the Middle East and Persian Gulf. Disposed 'Mermaid Responder', purchased 'Mermaid Siam' and took delivery of 'Mermaid Endurer' and 'Mermaid Asiana' bringing total subsea fleet to 8 vessels. Acquired 49% equity stake in Asia Offshore Drilling with two high specification jack-ups under construction, bringing the total potential drilling fleet investment to 4 rigs.

Offshore Services to the Oil & Gas Industry

- Subsea inspection, repair and maintenance
- Subsea infrastructure installatiom support
- Subsea remotely operated vehicle support
- Subsea emergency callout service
- Subsea salvage
- Offshore drilling and workover services
- Accommodation barge services

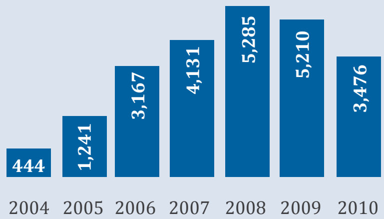
Shareholding Structure (Sep 2010)



* Soleado Holdings is a 100% subsidiary of TTA

Gross Revenue Histogram

2004-2010 (show in Baht millions)



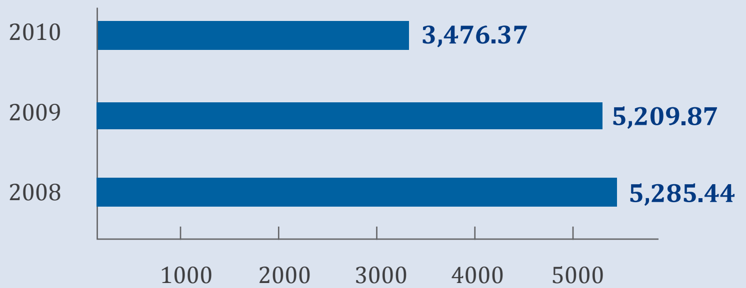
Share Price Performance in SGD

FINANCIAL **HIGHLIGHTS**

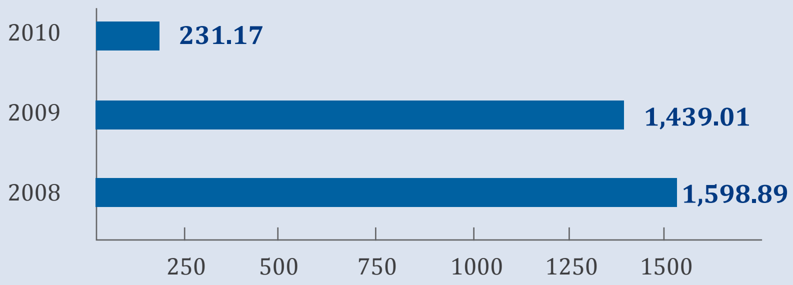
(Consolidated numbers)

	Year Ended 30 September		
	2010	**2009**	**2008**
	(Baht in millions, except share, per share data, and ratios)		
Service income	3,476.37	5,209.87	5,285.44
Gross profit	231.17	1,439.01	1,598.89
Net income (losses)	(456.48)	747.38	1,162.06
Net book value / Net asset value	16.54	19.69	17.87
Return on shareholders' equity (%)	(3.86)	7.35	18.49
Net profit margin (%)	(13.13)	14.35	21.99

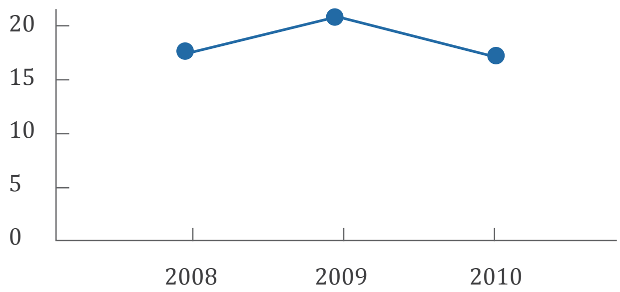
Service Income



Gross Profit / Gross Margin



Net Asset Value

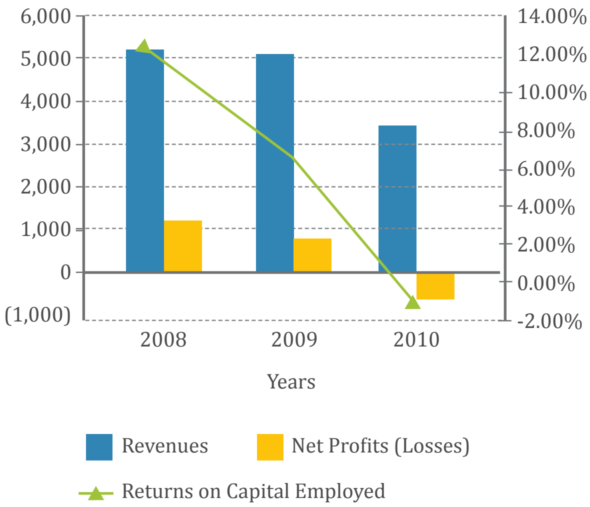


MESSAGE FROM OUR **CHAIRMAN**

Dear Shareholders

2010 – ENGINEERING MERMAID FOR STRONGER MEDIUM-TERM FUNDAMENTALS

Mermaid Maritime Public Company Limited ("Mermaid") reported disappointing results in 2010, which continued a trend of declining performances over the past three years. The returns on capital employed in 2008, 2009, and 2010 were 12.49%, 6.83%, and (1.03%), respectively.



Mermaid is a holding company with two main operating divisions:

1. Subsea Engineering Services Division comprising Mermaid Offshore Services Ltd. and its subsidiaries(collectively "MOS"); and
2. Offshore Drilling Services Division comprising Mermaid Drilling Ltd. and its subsidiaries and Mermaid Drilling (Singapore) Pte. Ltd. (collectively "MDL").

As a group, Mermaid served approximately 20 clients, primarily in the Asia Pacific region. On a consolidated basis, Mermaid generated Baht 3,476.37 million of revenues, a 33.27% decrease from 2009, and net losses of Baht 456.48 million, a 161.08% decrease from 2009. Mermaid's return on capital was minus 1.03%. On a positive note, we managed to achieve cash flow from operations of Baht 453.71 million despite the losses.

MESSAGE FROM OUR **CHAIRMAN**

Challenging market conditions played a significant role in Mermaid's net losses in 2010, particularly in MOS, where similar diving-oriented competitors declared losses or even bankruptcy. However, given Mermaid's declining performances over the last three years, it is also clear that the significant investments made by MOS and MDL require a different set of management capabilities, including greater emphasis on strategic planning, commercial and business development, financial structuring, and internal controls and shared service systems, processes, and capabilities to support a larger and more diversified business.

Overemphasis on daily operations and limited investments in other business functions resulted in a number of inefficiencies that need to be corrected. In some ways, we are fortunate that many of these inefficiencies were magnified during the economic slowdown and resulting delays in contract awards from clients. We realise that it is imperative that these inefficiencies be addressed promptly, as they will play an important role in Mermaid's revival and performance improvement when the industry turns around. To this end, we are currently reviewing all strategic and internal development plans to prioritise the necessary changes to be made over the next few years.

In 2010, Mermaid:

- Completed a rights issue to raise Baht 3,591.17 million, net of issuing costs;
- Accepted the resignation of the previous Managing Director; and
- Started to establish shared services and capabilities to support MOS and MDL.



Upon the departure of the previous Managing Director in May 2010, an Executive Committee was set up to provide leadership and strategic direction to Mermaid and to initiate some of the necessary changes to improve medium-term performance.

The Board has taken time to find a suitable candidate who not only has previous experience as a chief executive officer but also shares our vision and approach to manage Mermaid. We are nearing agreement with a highly experienced professional who wishes to increase Mermaid's capabilities and offer higher value added services to clients.

Mermaid's losses resulted in breaches of its earnings-related bank debt covenants. We are working closely with the banks to restructure the existing loan facilities and are pleased to share with you that we should be able to conclude discussions in early 2011.

What MOS Does

At 30 September 2010, MOS employed 488 people and owned eight (8) subsea vessels. Using these vessels, MOS performs a variety of subsea engineering activities, including inspection, repair, maintenance of offshore installations, light construction services, and emergency repair and call out services.

In 2010, MOS:

- Took delivery of three (3) new build and modern high specification subsea vessels, M.V. "Mermaid Sapphire", M.V. "Mermaid Asiana", and M.V. "Mermaid Endurer";
- Purchased one second hand vessel which was previously chartered-in, M.V. "Mermaid Siam";
- Sold its interests in Worldclass Inspiration Sdn. Bhd. ("WCI");
- Acquired a 100% ownership in Subtech Ltd.;
- Sold one vessel, M.V. "Mermaid Responder"; and
- Appointed a new Executive Director of MOS

Our major clients were CUEL Limited, Chevron Thailand Exploration and Production Limited ("Chevron Thailand"), National Petroleum Construction Company, Mashhor DOF Subsea Sdn. Bhd., PTT Exploration and Production Public Co. Ltd., and CJSC Romona, providing almost 85% of revenues.

MESSAGE FROM OUR **CHAIRMAN**



MOS generated Baht 2,077.41 million of revenues, a 25.33% decrease from 2009, and Baht 332.16 million of net losses, a 278.76% decrease from 2009. With MOS fleet utilisation of 39.54% and falling day rates, gross margins declined from 14.15% in 2009 to minus 5.02% in 2010. With the delivery of three (3) new build vessels, finance costs and depreciation increased significantly to Baht 71.04 million and Baht 452.08 million, respectively. It should be no surprise that MOS lost money in 2010. Our invested debt and equity capital has been Baht 11,018.82 million, so there has been little return on this business.

MOS sold its 25.0% ownership of WCI in July 2010, resulting in a gain of Baht 349.21 million. We saw an opportunity to make a very good return on a minority non-controlling interest within 20 months. Our IRR on this investment is 38%. This sale does not represent an exit from the Malaysian market, and the market remains of interest to us as and when we come across any opportunity to participate in a meaningful manner and at a reasonable price.

In March 2010, MOS completed the acquisition of Subtech Ltd. to drive MOS's marketing and therefore the utilization of its vessels in the Middle East and Persian Gulf. While Subtech Ltd. had been consistently profitably since the acquisition, it had also made a notable contribution to MOS generally, and by the end of September 2010 more than a third of the bids that MOS had submitted were through Subtech Ltd.

With more vessels plus higher technical capabilities, MOS must transition itself into a more regional business and work with clients in different markets. Given the required changes, new leadership and ideas were needed, and our new Executive Director of MOS, Steve Davey, has over 30 years of industry experience and contacts and a strong commercial background.

These management changes were executed in September 2010 to address this underperforming business unit amidst challenging subsea market conditions, which are expected to remain difficult for the next twelve (12) months. Our strategy is simple. We expect more work in 2011 by being more aggressive in our business development activities and pricing our jobs competitively. It is better to have vessels and subsea assets working at lower margins than not working at all.

As evidence of the subsea market slowdown, day rates were lower by as much as 21.73%, as competitors bid for work at or below their operating costs just to keep vessels and people busy. Throughout this period, MOS has kept a tight control on costs and continues to have an excellent safety performance. Despite the weak performance in 2010, we strongly believe that we are well-positioned to compete effectively and to take advantage when a turnaround comes, which we expect towards the end of 2011.

MOS's strengths include the most advanced and modern portfolio of assets in Southeast Asia, respected operational capabilities, and experienced management and quality people.

What MDL Does

At 30 September 2010, MDL employs 178 people and provides contract-based drilling services to oil and gas companies through a fleet of two drilling rigs.

In 2010, MDL:

- Worked for one client, Chevron Indonesia Company; and
- Sold the disputed "KM-1" new build rig project in Malaysia.

MDL generated Baht 1,076.30 million of revenues, a 51.37% decrease from 2009, and Baht 219.55 million of net losses, a 133.68% decrease from 2009. Our invested debt and equity capital has been Baht 3,845.02million, so there has been little return on this business. "MTR-2" achieved high utilisation rates of 99.48% in 2010, while MTR-1 was idle for almost the entire year. The average day rate for "MTR-2" was US$ 87,679 per day.

After almost one year of warm stacking, "MTR-1" mobilised for its job with Cudd Pressure Control Inc. ("Cudd") in August 2010 and began the contract 11 August 2010 as an accommodation work barge at a day rate of USD 22,000 per day. This contract has since encountered problems when Cudd's contract with Saudi Arabian Oil Company ("Saudi Aramco") was rescinded, leaving "MTR-1" in the Middle East. Mermaid and Cudd are in discussions on arrangements surrounding the cessation of the contract. "MTR-2" continues to fulfil its obligations with Chevron under a contract that lasts until February 2011. We are studying the cabotage rules announced by the Indonesian government related to "MTR-2" operating in Indonesian waters and will be pursuing discussions on a contract extension taking into consideration the implication of these rules.

The disputed new build drilling rig "KM-1" was sold in June 2010 at a loss of Baht 178.55 million. This dispute arose from a difference in opinion between Mermaid and Kencana Petroleum Venture Sdn. Bhd. regarding the technical specifications of the rig. The decision to divest was taken after due and exhaustive consideration, including its effect on operational efficiency and marketability beyond the existing contract. After extensive consideration of all possibilities, we concluded that any other course of action would expose Mermaid and our shareholders to greater risk and potentially higher losses than an outright sale of "KM-1".

MESSAGE FROM OUR **CHAIRMAN**

Activity in the latter half of 2010 increased. Some oil and gas companies who had previously cancelled or deferred their drilling programmes issued tenders for rigs, including Chevron Thailand and Petróleos Mexicanos ("Pemex"). We continue to observe clients showing a preference for newer equipment, and in November 2010, signed a Letter of Intent to order two high-specification jack-up rigs from Keppel FELS Ltd. in Singapore to be delivered in 2012 and 2013 through a new joint venture called Asia Offshore Drilling Limited, in which Mermaid shall own 49%. We have already commenced marketing these new build rigs, and if we can secure their employment within a reasonable time period, we have the opportunity to exercise options for two more high-specification jack-up rigs.

Our intention is to position MDL to become one of the few Asian-based drilling companies with a fleet of modern high specification rigs. Any acquisitions we pursue will be done in a financially prudent manner, with the long-term view in mind.

2011 Priorities

Mermaid will work towards a number of critical objectives in 2011, some of which are outlined below.

People

Mermaid will perform a complete review of the organisation structure and key people to ensure fit with its future business needs. The objective of this review is to identify the key areas that require greater the necessary skills and experience to drive business and to formulate a plan to develop our existing talent and also to recruit new talent from other companies. In doing so, we will focus on not only increasing the number of hires but more importantly the quality of these hires.

Mermaid's focus will also be on developing strong leaders. This starts with a clear and shared understanding about the competencies we want in our senior managers. These qualities must be well communicated and reinforced through the performance management and talent assessment processes.

Business Development

Mermaid needs to focus on marketing its assets to a broader client base. Assuming that the subsea fleet remains the same, MOS will need to increase its bidding activities by more than two times from 2010 to achieve the targets we have set for our subsea business. If successful in our business development efforts, MOS will need additional employees to manage client relationships as well as more offshore managers and project engineers to handle the increased volume of work.

MDL needs to seek employment for not only MTR-1 and MTR-2 but also the two new build jack-up rigs. This means additional employees are needed to operate these additional assets to achieve optimal asset performance and increase our market penetration.

Finances

Mermaid will analyse its existing assets and investments to determine whether to hold, sell, grow, or reduce them. Further asset or investment sales should not be a surprise to shareholders, and the proceeds from any sales will be used to repay bank debt. This action plan should allow

Mermaid to efficiently restructure or refinance the credit facilities that are currently in breach.

Mermaid will establish key value based financial and risk parameters and include them in the key performance indicators for senior managers.

Systems

Mermaid will invest in an effective information technology platform to meet its future expansion needs. A complete review of existing business support systems and processes will be performed, so that they can be revamped in line with the introduction of new enterprise resource planning software and internal controls.

Summary

The 2011 outlook for Mermaid remains weak. The new build jack up rigs will not be delivered until December 2012 and March 2013, which means that the drilling business must employ MTR-1 and MTR-2 to earn any profits. Any financial turnaround of Mermaid rests on the performance of the subsea business, which needs to build its capabilities and continue its expansion into areas outside South East Asia to secure more profitable work.

We will be working very hard to drive and engineer the necessary actions to improve Mermaid's performances and consistency over the medium to long term. Many of these actions may not have an immediate impact on 2011's earnings, but we have always operated our business with a long-term view in mind and should see the results of the various changes in 2012 and beyond.

As we proceed to the upcoming annual general meeting of shareholders, Mr. Lim How Teck, who has been a director of Mermaid prior to the initial public offering, will not stand for re-election. We wish to thank him for his contributions and insights over the past few years and wish him well. Thank you very much to our shareholders, clients, suppliers, bankers, and colleagues for your understanding and support of Mermaid. There is nothing more important to us than improving shareholder value, and the changes we have planned will drive this objective.

M.L. Chandchutha Chandratat
Executive Chairman
30 November 2010

BOARD OF **DIRECTORS**

The Board of Directors ("Board") is responsible for Mermaid's overall management and strategic direction. The Board is required to meet on a quarterly basis to review and monitor our financial position and operations. Ad-hoc meetings are called to discuss other major issues, such as establishment and capital increases of new subsidiaries, significant asset investments, and annual budget approvals. Our Articles of Association provide that our Board will consist of not fewer than five (5) Directors. Certain information on the business and work experience of our Directors is set out below:

5. 4. 2. 1. 3. 6. 7. 8.

1. M.L. CHANDCHUTHA CHANDRATAT
Executive Chairman (Age 44)

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

2. LIM HOW TECK
Independent Director (Age 60)

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

3. NG CHEE KEONG
Independent Director (Age 61)

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

University of Singapore in 1971 and graduated from the Advanced Management Program, Stanford University in 1988 and the Advanced Management Program, INSEAD in 1994. He was awarded the Public Administration Medal (Gold) by the Singapore Government in 1997.

4. PICHET SITHI-AMNUAI

Independent Director (Age 45)

Pichet Sithi-Amnuai is our Independent Director. He was appointed to our Board of Directors in June 2007. He is currently the President of Bualuang Securities Public Company Limited prior to which he was its Independent Director and member of its Audit, Compensation and Remuneration Committees. From 1994 to 2000, he was First Vice President, Corporate Finance Department at Jardine Fleming Thanakorn Securities Limited. He obtained a Bachelor Degree in Industrial Engineering from Chulalongkorn University in 1987, an M.B.A. from the University of Texas in 1991, and a Master of Education in Early Childhood Education from Chulalongkorn University in 2006.

5. LESLIE GEORGE MERSZEI

Independent Director (Age 63)

Leslie George Merszei is our Independent Director. He was appointed to our Board of Directors in June 2007. He is currently the Managing Director of Corporate Performance Advisors Ltd. and XJET Ltd. He has since 1987, provided financial consulting, investment management, and restructuring advice in the development of commercial, financial and private aviation projects in South East Asia. Prior to establishing his own companies, he worked for 15 years with the Dow Chemical company where he served as CFO of Dow Europe, as well as Chairman and CEO of Dow Financial Services Inc. which had extensive global investment banking operations including several in South East Asia. In 1986, Merszei was tasked with the sale of the Financial Services business and after its sale to the Royal Trust company, he served as President and CEO of Royal Trust International for a transition period. Mr. Merszei is a graduate of Purdue University.

6. SURASAK KHAOROPTHAM

Non-Executive Director (Age 45)

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 Vice President of Credit Suisse First Boston (Singapore) Pte. Ltd. from 1997 to 2003 and Assistant Vice President of Phatra Thanakit Public Company Limited from 1995 to 1997. He received a Bachelor of Science degree from King Mongkut's Institute of Technology Ladkrabang in 1986, a Masters in Science (M.Sc.) from University of Michigan in 1993, and an M.B.A. from the University of Pennsylvania in 1995.

7. JOEY HORN

Non-Executive Director (Age 44)

Joey Horn was appointed as our Non-Executive Director in January, 2009. She is also an Independent Director of Thoresen Thai Agencies Public Company Limited, our controlling shareholder. She was previously an Independent Director and Audit Committee member of Norse Energy Corp. ASA (2005-2008), an oil and gas exploration and production company listed on the Oslo Stock Exchange, and Petrojarl ASA (2006), an FPSO company listed on the Oslo Stock Exchange until acquired by Teekay Shipping Corporation. Her previous experience includes Partner, Equity Research, HQ Norden Securities, Oslo, Norway and Vice President, Mergers and Acquisitions, Credit Suisse First Boston, New York, U.S.A. She is also a trustee of her alma mater, Williams College. Ms. Horn graduated with an M.B.A. from Yale University in 1991 and a B.A. from Williams College in 1987. She is a US citizen and currently resides in Singapore.

8. TOM SPRINGALL

Non-Executive Director (Age 45)

Tom Springall was appointed as our Non-Executive Director in January 2010. He has more than 20 years experience in both the downstream and upstream energy industries, and has worked in a variety of different locations across the world, including more than 10 years in Asia. He started his professional career with Shell in the United Kingdom, and for the past 12 years he has worked for Hess Ltd. in several positions including Country Manager for Azerbaijan, and most recently Commercial Manager for South East Asia and Australia. During his time at Hess he served as director for number of companies including Carigali Hess, a company responsible for operating major gas production facilities in the Malaysia / Thailand Joint Development Area. Mr. Springall holds a BA in Industrial Economics from Nottingham University, United Kingdom. In September 2009, he joined Thoresen Thai Agencies Public Company Limited, our controlling shareholder, as its Executive Vice President, Group Energy.

EXECUTIVE **MANAGEMENT**

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

5. 4. 2. 1. 3. 6. 7.

1. M.L. CHANDCHUTHA CHANDRATAT
   Executive Chairman (Age 44)

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

2. SATAPORN AMORNVORAPAK
   Chief Financial Officer (Age 38)

was appointed Chief Financial Officer in September 2008. He joined Mermaid in February 2007 as senior finance and accounting manager and prior to joining Mermaid, he was an Internal Audit Manager and a secretary of Audit Committee from July 2003 to September 2005 and an Accounting Manager from October 2005 to January 2007 at Thoresen Thai Agencies Public Company Limited, our controlling shareholder. He also worked in the Audit Assurance Department at PricewaterhouseCoopers ABAS Ltd. in Bangkok from April 1994 to June 2003, with his last position as Audit Manager. He graduated with a Bachelor of Business (major in Accounting) from Rajamagala Institute of Technology, Bangkok in 1994 and a Masters of Business Administration (Finance) from Kasetsart University, Bangkok in 2009. He is a Certified Public Accountant (C.P.A.) in Thailand.

3. STEPHEN GREGOR LENZ
   Executive Director, Mermaid Drilling (Age 56)

has been with Mermaid since July 2008 as Executive Director of Mermaid Drilling. He started his career with ODE in 1977 on land rigs in Australasia and then moved offshore to Sedco in 1980. In this time he moved from an Electrician on a DP drill ship, to Operations Manager with Transocean looking after 5 offshore rigs in Thailand and Vietnam. He then had 2 years as Rig Manager with Apexindo in Balikpapan before moving to Songa Offshore and bringing the Songa Venus into Australia and setting up the base and operations there. Later he brought the Songa Mercur into Australia and moved to Australian Country Manager. He then took up the challenge with Mermaid Drilling and reorganized the management and offices to concentrate on giving full support to the efficiency and safety of the two operating rigs. He also performed a key role in the establishment of Mermaid’s associate company Asia Offshore Drilling Limited.

4. STEVE WILLIAM DAVEY

Executive Director, Mermaid Offshore Services (Age 63)

joined Mermaid in September 2010 as Executive Director of Mermaid Offshore Services to provide leadership and strategic direction for Mermaid's subsea business. He has over three decades of experience in the offshore oil & gas industry. He was formerly Business Development Director at Comex (now Acergy) from 1974-1989 and then at Stena Offshore Aberdeen (now Technip) until 1993. At Stena Offshore, he was responsible for increasing sales over a four year period, during which time he also developed new operations in the Far East, Norway and West Africa. From 1993-1997, he worked as a consultant to various companies in the oil and gas sector and was appointed Chief Executive Officer of Saipem Inc. (United States) in 1997. Prior to joining Mermaid, he was a strategic consultant to several subsea and EPIC contractors across Europe and the United States. He was also a shareholder and Commercial Director of Wellstream International Ltd. and Commercial Director of CTC Marine projects prior to its sale to the Trico Marine Group. He graduated from the Senior Management Program at Harvard University in 1992.

5. JAMES MCGHEE NICOL

General Manager, Mermaid Drilling (Age 51)

has over three decades of experience in the oil & gas industry starting in the North Sea with Sedco (now Transocean) where he worked for 28 years in various capacities from Offshore Floorman to Onshore Manager in various parts of the world (Europe, Middle East, West Africa, and South America).

In 2007 he joined Essar Oilfield Services Ltd. as Rig Manager of their only Semi Submersible the 'ESSAR Wildcat' and was based in Gujarat state in Northern India. In August 2008 he joined Mermaid Drilling as Rig Manager of new build tender rig 'KM-1' (under construction) based in Kuala Lumpur, Malaysia. In June 2010 he was relocated to Mermaid Drilling's office in Thailand as manager of new projects after the sale of the 'KM-1'. In November 2010 Jimmy was promoted to General Manager of Mermaid Drilling.

6. BORIS VUJCIC

Commercial Manager, Mermaid Drilling (Age 46)

joined Mermaid Drilling in October 2008 as Project Manager on the construction of the KM-1 tender rig based in Malaysia. He started his offshore career as a Cadet Trainee with Lombardo Marine Group in 1981 and after completing the necessary qualifications served as a sea going engineer until 1990. He then moved on to Sealanes, an Australian Ships Supply company as Branch Manager servicing provisions & engineering requirements to shipping clients. In 1993 he joined the offshore drilling industry initially as Motorman before progressing to Mechanic, Ballast Control Operator, Barge Master & OIM, working for companies such as Diamond Offshore, Maersk, Total Marine Services (Transocean) & Atwood Oceanics. In 2006 he joined Songa Offshore as Technical Manager (Australia) prior to joining Mermaid Drilling.

7. SIMON MATTHEW TURNER

Commercial Director, Mermaid Offshore Services (Age 45)

became Commercial Director of Mermaid Offshore Services in September 2010. He was previously the General Manager of Mermaid Offshore Services and was its Operations Manager from September 1993 to June 2003. He has over 25 years of experience in subsea construction, inspection and maintenance activities. He is an HSE approved Part 1 offshore diver and a saturation qualified HSE part 2 diver, previously holding various inspection (CSWIP 3.1u and 3.2u) qualifications. He completed a CSWIP 3.4u topside inspector co-coordinator qualification in 2000, which is still current and as a holder of this qualification is a member of the Welding Institute in the U.K. and is authorised to use the style or title of "Engineering Technician".

MERMAID **FLEET**

Mermaid Offshore's Subsea Vessels

Mermaid Commander (Built 1987)

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

Mermaid Siam (Built 2002)

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

M.V. Mermaid Sapphire (Built 2009)

The M.V. "Mermaid Sapphire" is a DP2 remotely operated vehicle ("ROV") support vessel equipped with a deepwater work-class ROV, a 23-tonne crane and accommodation for 60 personnel. Delivery of the M.V. "Mermaid Sapphire" enabled Mermaid to return one of its chartered-in vessels, M.V. "Binh Minh" to the owner.

Mermaid Challenger (Built 2008)

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

Mermaid Performer (Built 1982)

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

Barracuda (Built 1982)

The M.V. "Barracuda" (formerly M.V. "Mermaid Supporter") is a utility vessel equipped with a built-in surface diving system, an omni-directional bow thruster and accommodation for 30 personnel. This vessel has an extensive track record for performance of platform inspection and FPSO (Floating Production Storage and Offloading) facility underwater inspection projects in South-East Asia using a combination of ROV and surface diving methods. To improve commercial and operational efficiency, the vessel was transferred to PT Seascape Surveys Indonesia, a majority owned subsidiary.

MERMAID **FLEET**

Mermaid Offshore's Subsea Vessels

M.V. Mermaid Asiana (Built 2010)

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

M.V. Mermaid Endurer (Built 2010)

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

MERMAID **FLEET**

Mermaid Drilling's Tender Rigs

MTR-1

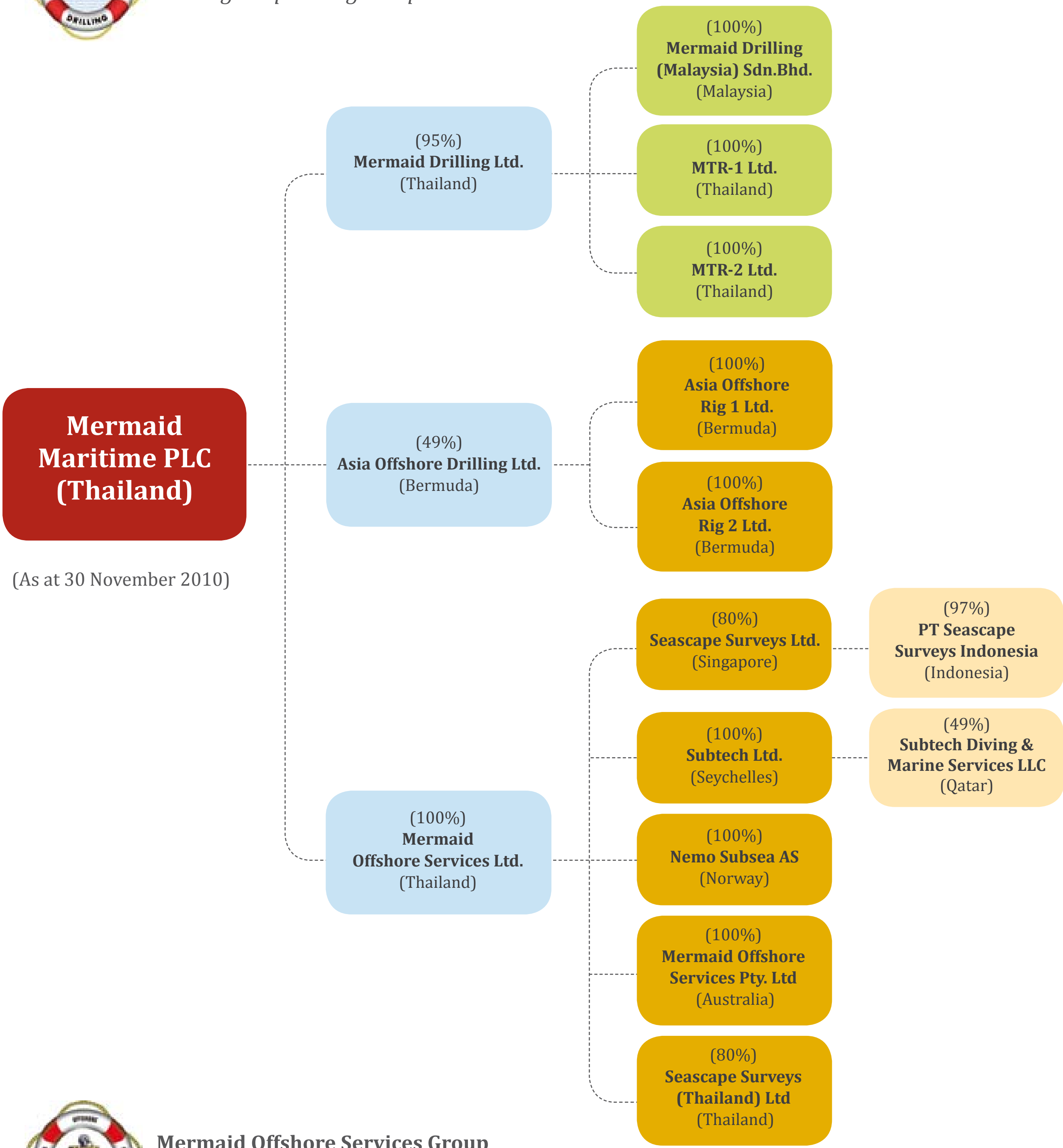
Rig Type	Tender Assist Drilling Rig
Year Built/Last Upgrade	1978/1998
Classification Society	ABS
Water Depth Rating (meters)	100
Drilling Depth Rating (meters)	6,100
Accommodation Quarters	112 persons

MTR-2

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

CORPORATE **STRUCTURE**

Mermaid Drilling Group
Holding & Operating Companies



Mermaid Offshore Services Group
Holding & Operating Companies

SUMMARY OF COMPANIES IN THE **MERMAID GROUP**

No.	Company	Type of Business	Place of Incorporation	Date of Incorporation	Company Registration No.	Type of Share	Paid-up Capital	Shares Issued	% of Shareholding
1.	Mermaid Maritime Public Company Limited	Holding Co.	Thailand	15 January 2007 (as public company)	0107550000017	Ordinary	THB784,747,743	784,747,743	-
2.	Mermaid Offshore Services Ltd.	Sub-sea engineering	Thailand	24 June 2003	0105546072562	Ordinary	THB2,930,000,000	293,000,000	100% (direct)
3.	Mermaid Training & Technical Services Ltd. (dormant)	Vocational training	Thailand	15 November 2005	0105548149694	Ordinary	THB2,000,000	200,000	100% (direct)
4.	Seascape Surveys (Thailand) Ltd.	Survey & positioning	Thailand	26 March 2008	0105551035432	Ordinary	THB34,000,000	34,000,000	80% (beneficial)
5.	Seascape Surveys Pte. Ltd.	Survey & positioning	Singapore	24 November 2004	200415192D	Ordinary	SGD100	100	80% (beneficial)
6.	PT Seascape Surveys Indonesia	Survey & positioning	Indonesia	19 January 2005	09.03.1.74.44960	Ordinary	Rp916,000,000	100	80% (beneficial)
7.	Nemo Subsea AS	Vessel owner	Norway	13 February 2007	990922586	Ordinary	NOK100,000	1,000	100% (beneficial)
8.	Nemo Subsea IS	Vessel owner beneficiary	Norway	3 July 2007	n/a	Partnership	USD12,100,000	100	100% (beneficial)
9.	Subtech Ltd.	Holding Co.	Seychelles	05 March 2008	046418	Ordinary	USD1	1	100% (indirect)
10.	Subtech Qatar Diving & Marine Services LLC	Sub-sea engineering	Qatar	11 November 2008	40867	Ordinary	QAR200,000	200	49% (indirect)
11.	Mermaid Offshore Services PTY LTD	Sub-sea engineering	Australia	30 August 2010	146069365	Ordinary	AUD1,000	1,000	100% (indirect)
12.	Mermaid Drilling Ltd.	Holding Co.	Thailand	24 January 2005	0105548011196	Ordinary	THB410,000,000	41,000,000	95% (direct)
13.	Mermaid Drilling (Singapore) Pte. Ltd.	Holding Co.	Singapore	27 February 2007	200703192D	Ordinary	USD50,999,926	50,999,926	100% (direct)
14.	Mermaid Drilling (Malaysia) Sdn. Bhd.	Drilling	Malaysia	5 August 2005	705457A	Ordinary	RM500,000	500,000	95% (indirect)
15.	MTR-1 Ltd.	Drilling	Thailand	15 March 2005	0105548036890	Ordinary	THB240,000,000	24,000,000	95% (indirect)
16.	MTR-2 Ltd.	Drilling	Thailand	15 March 2005	0105548036881	Ordinary	THB350,000,000	35,000,000	95% (indirect)
17.	MTR-1 (Singapore) Pte. Ltd. (dormant)	Drilling	Singapore	27 September 2007	200717860H	Ordinary	USD1	1	95% (indirect)
18.	MTR-2 (Singapore) Pte. Ltd. (dormant)	Drilling	Singapore	27 September 2007	200717875R	Ordinary	USD1	1	95% (indirect)
19.	MTR-3 (Singapore)Pte. Ltd. (dormant)	Drilling	Singapore	30 July 2008	200814981N	Ordinary	USD100	100	100% (indirect)
20.	Asia Offshore Drilling Ltd.	Holding Co.	Bermuda	29 October 2010	44712	Ordinary	USD20,000,100	20,000,100	49% (direct)
21.	Asia Offshore Rig 1 Ltd.	Drilling	Bermuda	29 October 2010	44713	Ordinary	USD100	100	49% (indirect)
22.	Asia Offshore Rig 2 Ltd.	Drilling	Bermuda	29 October 2010	44714	Ordinary	USD100	100	49% (indirect)

As at 30 November 2010

THE **COMPANY**

Name of Company	Mermaid Maritime Public Company Limited
Place of Incorporation	Kingdom of Thailand
Registration No.	0107550000017
In Business Since	1983
Date of Conversion to Public Company	15 January 2007
Date of Listing	16 October 2007
Place of Listing	Singapore Stock Exchange
Company Secretary	Dr. Vincent Siaw e-mail: vincents@mermaid-maritime.com
Corporate Head Office	26/28-29 Orakarn Building, 9th Floor Soi Chidlom, Ploenchit Road Kwaeng Lumpinee, Khet Pathumwan Bangkok 10330 Thailand
Telephone	+662 255 3115 (local dial 02 255 3115) +662 255 3116 (local dial 02 255 3116)
Fax.	+662 255 1079 (local dial 02 255-1079)
Type of Business	Offshore Drilling Services Subsea Engineering Services
Registered Capital	Baht 790,607,343
Paid-up Capital	Baht 784,747,743
No. of Issued Shares	784,747,743 ordinary shares
Par Value/Share	Baht 1
Corporate Website:	http://www.mermaid-maritime.com
Investor Relations E-mail:	ir@mermaid-maritime.com

(all information current as at 1 December 2010)

BUSINESS OVERVIEW

General Overview

The Mermaid Maritime Group ("Group") consists of the Mermaid Maritime Public Company Limited ("Company") and its subsidiaries. It is a provider of tender rig drilling and subsea engineering services for the offshore oil and gas industry, primarily in South East Asia, but also in four other key regions worldwide.

The Group has grown significantly, from a single company founded in 1983 and operating exclusively in Thailand to a group of companies and alliances that operate internationally. For the past seven (7) years, the Group has widened the scope of its services to include not only subsea engineering but also tender rig drilling services for the offshore oil and gas industry. The Group is well established and recognised by the industry for its high quality services delivered professionally, safely and efficiently. Moreover, it has developed a strong blue chip client base that includes some of the world's largest oil and gas-related companies.

Administration, logistics and operational hub based in Thailand

Mermaid's corporate headquarter is located in Bangkok, Thailand and is linked to a world class operations, logistics and maintenance base, located a short distance from Bangkok in Chonburi. The latter facility allows the Group to control its own equipment maintenance and refurbishment programmes. As it is located on the Eastern Seaboard, the facility is within close proximity to several deep water ports, thereby facilitating the expeditious and efficient mobilisation of personnel and equipment to client locations. Furthermore, in order to sustain and support international expansion and to consolidate the Group's competitiveness in South East Asia and internationally, shore base support functions have been established in (i) Kuala Lumpur, Malaysia; (ii) Jakarta, Indonesia; (iii) Qatar, Middle East; and (iv) Singapore.

To support mobile operations, additional shore base operations using a network of local contacts may be set up at short notice.

In the process expanding into the tender drilling and subsea engineering markets, the Group identified opportunities that required a local presence in some countries. Recognising this, the Group had appointed local representatives, each of whom has the required (local) licences and permits, thereby increasing its market opportunities outside Thailand. This strategy has proven to be successful in the past with operations performed in the United Kingdom Continental Shelf ("UKCS"), China, Russia, India, Vietnam, Brazil and the Middle East.

For the 2010 financial year, drilling services contributed 31.0% and subsea engineering services (including survey and training services) contributed 59.8% of the Group's total revenues before finance costs and income taxes. The balance 9.2% contribution of the Group's total revenue before finance costs and income taxes include survey and training related services.

Offshore Drilling Rig Business Overview

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 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. The age of the rig and its equipment, rig availability and each contractor's safety performance record and reputation for quality are also key factors in the selection process.

South East Asia is the biggest market for tender rigs, followed by West Africa. The level of activity for tender rigs in South East Asia has remained relatively high compared to other areas.

The Group provides tender rig drilling services through a majority-owned subsidiary, Mermaid Drilling Limited ("MDL"). MDL currently owns two tender drilling rigs, "MTR-1" and "MTR-2".

BUSINESS OVERVIEW

The “MTR-2” is under contract with Chevron Indonesia Company until early 2011. Discussions with potential clients for new contract opportunities post-contract completion are ongoing. “MTR-1” was mobilized in August 2010 to the Middle East following a contract award as an accommodation rig. In November 2010, MDL received notice of cessation of the accommodation rig contract from its charterer due to the premature cessation of the charterer’s own contract with its end client, the circumstances of which occurred through no fault of MDL. The Company and the charterer are in discussions on arrangements surrounding the cessation of the contract.

In 2007, MDL, via its subsidiaries, entered into a contract to construct a new tender rig, “KM-1”. Due to delays, the Company’s Board of Directors decided to divest the Group’s interests in the rig in order to minimize losses incurred by the project. Consequently, a contract for sale was signed in June 2010 for its disposal. The sale confirmed the exit of the Company from its investment in the “KM-1” owning entity, Mermaid Kencana Rig 1 Pte. Ltd.

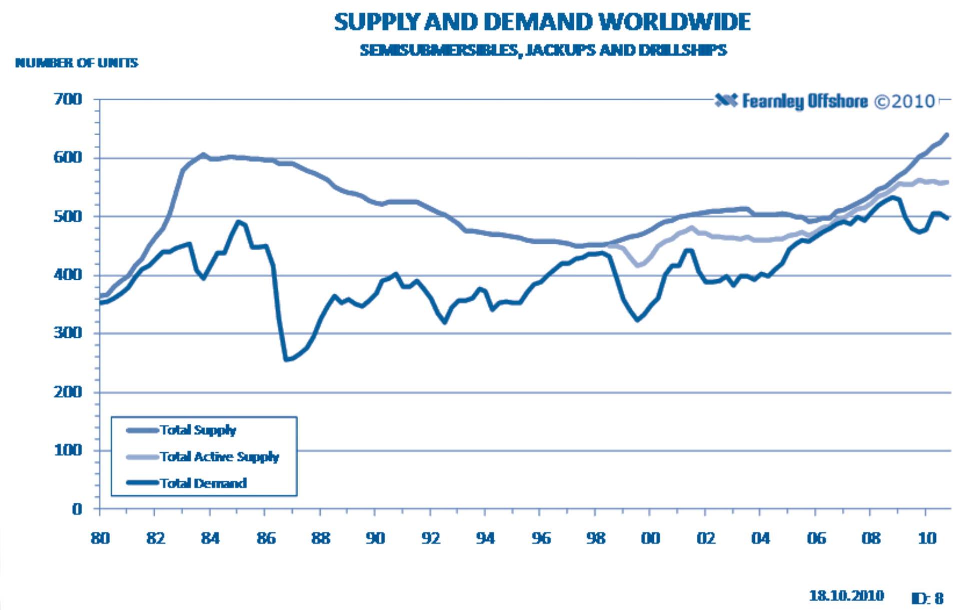
Company expands drilling services with new jack-up rig orders

In order to expand its drilling services further, the Company signed a Letter of Intent in October 2010 with Keppel Offshore & Marine’s subsidiary Singapore Keppel FELS Ltd. (“KFELS”) worth US$360 million to build two jack-up rigs through a Mermaid–led joint venture named ‘Asia Offshore Drilling Ltd.’ (“AOD”). The two rigs are high-specification models based on Keppel’s Mod V-B class proprietary design, and are scheduled to be delivered in December 2012 and March 2013 respectively.

Utilisation and demand rising

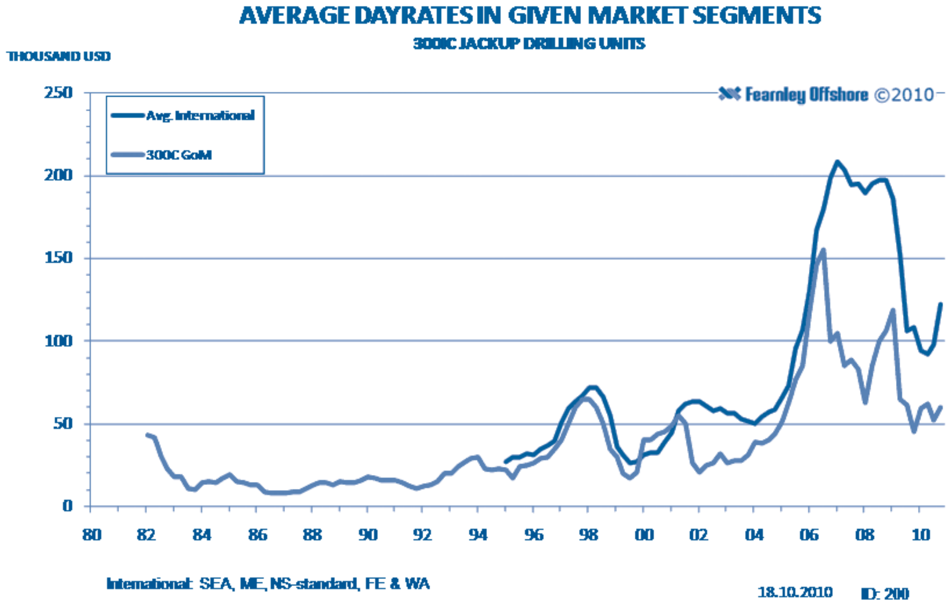
The utilisation of mobile offshore drilling units (“MODUs”) has remained fairly stable in 2010. Day-rates for MODUs have remained steady for the better part of 2010, but have picked up lately with increased activity. The lifting of the offshore drilling permit moratorium in the US Gulf of Mexico where most of the offshore drilling activities had been halted since April 2010, together with a stable oil price above US$75 per barrel, the overall market demand and sentiment has been positively impacted.

Chart 1 : Supply And Demand Worldwide Semisubmersibles, Jackups and Drillships



Source: Fearnley Offshore

Chart 2 : Historical Jack-Ups Day Rates



Source: Fearnley Offshore

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

Owner Name	Owned	Under Construction	Total
Atwood	1	0	1
Bassdrill	1	1	2
GTB/KCA	3	0	3
KPV	1	0	1
Marlin/KCA	4	0	4
Mermaid	2	0	2
Seadrill	17	0	17
Others	2	1	3
Total	31	2	33

Source: Fearnley Offshore

The majority of tender rigs operating in South East Asia have been contracted for one to three years by oil and gas companies in the region. The tender rig market 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 relatively high. In 2010 the total level of activity has remained at about the same level as in 2009. At the end of 2008 the tender rigs in the market were operating at near full utilisation, but employment has decreased substantially since then, and consequently also rates.

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

Notwithstanding this, contracted day rates in the tender rig market generally track rates in the jack-up market, as both these market segments are driven by cycles in the oil and gas industry.

Subsea Engineering Business Overview

The Group provides subsea engineering services through a wholly-owned subsidiary, Mermaid Offshore Services Ltd. ("MOS"). MOS's strategy is to become a "one-stop shop" service provider for the oil and gas industry; to this end, MOS provides subsea inspection, repair and maintenance services, light infrastructure construction services, emergency repair and call out services, deepwater ROV support and salvage. MOS's fleet consists of eight (8) subsea vessels.

The Group's subsea fleet includes high-specification vessels such as the DP2 dive support vessel ("DSV") "Mermaid Commander", which has onboard twin-bell saturation diving system and rough weather capabilities, and the "Mermaid Siam." Two newbuild DSVs, the "Mermaid Asiana" and the "Mermaid Endurer" were delivered this year 2010 to the Group. The latter vessel was built in Bergen, Norway and is capable of operating under the extreme weather conditions found in UKCS (North Sea) with high manoeuvrability and station keeping capabilities and saw its maiden contract awarded in November 2010.

To complement the subsea fleet, MOS is backed by a highly skilled and experienced workforce and several groups of key assets, including four saturation diving systems ("SATs"); ten offshore air diving systems; and fourteen Remotely Operated Vehicles ("ROVs"), including deepwater and ultra-deepwater heavy construction class systems.

In March 2010, the Company through MOS acquired Qatari-based Subtech Ltd. to expand its provision of turnkey sub-sea engineering services to local and international clients within the Middle East and Persian Gulf region.

Subsea engineering industry

The offshore market segment of the oil and gas industry consists of installation, inspection, maintenance, repair, diving, and other related functions for all kinds of offshore oil and gas fields. The subsea engineering industry operates within this market segment and covers a wide range of activities that encompass all offshore developments, from 'cradle to grave'. For new production, subsea engineering services are crucial as most of the work will be done by companies providing these services.

Subsea 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 but with offshore E&P going to deeper water and to more challenging environments, the technology has developed very quickly.

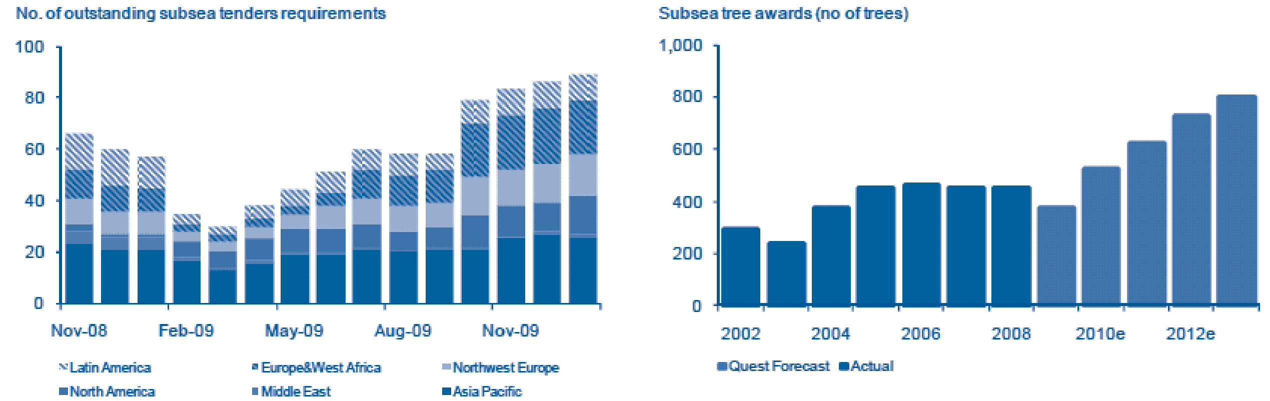
While much of the media and analyst coverage focuses on buoyant exploration and production activities, there are in fact many elements involved in the life of an offshore oil or gas field. Once installed, ongoing repair and maintenance, as well as upgrades and planned inspection programmes must be undertaken throughout 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 the end of a field's life) provides regular and ongoing work programmes. Furthermore, subsea engineering services also include emergency repair and call out services using a combination of air/ saturation diving and ROV services. Typical subsea engineering 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 subsea pipe system and structure;
- offshore tie-ins;
- salvage and underwater repairs; and
- cleaning and marine growth removal.

Global subsea market trends

Some of the key value drivers for the subsea market going forward are dependant on relatively robust oil and gas prices, development of new facilities in mid to deep water, expansion of existing installations, and increased maintenance activity on ageing offshore oil and gas fields.
As global oil prices continue to move upwards, industry estimates suggest that in 2011 the oil price will breach the US$90 a barrel level, having already broken through the US$80 a barrel level this year 2010. As a result, tendering activities have picked up in the second half of this financial year. As the number of ultra deep water rigs and new subsea wells has grown, so has the likelihood of offshore supply vessel demand rising in 2011/12, over and above the level required by existing offshore projects.

Chart 3 : Global outstanding subsea tender requirements vs. number of expected subsea awards



Source: Pareto Research, ODS-Petrodata, Quest Offshore

South East Asian subsea market

The South East Asian subsea market is different to many other regional markets, mainly because the production of gas is far more predominant than oil production and therefore, far less exposed to dramatic price fluctuations such as those experienced in oil production. This is partly attributable to gas being less of a global commodity, being more difficult to transport over long distances than oil, with more localized consumption and less exposure to regional political volatility.

Although charter rates for subsea engineering vessels remained relatively strong in 2009, the impact on earnings, margins and rates of the cancellation of many projects and tenders during 2008 and 2009 is clearly evident in 2010. 2010 financial year utilisation rates are down year-on-year as rates have came under strong pressure during the year.

The subsea market outlook, although still affected by pressure on rates, is forecast by industry analysts recover in mid-2011, based on the number of new EPIC contracts awarded over the past few months. The Company is confident that with its ready fleet of subsea vessels, MOS is positioned to take advantage of the expected upsurge in tenders in late 2011.

Strategy and Key Objectives

The strategy of the Group is to establish itself as a global “one-stop shop” provider of high-specification quality tender rig drilling and subsea engineering services to the offshore oil and gas industry. The principal elements of this strategy are as follows:

BUSINESS OVERVIEW

Expand drilling and subsea engineering operations

The Group has recently taken delivery of two (2) additional newbuild DP2 DSVs: M.V. "Mermaid Asiana" and M.V. "Mermaid Endurer". The Group plans to continue pursuing tactical and strategic growth opportunities through further asset acquisitions as and when the opportunities arise. To this end, the Company has invested in Asia Offshore Drilling Limited ("AOD") which has ordered two (2) new high-specification jack-up rigs from Singapore Keppel FELS Ltd. ("Keppel FELS"). AOD also holds options to construct an additional two (2) more high-specification jack-up rigs at Keppel FELS.

For more details on AOD, please see "Summary of Recent Key Developments".

Strengthen financial flexibility

The Group plans to continue to maintain a robust balance sheet which will provide it with the financial flexibility to ride through the challenges in the current down market. The capital increase through the rights issue in late 2009 and recent divestments, such as AME, have resulted in a healthy cash position for future fleet expansion and strategic acquisitions in the future.

Explore opportunities out of its primary focus area

Although the Group's primary focus has been in South East Asia, the Group is well placed to take advantage of global market opportunities. In the 2008 financial year, MOS expanded its provision of subsea engineering services to include China, India and Sakhalin, and in the 2009 financial year, to the Middle East, and Brazil. In the 2010 financial year, one of the Group's latest acquisitions, the DP2 DSV "Mermaid Endurer" was brought into service for the UKCS. The Group will maintain a prudent stance in our geographic expansion and whenever possible, enter into partnerships with suitable parties to share the associated risks and returns in an equitable manner.

Continue to develop strong client relationships

The Group's objective is to be a preferred provider of tender rig drilling and subsea engineering services to clients. The Group will therefore continue to focus on consistently delivering high quality services, safely and efficiently (note that the first project by the newbuild 2010-commissioned M.V. "Mermaid Asiana" was on time and accident free). Contracts with major oil and gas companies constitute the majority of the Group's business, and the Group continually monitors its clients' current and future needs and seeks to recognize opportunities to capitalise on its strengths, expertise and geographical location.

Optimise mix of shorter-term and longer-term contracts

Contracts for the provision of subsea engineering services are typically short-term, while the contracts for the provision of tender rig drilling services are generally long-term. Longer-term contracts do provide greater stability and higher utilisation rates, but they also pose the risk of the Group being locked into below-market rates if market rates rise. To meet this challenge, the Group seeks to actively manage a balanced risk and reward profile between shorter-term and longer-term contracts to allow it to maintain high fleet utilisation levels and a strong financial performance in down cycles, while taking advantage of improving markets rates during up cycles.

Please also see critical objectives for 2011 in the "Chairman's Statement".

SUMMARY OF RECENT KEY DEVELOPMENTS

2003-2005 Financial Years

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

The Company also entered into the tender rig drilling business with the incorporation of a majority owned subsidiary Mermaid Drilling Ltd. ("MDL") and the purchase through it of two tender drilling rigs "MTR-1" (February 2005) and "MTR-2" (July 2005). Initial clients for "MTR-1" included Petronas Carigali Sdn. Bhd. and Carigali Hess Operating Company Sdn. Bhd. for drilling services performed in Malaysia, and initial clients for the "MTR-2" included Unocal Thailand Ltd. for drilling services performed in Thailand.

2006 Financial Year

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

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

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

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

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

2007 Financial Year

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

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

SUMMARY OF RECENT KEY DEVELOPMENTS

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

2008 Financial Year

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

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

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

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

2009 Financial Year

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

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

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

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

2010 Financial Year to 30 November 2010

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

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

In December 2009, the Company announced the acquisition of chartered-in vessel M.V. “Team Siam”, a DP2 construction support vessel with saturation diving capabilities. M.V. “Team Siam” has been a part of Mermaid’s subsea fleet and has materially contributed to the earnings of MOS since the commencement of its charter in 2004. This acquisition allows Mermaid to secure long term access to this asset as part of its subsea growth strategy, including greater control over the operations of the vessel, its use, maintenance and any future upgrades thus ensuring that the quality of service of this asset to its clients is maintained.

In January 2010, the Company through its wholly owned subsidiary Nemo Subsea AS took delivery of the M.V. “Mermaid Asiana”. The M.V. “Mermaid Asiana” is a purpose-built DP2 dive support and light construction vessel equipped with a 12-man single bell saturation diving system complete with a self-propelled hyperbaric lifeboat. It has a 100-tonne heave-compensated crane and accommodation for 100 personnel. The vessel is integrated into the MOS fleet.

In February 2010, the Company announced that MOS was awarded a three (3) year contract by Chevron Thailand to provide call out turnkey diving and ROV services and call out turnkey saturation diving vessel services to support their offshore facilities and offshore fields in the Gulf of Thailand.

In March 2010, the Company announced the award of a contract by PTT Exploration and Production Public Company Limited (“PTTEP”) to provide ROV support services utilising the newbuild DP2 ROV Support Vessel M.V. “Mermaid Sapphire” to PTTEP’s offshore facilities and offshore fields in the Gulf of Thailand. In the same month, the company disposed of the sub-sea utility vessel “Mermaid Responder” as part of the ongoing fleet renewal and upgrade program. The Company through MOS also acquired Qatari-based Subtech Ltd. to expand its provision of turnkey sub-sea engineering services to local and international clients within the Middle East and Persian Gulf region.

SUMMARY OF RECENT KEY DEVELOPMENTS

In June 2010, the Company announced the award of a new drilling contract to MTR-2 Ltd. to provide drilling and related services using the tender drilling rig “MTR-2” for Chevron Indonesia Company’s offshore oil and gas fields in Indonesia which commenced upon the expiry of the existing drilling contract in the same month. The duration of this new drilling contract is for approximately nine (9) months. The Company also announced that MOS secured a contract providing ROV services utilising the M.V. “Mermaid Sapphire” and its built-in ROV systems for an end-client who is a major oil and gas operator in the Sakhalin region for an estimated duration of seventy (70) days. During the same month, MOS took delivery of the newbuild DP2 Dive Support Vessel (“DSV”) “Mermaid Endurer” from its shipyard in Bergen, Norway. In June 2010 the Company’s wholly owned subsidiary Mermaid Drilling (Singapore) Pte. Ltd. (“MDS”) announced the entire disposal of its investments in the disputed “KM-1” tender rig project. The Company also received the 2009 Chevron Thailand Award for Outstanding Contractor and Outstanding Crew in the same month.

In July 2010, the Company announced the disposal of its entire interest in Allied Marine & Equipment Sdn. Bhd. (“AME”) through its 25% shareholding in Worldclass Inspiration Sdn. Bhd. (“WCI”). AME is a Petronas licensed provider of subsea engineering services to the offshore oil and gas industry incorporated in Malaysia. During the month, the Company through its majority owned subsidiary MTR-1 Ltd. also announced the award for accommodation barge support services utilising the ‘MTR-1’ scheduled for early August 2010 in the Middle East. The contract award was for a minimum of 160 days.

In October 2010, the Company announced the signing of a Letter of Intent (LOI) with Keppel Offshore & Marine Limited’s subsidiary Singapore Keppel FELS Limited (“Keppel”) to build two jack-up rigs with options for another two jack-up rigs for a new Mermaid-led joint-venture named ‘Asia Offshore Drilling Limited’ (“AOD”). The two jack-up rigs are scheduled for delivery in December 2012 and March 2013 respectively will be built based on Keppel FELS proprietary design, the Mod V – B Class. These premium jack-up rigs will be capable of operating in waters of 350 feet and will be equipped with offline handling features and accommodation for 150 personnel. During the same month, the Company also officially discontinued the business of Mermaid Training & Technical Services Ltd. to focus on its core drilling and subsea services businesses.

In November 2010, the Company, through MDL, received notice of cessation of the accommodation rig contract for the “MTR-1” from its charterer due to the premature cessation of the charterer’s own contract with its end client, the circumstances of which occurred through no fault of MDL. MDL and the charterer are in discussions on arrangements surrounding the cessation of the contract. In the same month, the Company announced that it had received an ‘A’ grade rating for Contractor Health Environment Safety Management (CHESM) from Chevron Indonesia Company for its operations on its tender rig “MTR-2”. The ‘A’ rating is the highest rating awarded to contractors working within the operational control of Chevron global upstream organizations that meets the CHESM framework.

During the year, the Company also made several changes to the Executive Management team. This includes the departure of the Managing Director (effective in July 2010), the appointment of a new Executive Director for MOS (effective in September 2010), and the appointment of a new General Manager for MDL (effective in September 2010).

As at 30 November 2010, the Company, through MDL, owns a tender drilling rig fleet of two (2) tender drilling rigs, the “MTR-1” and “MTR-2”. The Company also has, through MOS, a subsea fleet of eight (8) vessels which it owns namely: the M.V. “Barracuda”, M.V. “Mermaid Commander”, M.V. “Mermaid Performer”, M.V. “Mermaid Challenger” M.V. “Mermaid Sapphire”, M.V. “Team Siam”, M.V., “Mermaid Asiana” and M.V. “Mermaid Endurer”.

SUMMARY OF RECENT KEY DEVELOPMENTS

December 2010 Update – Asia Offshore Drilling Limited

In December 2010, Mermaid announced its subscription to 49% of the issued shares of Asia Offshore Drilling Ltd. ("AOD") through a private placement exercise (defined below) conducted by AOD ("Subscription").

(1) About AOD

AOD is a private limited company incorporated in Bermuda. The purpose of its incorporation is to, among other things, act as a special investment vehicle for the acquisition and operation of two (2) newbuild high-specification jack-up rigs worth approximately USD 360 million to be constructed by Keppel. AOD also holds options to construct an additional two (2) more high-specification jack-up rigs at Keppel.

AOD has two wholly owned subsidiaries, Asia Offshore Rig 1 Limited ("AOR1") and Asia Offshore Rig 2 Limited ("AOR2"). Both these entities are also private limited companies incorporated in Bermuda and will each become the designated buyer and owner of the two jack-up rigs ("2x Keppel Rigs") respectively.

(2) Rationale for the Subscription

Although day-rates for all categories of rigs have declined from the peak levels seen during the last couple of years especially after the financial crisis in 2008, industry trends point to an encouraging increase in demand for new drilling assets. Contract awards continue to be for relatively short periods with a large number of fixtures supporting high utilisation rates. An especially positive development is the return of the smaller independent oil companies. These companies are an attractive alternative source of demand and with the easing of the credit markets have been resuming their E&P activities.

As oil prices continue to stabilise and the global economic recovery continues, Mermaid expects to see additional requirements for drilling assets. Mermaid also believes that both day rates and utilisation have stabilised and will be on an uptrend moving forward.

Given the general anticipation of an improvement in demand and supply conditions in the next twelve (12) to eighteen (18) months, Mermaid believes that any new investment made during this period will cost less than in the future. Mermaid further observes an increasing number of contract tenders, particularly with clients showing a strong preference for newer equipment and more recently, various drilling companies ordering new build rigs without secured client contracts in advance of committing to these new build rigs.

It is the long-term strategic intent of Mermaid to grow its investments in the offshore drilling business in a manner that allows Mermaid to share the associated risks and returns with like-minded co-investors to benefit from the positive developments within the offshore drilling sector at a time where new-build prices for high-specification rigs appear to be rising, as evident in recent transactions for similar type rigs at prices ranging between USD 180 – 190 million.

In connection with the contemplated order, a private placement to raise up to NOK 587 million, (or approximately USD 100 million), was made through an issue by AOD of 20 million new ordinary shares. ("Private Placement").

(3) Consideration

Mermaid's total consideration for the Subscription is USD 49 million, equivalent to NOK 287,630,000. This represents the subscription of 9,800,000 shares (equivalent to 49%) in AOD, at a value of USD 5.00 per share, equivalent to NOK 29.35 per share. The Subscription forms part of a total of NOK 587,000,000, or approximately USD 100 million, of funds raised through the Private Placement.

It is AOD's intention that the gross proceeds of the Private Placement will be used to finance: (i) the initial contract payments on the acquisition of the 2x Keppel Rigs; (ii) project management; and (iii) working capital and selling, general and administrative expenses.

The Private Placement and the Subscription is made on the basis that AOD will in due course seek approval for listing of its shares on the Oslo Stock Exchange ("Oslo Axess").

Overview

The drilling and subsea engineering industries provide key services for the exploration, development and production of the global supply of oil and gas products. Moreover, the demand for such services is driven primarily by investments made into these types of activities, as well as the level of activity in the exploration, development and production of crude oil and natural gas. The investment level depends on oil companies' cash flow, revenue and financing, the availability of new areas for exploration and development, and oil and gas prices.

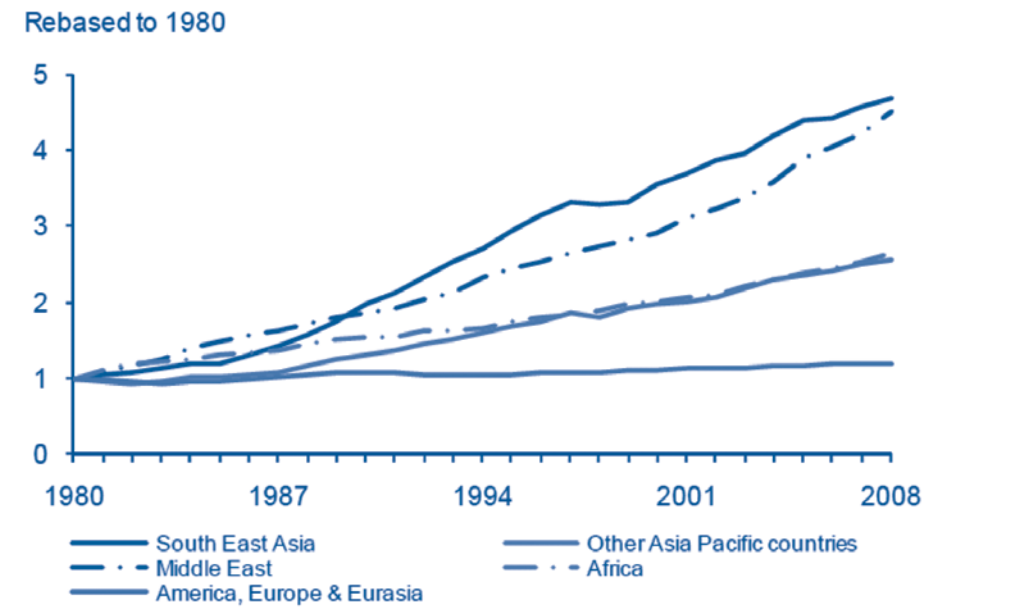
The overall state of the global economy and rates of regional economic growth affect the operating environments of all players in the oil and gas industry. The fact that economic growth has picked up after the recent recession has been a factor in firmer oil and gas prices during 2010, which is turn has boosted investment levels in the oil and gas industry.

Asian GDP growth a boon for the industry

But this is the broad picture. Regionally, the picture is different. A company such as Mermaid Maritime Public Company Limited ("Mermaid" or "Company") operates mainly in those regions that have some of the highest GDP growth rates in the world: Asia Pacific and in particular South East Asia. The International Energy Authority ("IEA"), for example, expects global oil demand to grow 1% annually, from 85 million barrels per day in 2008 to 105 million barrels per day in 2030 and this will be driven by energy growth in emerging markets like South East Asia, which has experienced CAGR energy growth of 5.5% for the past 29 years[1], and remains the fastest growing energy market in the world. We expect this level of demand to be maintained as the region weathered the recent financial crisis without a significant downward shift in demand.

This is an important advantage for the Company because energy growth in these markets is likely to provide a solid base for future business opportunities.

Chart 1: Regional overview of oil and gas energy consumption growth



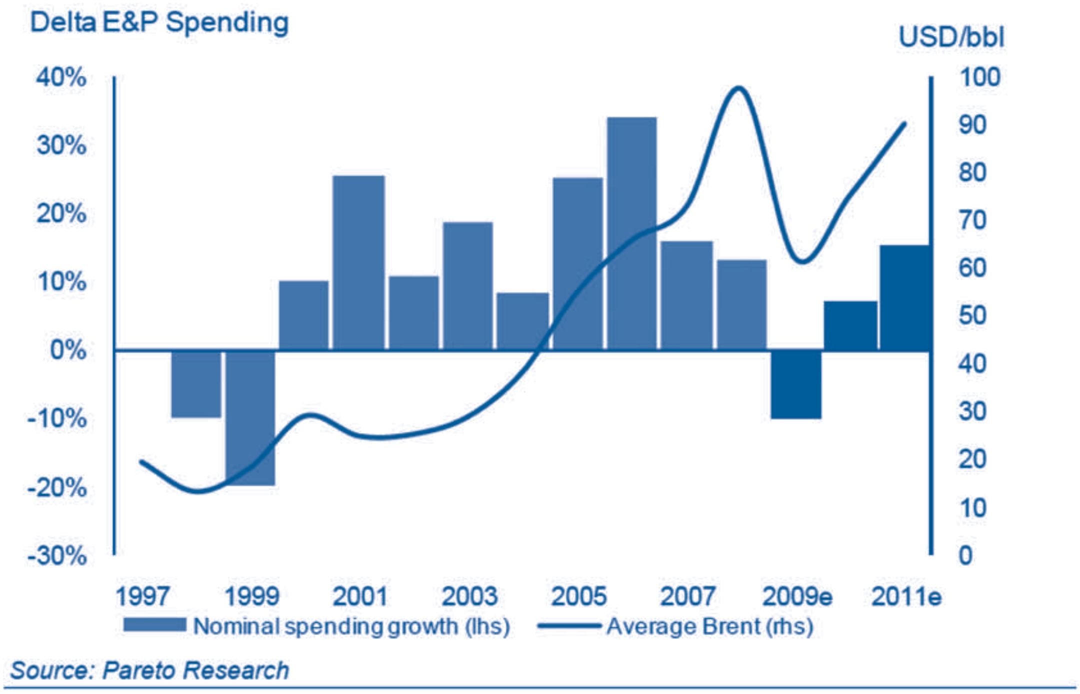
Source: Pareto Research, BP

1 OSV Market Report, Pareto Securities, March 2010, page 4

INDUSTRY OVERVIEW

As oil prices have firmed during 2010, breaching the $80/bbl mark in October, oil and gas companies, particularly International Oil Companies ("IOCs") and National Oil Companies ("NOCs"), have started to increase their spending on exploration and development. Industry analysts suggest that offshore exploration and production spending will increase by 7% in 2010 and by 15% in 2011[2]. This spending growth, along with low interest rates, has led to new tenders and re-sanctioning of stalled projects.

Chart 2: Percentage change in E&P spending vs oil price



E&P growth beginning to recover

Exploration and production ("E&P") budgets grew at double-digit levels during 2003 to 2008, which led to a number of new field development projects, boosting demand for drilling and subsea services. However, at the beginning of 2009, the industry was hit by the global economic slowdown, much higher financing costs and a sharp decrease in oil prices. As a result, E&P spending in 2009 slowed dramatically from previous levels. We have seen that growth has returned in 2010, albeit at a more modest pace than in the period up until 2008, but it is unlikely to reach the more than USD$450 billion spent in 2008[3]. We expect this upward trend to continue in 2011.

Industry intelligence suggests that higher oil and gas prices do not always result in sudden increased demand for subsea services. The process may involve a lag time between high prices and increased demand which would indicate that this year's demand growth for services may not rise as quickly as oil prices have. However, we expect the trend for gradual improvement in demand for subsea services to continue in 2011, particularly in the Company's main markets in South East and East Asia, both of which have some of the highest GDP growth rates in the world. Moreover, we believe that companies, such as Mermaid, with high-specification vessels and rigs are better positioned to take advantage of new tenders.

2 Ibid, page 5
3 The Global Subsea Market to 2013, Strategic Offshore Research, page 5

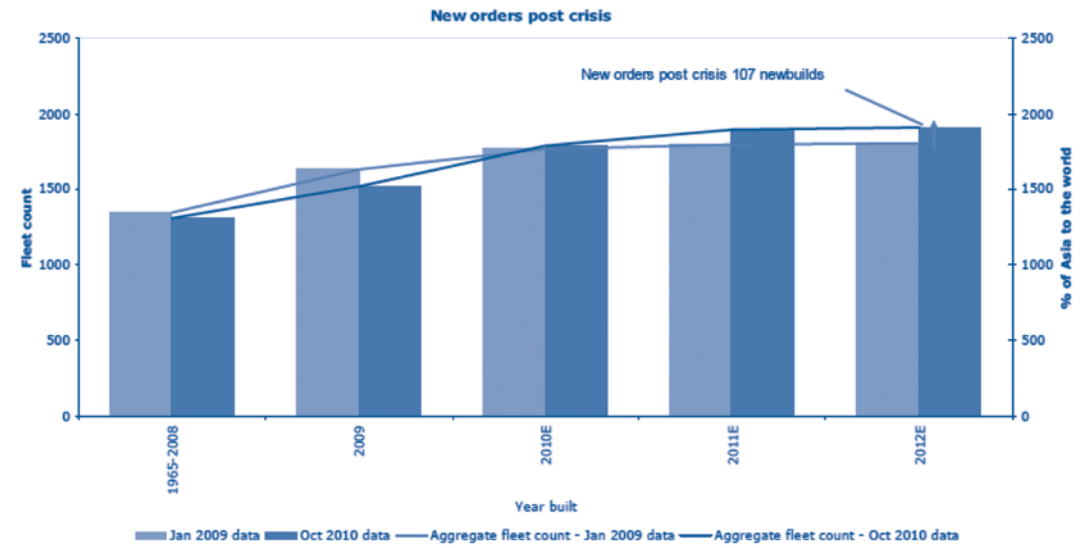
There have been knock-on effects from this E&P spending downturn: over-supply has plagued certain sectors like large vessel leasing, day-rates have declined and some orders for newbuild vessels and rigs have been cancelled. However, some markets have suffered more than others, with ("UKCS") the United Kingdom Continental Shelf being hit the hardest.

While the global market is recovering, we believe that the Asian market in general for drilling and subsea engineering services continue to offer the potential for high utilisation and favorable day-rates, as a result of stronger demand for oil and gas in the region; continued strong growth in regional economies, especially in China, India and ASEAN; and new projects planned by exploration and production companies in Asia.

Global OSV and subsea engineering market

The current oversupply problem for the offshore support vessels ("OSV") and subsea engineering sector worldwide is the result of a boom in newbuild orders during the peak in oil prices in 2008. The newbuild OSVs coming on to the market now were ordered during this period but since then, companies have postponed or cancelled orders and this is likely to improve the demand/supply balance, as demand (activities) absorbs excess supply (newbuild vessels and vessels without contracts). Industry estimates suggest that orders after the recent economic crisis are about 107 vessels, compared to the 487 vessels ordered pre-crisis[4].

Chart 3: Newbuild vessel orders post crisis not alarming



Source: ODS-Petrodata, DnB NOR Markets

Another indication that the demand/supply balance is moving into more positive territory is the change in the OSVs (jack-up, semi or drillship) to one rig ratio, which is estimated to decline to 2.9 in 2012 from 3.0 during 2010-11. As OSV growth begins to slow and new rigs come on to the market, demand is likely to pick up in 2012, boosted by increased activity from higher E&P spending.

Moreover, asset prices for vessels, both newbuild and secondary, have stablised in the second half of this year, and several large global players have been active in the secondary OSV market. New fixtures in markets such as Brazil, UKSC and Australia are absorbing additional OSV capacity, and, in the process, supporting rates. At the same time, NOCs such as Petrobas have expressed a preference for younger vessels – a positive for the Group, which has a young fleet.

4 Sector Update: Offshore Supply, DnB Nor Markets, 8th November, 2010, page 5

OSV and subsea market highly competitive in South East Asia

While the markets in Asia generally track those elsewhere, a recent influx of capital into the region has led to high liquidity in the market and the availability of low cost funding. This could spur the kind of market consolidation we have seen in the US and Europe as companies look to increase synergies by mergers and acquisitions.

On the one hand, international players such as US-based Tidewater are moving into the Asia-Pacific region, looking closely at markets in Thailand, Malaysia, Indonesia, Vietnam, China, India and Australia. Vessel acquisitions are the first sign of interest but company acquisitions and joint-ventures are likely to follow.

On the other hand, more Asian companies are moving up the offshore value-chain and entering the deepwater market segment (a growth area); this may well necessitate tie-ups between these and companies already established in some of these fields. As some of the country markets in Asia are protected (by cabotage rules) and often dominated by NOCs, international companies are at a disadvantage if they try to penetrate these markets alone. Asian-based companies, such as Mermaid, have established links with local operators and shore bases in the region and are therefore in a position to facilitate market access. In turn, international companies can transfer technology and expertise relevant to those parts of the market that are under-developed. Going forward, we expect increased M&A and joint-venture activity.

In South East Asia, the OSV market is highly competitive; there are many operators but few that have 10 or more vessels. This limits the ability of smaller operators to expand to other regions. Mermaid, with a young fleet of eight OSV vessels, is an exception: it is one of the largest independent operators in South East and East Asia but it also has a growing presence in South America, UKCS, Middle East, Russia and India.

Chart 4: Known offshore projects in South East Asia with first oil from '10e

Project	Country	Block/Location	Operator	Award	First oil	Total reserves mboe	Water depth (m)
Terang Sirasun	Indonesia	Kangean	EMP		2010e	463	200
Pagerungan Utara	Indonesia	East Java	Kangean		2010e		
Te Giac Trang	Vietnam	Block 16-1 Cuu Long Basin	PetroVietnam	2010e	2011e	300	45
South Mahakam Phase 1	Indonesia	Kalimantan	Total		2012e	200	
Malakai	Malaysia	Block G	Shell		2012e	108	480
Pisagan	Malaysia	Block G	Shell		2012e	56	1,000
Bongkot South	Thailand	Gulf of Thailand	Total		2012e		
Gendalo-Gehem	Indonesia	Kutei Basin	Chevron	2010e	2013e	1,100	1,000-1,800
Malikai	Malaysia	Block G	Shell	2010e	2014e	108	480
Voi Trang	Vietnam	Block 16-1	PetroVietnam		2014e		
Sunrise Ph1	Timor/Australia	Timor Leste island	Woodside	2011e	2015e	32,268	180-400

Source: Pareto Research

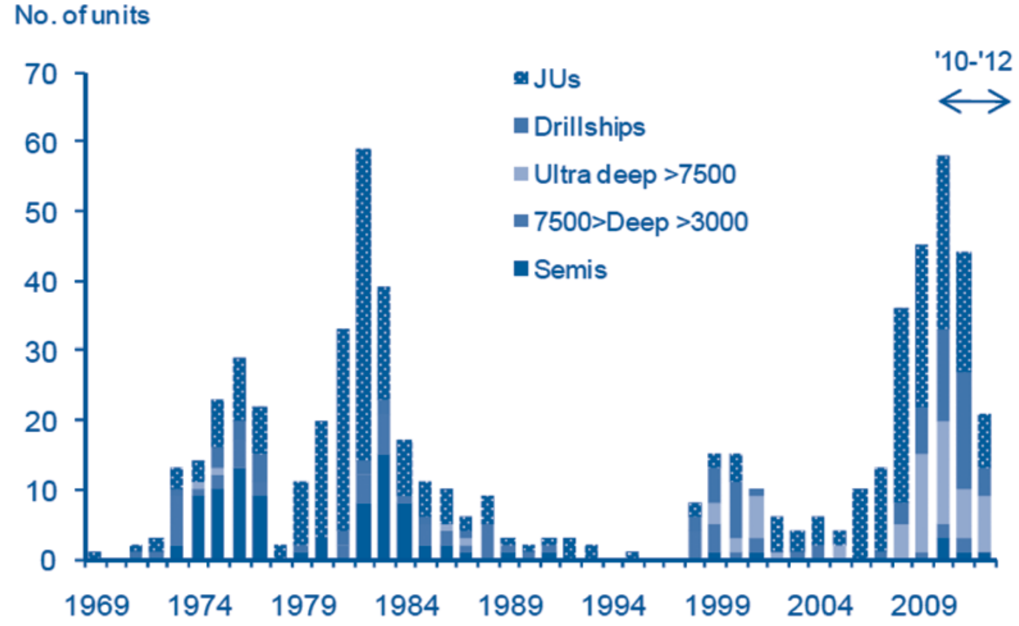
Offshore rig drilling market

The market for tender rig drilling services (semis, drillships and jack-up rigs JUs) in Asia is challenging as many rigs have completed their contracts this year: 11 rigs are hot stacked and 35 are off-contract[5]. Nonetheless, the overall outlook into 2011 and 2012 is good for high-end JUs and drillships as rates and utilisation have recovered some ground: day rates globally for the international jack-up market are now stable at around US$110'-125'/day for premium modern jack-ups, down from the peak of US$200'/day in 2008. Utilisation for the same market has risen to 86% from 81% last summer; however, as mentioned previously, day rates will not improve until utilisation reached 90%. But the improved utilisation figures have been driven by increased demand and not reduced supply, mainly from higher E&P spending and, as funding becomes cheaper, the return to the market of smaller independent oil companies and increased activity by IOCs and NOCs.

5 Offshore Drilling Update, Pareto Securities, February 2010

The international jack-up market is unusual in that many units were built during the building boom of the 1970s and 1980s; as a result, many rigs are more than 25 years old. This skewed age profile will benefit new rig owners as some cold-stacked older rigs or those in yards may not return to the market at current day rates. It would also reduce oversupply in the market.

Chart 5: Rig fleet overview



Source: Pareto Research, ODS-Petrodata

International 'floater' market: Semi-submersibles and drillships

The international 'floater' (i.e. buoyant vessels) market segment can be divided into semi-submersibles and drillships. Semis and drillships operate in shallow, midwater, deepwater and ultra-deepwater conditions (for a description of drilling vessels in all marine conditions see 'Types of Drilling Units' below). As of February 2010, there were an estimated 233 rigs, consisting of 186 semis and 48 drillships. The table below gives an overview of the worldwide floater fleet.

Chart 6: Worldwide floater fleet

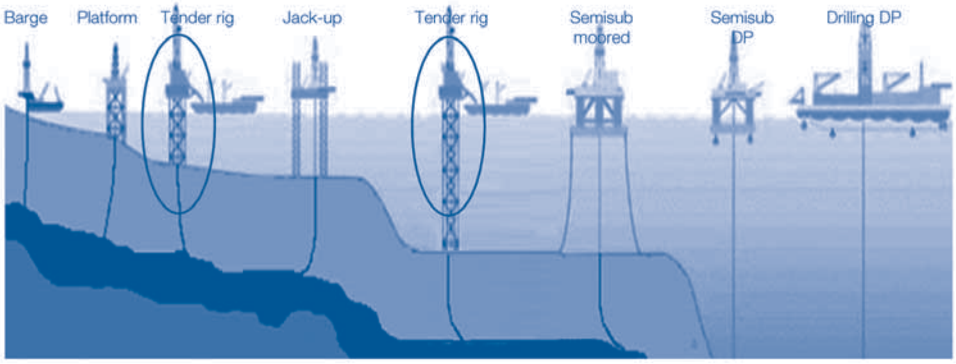
Floater Fleet	Midwater	Deepwater	Ultra deepwater
Current			
Contracted free 2010	34	11	1
Contracted free 2011	20	16	12
Contracted free later	37	28	42
En route / Yard	0	2	6
Hot/ Warm stacked	10	1	0
Cold stacked	12	1	0
Total current:	**113**	**59**	**61**
Newbuilds			
Contracted newbuilds	5	3	38
Uncontracted newbuilds 2010	1	0	6
Uncontracted newbuilds later	1	0	24
Total newbuilds:	**7**	**3**	**68**
Total fleet:	**120**	**62**	**129**

Source: Pareto Research, ODS-Petrodata

In Asia, the market is dominated by shallow and midwater units; some midwater units are, due to size and quality issues, only available for work in the region. Nonetheless, activity in midwater, deepwater and ultra-deepwater has improved throughout the year, with, for example, midwater utilisation for the past few months has stabilized at 88%. Firmer oil prices, greater oil company activity and new rig availability offer good potential for Asian operators over the medium-term. As with the segment for JUs, new, high-specification rigs will find contracts quicker than those in an aging fleet. We believe that the market will improve steadily before utilisation reaches 90% in both the above sectors; once this utilisation level is reached, the market will once again move into a stronger building cycle, thereby driving demand not only for drill rig services but also for subsea engineering services.

The market for rig drilling services is both cyclical and volatile, ranging from the highly volatile exploration sector to the more stable oil and gas production services market. However, tender rig drilling and subsea engineering services, the two main business lines of the Mermaid Maritime Group, cater to the more stable high-end niche of the oil and gas production market.

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 is able to 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.

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

MANAGEMENT DISCUSSION & ANALYSIS

This Management discussion and analysis of Mermaid Maritime Public Company Limited and its subsidiaries' ("Group") operating results is based upon our consolidated financial statements, which have been prepared in accordance with Thai Generally Accepted Accounting Principles ("Thai GAAP"), with the adoption of certain accounting policies based on International Financial Reporting Standards ("IFRS"). We use a variety of financial and operational terms and concepts to analyse our performance throughout this report. 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 represents 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 for any reason, including unforeseen circumstances. Operating days represents the number of days during which our fleet actually generates revenue.

- *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 year 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 components' depreciation expenses is reported in our financial statements.

- *Service and administrative expenses.* Service and administrative expenses include our onshore fleet related expenses such as payroll, rent, legal and professional expenses, and other general expenses and also include depreciation of building and office equipment.

- *Exchange rate.* The exchange rate of US$1 to Baht 32.5557 is used to translate value in Baht currency to US Dollar currency for the 2010 financial numbers and to Baht 34.7196 is used to translate value for the 2009 financial numbers.

In this section, unless otherwise specifically stated to the contrary, all references to years (i.e. 2009, 2010 and 2011) shall mean the financial years of the Group ending 30 September.

Subsea Engineering Services

The subsea engineering services group comprises Mermaid Offshore Services Ltd., Nemo Subsea AS and Subtech Ltd. (collectively "MOS")

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

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

Unit: Days

	FY 2010		FY 2009	
	No. of Days	% Change	No. of Days	% Change
Owned Vessels	2,312	26.68%	1,825	15.29%
Chartered in Vessels	92	(87.40%)	730	(0.27%)
Total	**2,404**	**(5.91%)**	**2,555**	**10.37%**

The average size of our own offshore service vessel fleet increased 26.68% in 2010 due to the delivery of new build vessels, M.V. "Mermaid Sapphire", M.V. "Mermaid Asiana" and M.V. "Mermaid Endurer" which were available for work commencing in February, June and September 2010, respectively, and also the purchase of M.V. "Mermaid Siam" in January 2010 which was previously a charter-in vessel.

Service Revenues: Service revenues decreased 25.33% to Baht 2,077.41 million in 2010, or US$ 26,544 per calendar-vessel-day, from Baht 2,782.03 million, or US$ 31,361 per calendar-vessel-day in 2009. The decrease in revenue was mainly from the decrease in vessel utilisation days from 1,318 days in 2009 to 913 days in 2010, resulting in a 39.54% utilisation rate for 2010, and the average day rates fell by 21.73% compared to last year. Weak market conditions and further uncertainty as a result of the Deepwater Horizon incident, have led to a number of contracts being delayed or cancelled, resulting in lowerthan expected market rates and utilisation.

Table 2: Fleet Utilisation for Offshore Service Vessels

Unit: Days

	FY 2010		FY 2009	
Item	No. of Days	% Change	No. of Days	% Change
Calendar-Vessel-Days	2,404	(5.91%)	2,555	10.37%
Planned Off-Hire Days	95	86.27%	51	(59.52%)
Available Days	**2,309**	**(7.79%)**	**2,504**	**14.39%**
Operating Days	**913**	**(30.73%)**	**1,318**	**(30.04%)**
Fleet Utilisation	**39.54%**	**(24.89%)**	**52.64%**	**(38.84%)**

Cost of Services: Cost of service comprises of two major components namely(i) service expenses and (ii) depreciation.

Service Expenses: Service expenses decreased by 17.56% to Baht 1,747.35 million, or US$ 22,326 per calendar-vessel-day in 2010 from Baht 2,119.62 million, or US$ 23,894 per calendar-vessel-dayin 2009. The decrease in service expenses was primarily due to lower utilisation rates.

Depreciation: Depreciation expenses increased 44.61% to Baht 448.87 million in 2010, from Baht 310.40 million in 2009. The increase of Baht 138.47 million is attributable to the partial year depreciation of the new build vessel M.V. "Mermaid Sapphire" which was delivered in February 2010, as well as that of M.V. "Mermaid Siam" which was delivered in January 2010, as well as other assets in 2010.

Offshore Drilling Services

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

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

Unit: Days

Calendar-Rig-Days	FY 2010		FY 2009	
	No. of Days	% Change	No. of Days	% Change
Owned Rigs	730	(0.00%)	730	(0.27%)
Chartered in Rigs	0	0.00%	0	0.00%
Total	**730**	**(0.00%)**	**730**	**(0.27%)**

Table 4: Fleet Utilisation for Drilling Rigs

Unit: Days

Item	FY 2010		FY 2009	
	No. of Days	% Change	No. of Days	% Change
Calendar-Rig-Days	730	(0.00%)	730	(0.27%)
Planned Off-Hire Days	0	0.00%	0	0.00%
Available Days	**730**	**(0.00%)**	**730**	**(0.27%)**
Unplanned Off-Hire Days	0	(100.00%)	37	(83.63%)
Operating Days	**414**	**(40.26%)**	**693**	**36.96%**
Fleet Utilisation	**56.71%**	**(40.26%)**	**94.93%**	**37.32%**

Service Revenues: Service revenues decreased significantly to Baht 1,076.30 million, or US$ 45,288 per calendar-rig-day, in 2010, compared to Baht 2,213.03 million, or US$ 87,315 per calendar-rig-day, in 2009. The significantly decrease was due to utilisation rates declining from 94.93% in 2009 to 56.71% in 2010 as only one rig "MTR-2", was working as compared with two rigs working in 2009.

Cost of Services: Cost of services comprise of two major components namely(i) service expenses and (ii) depreciation.

Service Expenses: Service expenses decreased by 39.06% to Baht 651.81 millionor US$ 27,427 per calendar-rig-day in 2010 compared to Baht 1,069.63 million, or US$ 42,202 per calendar-rig-dayin 2009. The decrease in expenses resulted primarily from lower asset utilisation.

Depreciation: Depreciation increased 4.20% to Baht 213.53 million in 2010, from Baht 204.93 million in 2009. This was primarily due to an increase in rig equipment.

Other Operating Results

Administrative expenses: Administrative expenses increased 14.59% to Baht 556.45 million in 2010 from Baht 485.61 million in 2009. This increase of Baht 63.23 million was primarily due to administrative expenses of new subsidiaries namely Subtech Ltd. which was acquired in February 2010, and Nemo Subsea AS, which was acquired in March 2010..

Financial costs: Financial costs increased 14.28% to Baht 95.89 million in 2010 from Baht 83.91 million in 2009. The increase was primarily due to a higher average loan balance of Baht 3,435.72 million in 2010 compared to Baht 2,247.87 million in 2009.

Interest income: Interest income decreased 60.89% to Baht 6.50 million in 2010, from Baht 16.62 million in 2009. The decrease in interest income was mainly due to (i) no interest income received from short-term loan to associate company in 2010 compared with a similar interest income of Baht 8.29 million received in 2009 and (ii) the lower interest rates on fixed deposit in 2010 as compared to 2009. Our average cash balance including fixed deposits in 2010 was Baht 3,067.00 million, compared to Baht 1,755.59 million in 2009.

Foreign Exchange Gains (Losses): The losses on exchange rates increased 43.99% to Baht 79.93 million in 2010, from Baht 55.51 million in 2009. The increase was mainly due to the translation of US Dollar assets and liabilities into Thai Baht on the balance sheet date. There is no significant impact to cash flow from these losses.

Net gains on disposals of investments in subsidiaries and associates: In 2010, net gains on disposals of investments in subsidiaries and associates of Baht 170.66 million comprised gain on disposal of investment in Worldclass Inspiration Sdn. Bhd. of Baht 349.21 million offset against losses on disposals of investments in Mermaid Kencana Rig 1 Pte. Ltd., Mermaid Kencana Rigs (Labuan) Pte. Ltd. and Kencana Mermaid Drilling Sdn. Bhd. totaling Baht 178.55 million in relation to the disposal of the “KM-1” project.

Net gains on disposals and write off of property, plant, and equipment and intangible assets: In 2010, we had a net gain of Baht 11.80 million compared to Baht 21.25 million in 2009 primarily due to the disposal of damage equipment.

Other Income: Other revenue increased 2.21% to Baht 29.20 million in 2010, from Baht 28.57 million in 2009which represents an insignificant change.

Income taxes: Income taxes increased 67.07% to Baht 193.32 million in 2010, from Baht 115.71 million in 2009. The increase in income taxes was mainly due to a decrease in deferred tax assets (recognition as income tax expense in income statement) of Baht 130.00 million, offset by a decrease in normal income tax of Baht 52.66 million due to the operation of only one rig, “MTR-2” which was working in Indonesia in 2010 whilst two rigs were working in Indonesia the year before. The income taxes without deferred tax assets were mainly from corporate income taxes and branch profit taxes incurred from the tender rig operations in Indonesia.

As a result of the factors discussed above and the elimination of various inter-company transactions, our financial result was a net loss of Baht 456.48 million in 2010 compared to net profit of Baht 747.38 million in 2009.

Liquidity and Capital Resources

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

Table 5: Total Capitalisation

Unit: Baht'000

Item	As at 30 September	
	2010	2009
Cash and cash equivalents	3,742,938	1,450,525
Short-term investments (fixed deposits)	606,325	334,217
Total cash	4,349,263	1,784,742
Debt		
Current portion, long-term debt (including finance leases)	696,511	469,254
Long-term debt (including finance leases)	3,628,185	2,077,480
Total Debt	**4,324,696**	**2,546,734**
Shareholders' Equity		
Ordinary shares, Baht 1 par value 784.75 million shares (2009: 541.21 million shares) issued and fully paid-up	784,748	541,205
Premium on share capital	9,818,420	6,470,791
Retained earnings	2,559,635	3,015,713
Others	(181,014)	628,956
Total Shareholders' Equity	**12,981,789**	**10,656,665**
Total Capitalisation	**17,306,485**	**13,203,399**
Total Debt to Total Capitalisation	**0.25**	**0.19**
Net Debt to Total Net Capitalisation	**(0.002)**	**0.07**

As at 30 September 2010, our total cash and cash equivalents including short-term investments (fixed deposits) equalled Baht 4,339.26 million, compared to Baht 1,784.74 million at 30 September 2009. The increase in cash and cash equivalents including short-term investments was mainly due to the proceeds from Rights Issue of Baht 3,591.17 million, proceeds from long-term loans from financial institutions of Baht 2,824.19 million, proceeds from disposal of investments in associates and subsidiaries of Baht 2,878.83, offset against payments for purchase of vessels of Baht 6,014.62 million, loan repayments of Baht 509.09 million and acquisition of new subsidiaries of Baht 492.35 million. On 16 November 2010, the Company has subscribed to 49% of shares in Asia Offshore Drilling Ltd. in the amount of Baht 1,456.63 million. We are of the opinion that the remaining working capital is sufficient for our present requirements.

The Group had net cash provided by operating activities of Baht 453.71 million. This was due mainly to cash generated from operations before changes in working capital of Baht 381.72 million and cash inflows from working capital changes of Baht 397.37 million, offset by cash outflows for finance costs of Baht 93.17 million, income taxes paid of Baht 110.64 million, and employee benefits paid of Baht 121.57 million.

MANAGEMENT DISCUSSION & ANALYSIS

The Group had net cash used in investing activities of Baht 3,874.83 million. This was due mainly to payments for long-term assets of Baht 6,028.24 million, payments for short-term investments of Baht 1,307.06 million, and payments for additional investments in subsidiaries, Nemo Subsea AS, in the amount of Baht 365.63 million, and Subtech Ltd. in the amount of Baht 126.72 million, offset against proceeds from disposal of property and equipment ofBaht 80.39 million, proceeds from disposals of investments in subsidiaries in the amount of Baht 2,135.05 million and disposals of investments in associates in the amount of Baht 743.78 million, and proceeds from short-term investments in the amount of Baht 993.60 million.

The Group had net cash provided by financing activities of Baht 5,903.40 million. This was due mainly to proceeds from the Rights Issue of Baht 3,591.17 million and proceeds from long-term loans from financial institutions of Baht 2,824.19 million, offset by payments on long-term loans from financial institutions of Baht 509.09 million and finance lease liabilities of Baht 2.87 million.

As at 30 September 2010, the Group had total debt including financial leases of Baht 4,324.70 million, comprising of US dollar denominated loans of USD 126.49 million and Baht denominated loans of Baht 985.87 million, compared to Baht 2,546.73 million, which comprised of US dollar denominated loans of USD 47.66 million and Baht denominated loans of Baht 934.28 million as of 30 September 2009. Outstanding loans were mainly for acquisitions of vessels, rigs, and equipment.

Capital Expenditures

In 2010, the Group had ongoing payments for four (4) new build subsea vessels and equipment whose total cost was Baht 4,829.00 million. As at 30 September 2010, there were no significant capital expenditures scheduled for payment in 2011.

In October 2010, the Company and Keppel Offshore & Marine Limited's subsidiary, Singapore Keppel FELS Limited ("Keppel"), entered into a Letter of Intent for the construction of two (2) new build high-specification jack-up rigs with a combined value of about USD 360 million for Asia Offshore Drilling Limited ("AOD"). The value of the first two jack-up rigs is estimated to be about USD 180 million each and the total estimated value of two jack-up rigs, including options for another two units, if exercised, is expected to be above USD 720 million.

In order to raise initial funding for the construction of the two (2) said new build high-specification jack-ups rigs, AOD retained RS Platou Markets AS as Manager and Bookrunner to advise on and effect a private placement in AOD of new shares directed towards Norwegian investors and international institutional investors (the "Private Placement").

The Private Placement was successfully completed in early December 2010 resulting in us acquiring 49% of the total issued shares of AOD for the subscription price of USD 49 million. The following material transactions with respect to AOD were also completed: (i) replacement of the Letter of Intent with Keppel for turnkey construction contracts for two (2) x 350 ft. MOD V-B class jack-ups and option contracts for another two (2) jack-ups; (ii) execution of a corporate management agreement and technical and commercial management agreements with us; (iii) registration of AOD's shares in the Norwegian Electronic Securities Register (the "VPS") for the purpose of facilitating trading of the shares in Norway; (iv) receipt of exemption from prospectus requirements from the Bermuda Ministry of Finance ("BMA"); and (v) BMA clearance of new investors.

The Private Placement was made on the basis that AOD will in due course seek approval for listing of its shares on the Oslo Stock Exchange ("Oslo Axess").

Qualitative and Quantitative Market Risk

Foreign Currency Fluctuation Risk

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

We realise foreign exchange gains or losses through hedging mechanisms on the settlement date of each forward contract.

Interest Rate Risk

We are subject to market risks relating to changes in US dollar and Baht interest ratesas almost all of our loans are denominated in US Dollars and set against LIBOR. We pay interest on debt incurred under our existing credit facilities at a rate of LIBOR or MLR plus or less a certain margin.

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

RISK FACTORS

Risks relating to the Group's Businesses

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

Mermaid Maritime Public Company Limited and its subsidiaries ("Group") provides offshore services to the oil and gas industry, and its offshore business is affected by fluctuations in the global demand for assets and prices of oil and gas, in particular the level of activity in oil and gas exploration, development, and production in South East Asia, where the Group is active. Depending on the market price of oil and gas, companies exploring for oil and gas may cancel or reduce their activities, thus reducing the demand for the services provided by the Group. While the level of offshore drilling and production activity improved from 2005 to 2008 this has since been followed by a significant decline in the first half of the 2009 financial year and has yet to show compelling signs of recovery. There can be no assurance on the pace of recovery or recovery itself, and that activity levels will eventually remain the same or increase. Any prolonged period of low drilling and production activity could materially and adversely affect the Group's financial condition and results of operations.

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

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

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

The Group is subject to a number of operating risks

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

The Group is also subject to equipment failure risks, which may require long periods to repair and result in loss of revenue. The Group may be forced to cease part of its operations if any of its key assets break down until it can replace and/or repair such key assets. A major system failure could result in substantial loss of life and/or serious injury, damage to or loss of tender drilling rigs or subsea vessels and equipment and protracted legal disputes and damage to the Group's reputation. The Group is also subject to bad weather conditions, which may be hazardous to its tender drilling rigs or subsea vessels, equipment and personnel. In addition, such bad weather conditions may reduce its productivity. Further, the contracts entered into by the Group provide generally that the Group's clients can suspend or refuse services in the event their operations are affected by events of force majeure.

Further, the Group does not maintain insurance with respect to loss of profits, loss of hire, delays, consequential loss or loss of income resulting from a tender drilling rig or subsea vessel being removed from operation, except to a limited extent in the case of claims against third parties. In addition, certain risks, such as those related to biochemical damage, are not insurable. As such, there can be no assurance that the Group will not suffer losses in excess of the insurance coverage or that are not covered by insurance.

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

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

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

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

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

The Group took delivery of two (2) newbuild subsea vessels, and divested one (1) newbuild tender rig prior to its completion during the year. The Group also plans to further increase its current fleet. There will be a time lag between the time the Group purchases a newbuild tender drilling rig or subsea vessel and the time such tender drilling rig or subsea vessel becomes operational. In that time, the conditions affecting the industry may change such that the Group may be unable to achieve its projected returns. If the Group fails to effectively manage its current and future acquisitions and newbuilds, its financial condition and results of operations could be materially and adversely affected.

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

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

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

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

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

All of the contracts between the Group and its clients for the Group's drilling services and some of its contracts for its subsea engineering services are on a long-term fixed rate basis. Long-term fixed rate contracts limit the Group's ability to adjust rates in response to market conditions and any increase in its costs, such as salary costs and costs for spare parts and consumables, which are unpredictable and fluctuate based on events beyond its control. Any substantial increase in such costs could materially and adversely affect the Group's results of operations.

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

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

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

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

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

The operations of the Group are subject to laws and regulations that relate directly or indirectly to the drilling and subsea engineering services industries, including those relating to the discharge of oil or other contaminants into the environment and protection of the environment. The Group is required by its clients, governments and regulatory agencies to maintain health, safety and environmental standards in the course of providing its services. In the event of any change in these standards, the Group may have to incur additional expenses to comply with such changes. Any failure to maintain standards may result in the cancellation of its present contracts, not being awarded new contracts or regulatory authorities imposing fines, penalties or sanctions on it or prohibiting it from continuing its operations, each of which could have an adverse effect on it. A failure to maintain health, safety and environmental standards could also result in injuries, death, damage to the environment, liability, or damage to the Group's reputation. The occurrence of any of the above could have a material adverse effect on the financial condition and results of operations of the Group.

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

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

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

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

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

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

The consolidated financial statements of the Group does not contain a reconciliation of the Group's consolidated financial statements to SFRS, IFRS or U.S. GAAP, nor does it include any information in relation to the differences between Thai GAAP and SFRS, IFRS or U.S. GAAP. Had the consolidated financial statements and other financial information been prepared in accordance with SFRS, IFRS or U.S. GAAP, the results of operations and financial position may have been materially different. Because differences exist between Thai GAAP and SFRS, IFRS or U.S. GAAP, the financial information in respect of the Group contained in the consolidated financial statements of the Group may not be an effective means to compare the Group with other companies that prepare their financial information in accordance with SFRS, IFRS or U.S. GAAP.

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

RISK FACTORS

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

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

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

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

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

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

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

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

The Group may from time to time undertake to increase its fleet capacity through conversions or upgrades of its tender drilling rigs and subsea vessels or through the acquisition of newbuilds. Such projects are subject to risks of delay or cost overruns resulting from numerous factors including shortages of equipment, materials or skilled labour, unscheduled delays in the delivery of ordered materials and equipment, unanticipated cost increases, weather interferences, difficulties in obtaining necessary permits or in meeting permit conditions, design and engineering problems and shipyard failures.

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

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

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

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

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

The Group has a holding company structure

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

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

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

The Group may be exposed to risks relating to debt financing

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

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

As at 30 September 2010, the Company in its capacity as a guarantor for loans undertaken by subsidiaries had breached a guarantor loan covenant. The Company's management has already commenced discussions with the relevant banks and is of the opinion that the outcome will not result in a material adverse effect.

RISK FACTORS

Risks relating to Thailand

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

The Group is subject to economic, political, legal and regulatory conditions in Thailand that differ in certain significant respects from those prevailing in other countries with more developed economies. The Group's business and operations are subject to the changing economic and political conditions prevailing from time to time in Thailand such as the protests and military crackdown in mid-2010. There is no assurance that the Thai government will not impose policy changes in the future or that any future political instability in Thailand or any changes in the Thai government's policies or in Thailand's political environment will not materially and adversely affect the Group's business, financial condition and results of operations.

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

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

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

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

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

1. Mermaid Shares held by Directors

As at 01 November 2010, Mermaid Maritime Public Company Limited ("Mermaid" or "Company") had a total of 784,747,743 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	377,000	0.0480	None	n/a
Mr. Surasak Khaoroptham	None	n/a	None	n/a
Mr. Pichet Sithi-Amnuai	None	n/a	None	n/a
Mr. Leslie George Merszei	None	n/a	None	n/a
Mr. Lim How Teck	None	n/a	None	n/a
Mr. Ng Chee Keong	None	n/a	None	n/a
Ms. Joey Horn	None	n/a	None	n/a
Mr. Andrew Tom Springall	None	n/a	None	n/a

2. Material Contracts Involving Interested Persons

There were no material contracts of Mermaid or its subsidiaries involving the interests of the Mermaid's chief executive officer (Managing Director), each Director of Mermaid, or any of the controlling shareholders of Mermaid, entered into during the financial year ended 30 September 2010 or still subsisting as at 30 September 2010.

3. Shareholder Base and Voting Rights

The only class of equity securities in Mermaid are ordinary shares. As at 01 November 2010, there were 6,248 shareholders holding a total of 784,747,743 ordinary shares in Mermaid.

Each ordinary share is entitled to one (1) vote per one (1) share. In a shareholders' meeting, voting must be by a show of hands, unless at least five (5) shareholders request for a secret vote. Under the Thai Public Companies Act B.E. 2535 (1992), a resolution can be adopted at a general meeting of shareholders by a simple majority of the total number of votes cast of the shareholders who attend the meeting, except in the following matters which require at least three-fourths of the total number of voting rights of all of the shareholders who attend the meeting and have the right to vote:

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

GENERAL DISCLOSURES

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 01 November 2010, the distribution of ordinary shares amongst all shareholders was as follows:

No. of Shares	No. of Shareholders
1-999	158
1,000-10,000	3153
10,001-1,000,000	2915
1,000,001 and above	22

5. Details of Substantial Shareholders

As at 01 November 2010, the names of substantial shareholders and a breakdown of their direct and deemed interests as recorded in Mermaid's register of substantial shareholders were as follows:

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

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

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

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

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

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

6. Top 20 Largest Shareholders

As at 01 November 2010, the twenty (20) largest holders of ordinary shares in Mermaid on record and the number of shares held by such shareholders were as follows:

No.	Name	Shares	%	Culm. %
1	THORESEN THAI AGENCIES PLC	277,823,871	35.40	35.40
2	SOLEADO HOLDINGS PTE. LTD.	170,590,470	21.74	57.14
3	THAILAND EQUITY FUND	118,285,229	15.07	72.21
4	HSBC (SINGAPORE) NOMS PTE. LTD.	12,798,790	1.63	73.85
5	DBS NOMINEES PTE. LTD.	9,892,465	1.26	75.11
6	BNP PARIBAS SECS SVCS SPORE	7,856,900	1.00	76.11
7	OCBC SECURITIES PRIVATE LTD.	5,358,280	0.68	76.79
8	BNP PARIBAS NOMS S'PORE PTE. LTD.	4,959,000	0.63	77.42
9	UOB KAY HIAN PTE. LTD.	4,788,750	0.61	78.03
10	PHILLIP SECURITIES PTE. LTD.	4,735,400	0.60	78.64
11	MERRILL LYNCH (S'PORE) PTE. LTD.	3,704,950	0.47	79.11
12	DBS VICKERS SECS (S) PTE. LTD.	3,662,850	0.47	79.57
13	CITIBANK NOMS S'PORE PTE. LTD.	2,290,800	0.29	79.87
14	UNITED OVERSEAS BANK NOMINEES	2,077,600	0.26	80.13
15	SING INVEST & FIN NOMINEES PTE. LTD.	1,957,000	0.25	80.38
16	KIM ENG SECURITIES PTE. LTD.	1,877,000	0.24	80.62
17	CIMB SEC (S'PORE) PTE. LTD.	1,508,500	0.19	80.81
18	RAFFLES NOMINEES (PTE) LTD.	1,334,250	0.17	80.98
19	DB NOMINEES (S) PTE. LTD.	1,288,250	0.16	81.15
20	ACE PACIFIC CAPITAL PTE. LTD.	1,196,000	0.15	81.30

7. Shareholding Held by Public

As at 01 November 2010, the percentage of ordinary shares held in the hand of the public was 27.53%. This is in compliance with Rule 723 of the SGX-ST Listing Manual which requires that at least 10.00% of ordinary shares in Mermaid to be at all times held by the public.

8. Treasury Shares

Mermaid has no treasury shares.

9. Dealings in Securities

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

GENERAL DISCLOSURES

Before announcement of financial results, Mermaid has also a system of sending prior notification to all its Directors and those other officers of Mermaid who have access to price-sensitive financial information recommending them not to deal in securities of Mermaid during each period commencing two (2) weeks before the announcement of Mermaid's financial statements for each of the first three quarters of the financial year, and one (1) month before announcement of Mermaid's full financial year statements, ending on the date of announcement of the relevant results.

10. Non-Audit Fees

Non-audit fee paid to PricewaterhouseCoopers ABAS Ltd. during the financial year that ended on 30 September 2010 amounted to Baht 5,154,531. This was for work related to agreed-upon procedures in relation to the Rights Issue and Thailand Board of Investment ("BOI") related certification. The Audit Committee had reviewed these transactions and was of the opinion that these transactions did not affect to the independence of PricewaterhouseCoopers ABAS Ltd. conducting the audit of the Company and its relevant subsidiaries, not did it affect the independence of their audit signatory's review and certification of the Company's financial statements and the Company and its subsidiaries' consolidated financial statements for the year ended 30 September 2010.

11. Appointment of Auditor

PricewaterhouseCoopers ABAS Ltd. was appointed by a resolution of the Company's shareholders on 28 January 2010 to audit the Company's financial statements and the Company and its subsidiaries' consolidated financial statements for the year that ended on 30 September 2010.

The following names are audit partners whom were appointed to engage in audit of the consolidated and Company financial statements for the year that ended on 30 September 2010.

1. Ms. Nattaporn Phan-Udom	CPA License No. 3430
2. Mr. Kajornkiet Aroonpirodkul	CPA License No. 3445
3. Mr. Chanchai Chaiprasith	CPA License No. 3760

Mr. Kajornkiet Aroonpirodkul was the audit partner in charge of auditing and expressed his opinion on the consolidated and Company financial statements for the year that ended on 30 September 2010. He has audited and expressed his opinion on the consolidated and Company financial statements since the year that ended on 30 September 2008. He has therefore been audit partner in charge for three (3) full consecutive years.

PricewaterhouseCoopers ABAS Ltd. was also appointed to audit all of the Company's significant subsidiaries for the year ended 30 September 2010 except for a subsidiary, Mermaid Drilling (Singapore) Pte. Ltd., which was audited by Thong & Lim, certified public accountants based in Singapore. Mermaid's Board and Audit Committee were satisfied that the appointment of Thong & Lim as auditor of the said subsidiary did not compromise the standard and effectiveness of the audit of Mermaid on a consolidated basis. There were no significant associated companies for the year ended 30 September 2010.

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

12. Interested Person Transactions

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

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

Mermaid's aggregate value of all interested person transactions for the year that ended on 30 September 2010 pursuant to Rule 907 of the SGX-ST Listing Manual were as follows:

	Baht'000
Revenue	
Service income	644
Rental income	1,674
Expenses	
Administrative expenses	97
Cost of services	39,097
Expenses relating to the Rights Issue(a)	67,322

(a) The expenses relating to the Rights Issue are offset with the premium on share capital when presented in the balance sheet.

This is further detailed as follows:

Company	**Type of revenue/expense**	**Baht'000**
Thor Endeavour Shipping Co. Ltd.	Service income	163
Thor Tribute Shipping Co. Ltd.	Service income	82
Thor Nexus Shipping Co. Ltd	Service income	4
Thor Pilot Shipping Co. Ltd.	Service income	32
Thor Navigator Shipping Co. Ltd.	Service income	241
ISS Thoresen Agencies Ltd.	Service income	89
Gulf Agency Company (Thailand) Ltd.	Service income	160
Allied Marine & Equipment Sdn. Bhd.	Service income	(127)
		644

Company	**Type of revenue/expense**	**Baht'000**
Gulf Agency Company (Thailand) Ltd.	Rental income	1,674
		1,674

Company	Type of revenue/expense	Baht'000
Gulf Agency Company (Thailand) Ltd.	Administrative expenses	92
Thoresen & Company (Bangkok) Ltd.	Administrative expenses	5
		97

Company	Type of revenue/expense	Baht'000
Gulf Agency Company (Thailand) Ltd.	Cost of services	39,097
		39,097

Company	Type of revenue/expense	Baht'000
Soleado Holdings Pte. Ltd.	Expenses relating to Rights Issue	67,322
		67,322

13. Land, Buildings and Key Movable Assets

As at 30 September, 2010, land and buildings owned by Mermaid and held for investment purposes were as follows:

No.	Description	Location	Calendar Year	Million Baht		Ownership
			Purchase Year	Cost	Net Book Value	
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.	Buildings	Built on land at no. (1) above	2005	189.11	129.82	On freehold land

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

As at 30 September 2010, Mermaid's key movable assets were eight vessels and two tender rigs owned by its subsidiaries as follows:

No.	Subsidiary Name	Name of Vessels/Rigs	Calendar Year		Million Baht	
			Build Year	Purchase Year	Cost	Net Book Value
1.	Mermaid Offshore Services Ltd.	Mermaid Commander	1987	2005	956.41	585.51
2.	Mermaid Offshore Services Ltd.	Mermaid Performer	1982	2006	127.82	31.57
3.	Mermaid Offshore Services Ltd.	Mermaid Challenger	2008	2008	638.62	561.88
4.	Mermaid Offshore Services Ltd.	Mermaid Sapphire	2009	2009	1,142.06	1,107.63
5.	Mermaid Offshore Services Ltd.	Mermaid Siam	2002	2010	976.72	939.52
6.	Mermaid Offshore Services Ltd.	Mermaid Endurer	2010	2010	3,184.02	3,181.21
7.	Mermaid Offshore Services Ltd.	Mermaid Supporter(*)	1982	2010	34.15	8.88
8.	Nemo Subsea AS	Mermaid Asiana (**)	2010	2010	2,481.94	2,438.12
9.	MTR-1 Ltd.	MTR-1	1978	2005	889.18	416.18
10.	MTR-2 Ltd.	MTR-2	1981	2005	1,242.91	635.30

(*) As at 30 November 2010, the M.V. "Mermaid Supporter" has been transferred to PT Seascape Surveys Indonesia and renamed M.V. "Barracuda".

(**) Original currency of cost and NBV of Mermaid Asiana is in US$. The Baht valuation is subject to exchange rate between Baht and US$ as at end of year.

14. Reconciliation of material differences between Thai GAAP and IFRS

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

<u>Thai GAAP</u>

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

IFRS

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

Impact

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

The net effects on the consolidated income statements for the years that ended on 30 September 2010 and 2009 and balance sheets as at 30 September 2010 and 2009 can be summarised as follows:

	Net effects on Consolidated Income Statement for the year that ended on 30 September 2010		
	Thai GAAP	**IFRS**	**Changes**
	Million Baht	**Million Baht**	**Million Baht**
Total service income	3,476.37	3,476.37	–
Total cost of services	3,245.19	3,245.19	–
Administrative expenses	556.45	556.45	–
Operating profits (losses)	(187.05)	(305.90)	(118.85)
Net profits (losses) for period	(456.48)	(575.33)	(118.85)

	Net effects on Consolidated Income Statement for the year that ended on 30 September 2009		
	Thai GAAP	**IFRS**	**Changes**
	Million Baht	**Million Baht**	**Million Baht**
Total service income	5,209.87	5,209.87	–
Total cost of services	3,770.86	3,770.86	–
Administrative expenses	485.61	485.61	–
Operating profits (losses)	964.33	950.07	(14.26)
Net profits (losses) for period	747.38	733.12	(14.26)

	Net effects on Consolidated Balance Sheet as at 30 September 2010		
	Thai GAAP	IFRS	Changes
	Million Baht	Million Baht	Million Baht
Total current assets	5,232.67	5,295.77	63.10
Total non-current assets	12,606.63	12,641.51	34.88
Total current liabilities	1,202.28	1,252.10	49.82
Total non-current liabilities	3,655.23	3,822.64	167.41

	Net effects on Consolidated Balance Sheet as at 30 September 2009		
	Thai GAAP	IFRS	Changes
	Million Baht	Million Baht	Million Baht
Total current assets	3,073.45	3,069.20	(4.25)
Total non-current assets	11,482.06	11,520.71	38.65
Total current liabilities	1,788.08	1,873.04	84.96
Total non-current liabilities	2,110.77	2,081.61	(29.16)

15. Use of Rights Issue Proceeds

In November 2009, Mermaid's total proceeds received from the Rights Issue of its shares was Baht 3,591.17 million after deduction of issuing costs.

The total actual accumulative uses of Rights Issue proceeds as at 30 November 2010 was Baht 3,591.17 million, or 100% of the Rights Issue proceeds and is summarised as follows:-

No.	Description	Baht (Million)
1.	Construction cost of the newbuild subsea vessel, "Mermaid Endurer"	817.78
2.	Construction cost of the newbuild subsea vessel, "Mermaid Asiana"	842.82
3.	Purchase of the subsea vessel, "Mermaid Siam"	243.76
4.	Subscription of shares in Subtech Ltd.	230.18
5.	Subscription of shares in Asia Offshore Drilling Ltd.	1,456.63
	Total	3,591.17

The use of proceeds is in accordance with the conditions governing the application of proceeds in the Rights Issue after information statement ("OIS").

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 2010, Mermaid Maritime Public Company Limited ("Mermaid" or "Company") is generally in compliance with the principles and guidelines of the Singapore Code of Corporate Governance 2005 ("Code").

Specific Disclosures pursuant to the Code

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

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

Audit Committee:

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

Financial Statements:

(1) Review significant accounting and reporting issues and understand their impact on the financial statements.

(2) Review with management and the external auditors the results of the audit, including any difficulties encountered.

(3) Review the annual financial statements, and consider whether they are complete, consistent with information known to Audit Committee members, and reflect appropriate accounting principles.

(4) Review other sections of the annual report and related regulatory filings before release and consider the accuracy and completeness of the information.

(5) Review with management and the external auditors all matters required to be communicated to the Audit Committee under generally accepted auditing standards.

(6) Understand how management develops interim financial information, and the nature and extent of internal and external auditor involvement.

(7) Review interim financial reports with management and the external auditors before filing with regulators, and consider whether they are complete and consistent with the information known to Audit Committee members.

Internal Control:

(8) Review the adequacy of the Company's internal financial controls, operational and compliance controls, information technology security and control, and risk management policies and systems established by the management.

(9) Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

Internal Audit:

(10) Review with management and the internal audit manager the charter, activities, staffing, and organizational structure of the internal audit function.

(11) Have final authority to review and approve the annual audit plan and all major changes to the plan.

(12) Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the internal audit manager.

(13) At least once per year, review the performance of the internal audit manager and concur with the annual compensation and salary adjustment.

(14) Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

(15) On a regular basis, meet separately with the internal audit manager to discuss any matters that the Audit Committee or internal audit believes should be discussed privately.

External Audit:

(16) Review the external auditors' proposed audit scope, approach, its cost effectiveness and co-ordination of audit effort with internal audit, and propose the final cost to the Company's shareholders for approval.

(17) Review the performance of the external auditors, and exercise final approval on the appointment or discharge of the auditors.

(18) Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the Company, including non-audit services, and discussing the relationships with the auditors.

(19) On a regular basis, meet separately with the external auditors to discuss any matters that the Audit Committee or the auditors believe should be discussed privately.

Compliance:

(20) Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.

(21) Review the findings of any examinations by regulatory agencies, and any auditor observations.

(22) Review the process for communicating the Code of Business Conduct to Company personnel, and for monitoring compliance therewith.

(23) Obtain regular updates from management and the Company's General Counsel regarding compliance maters.

Reporting Responsibilities:

(24) Regularly report to the Board about Audit Committee activities, issues, and related recommendations.

(25) Provide an open avenue of communication between internal audit, the external auditors, and the Board.

(26) Review any other reports the Company issues that relate to Audit Committee responsibilities.

Other Responsibilities:

(27) Perform other activities related to the Audit Committee's scope as requested by the Board.

(28) Institute and oversee special investigations as needed.

(29) Review and assess the adequacy of the Audit Committee charter annually, requesting Board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.

(30) Confirm annually that all responsibilities outlined in its scope have been carried out.

(31) Evaluate the Audit Committee's and individual members' performance on a regular basis.

(32) Review arrangements by which staff of the Company may in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, and ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow up action.

Remuneration Committee:

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

(1) Recommend to the Board a framework of remuneration for the Board and determine the specific remuneration package for key executives of the Company.

(2) Ensure that the recommendation at paragraph (1) shall cover all aspects of remuneration including but not limited to directors' fees, salaries, allowances, bonuses, share awards, options and benefits in kind.

(3) Make recommendations to the Board in respect of paragraphs (1) and (2) above and submit the same for endorsement by the entire Board.

(4) Determine performance-related elements of remuneration to align interests of executive directors with those of shareholders and link rewards to corporate and individual performance.

(5) Consider whether Directors should be eligible for benefits under long-term incentive schemes.

(6) Administer the Company's share award scheme and share option scheme (if any).

(7) Consider and make recommendations to the Board concerning the disclosure of details of the Company's remuneration policy, level and mix of remuneration and procedure for setting remuneration, and the details of the specific remuneration packages of the Directors and executives of the Company, in addition (if appropriate) to those required by law or by the Code.

Nomination Committee:

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

(1) Review and make recommendations to the Board on all candidates nominated (whether by the Board, shareholders or otherwise) for appointment to the Board, taking into account the candidate's track record, age, experience, capabilities and other relevant factors.

(2) Identify and make recommendations to the Board as to the Directors who are to retire by rotation and to be put forward for re-election at each annual general meeting of the Company, having regard to the Directors' contribution and performance (such as their attendance, preparedness, participation and candour), including, if applicable, as independent Directors.

(3) Determine periodically whether or not a Director is independent, bearing in mind the circumstances set out in Guidance Note 2.1 of the Code and other salient factors.

(4) Decide, in relation to a Director who has multiple board representations, whether or not such Director is able to and has been adequately carrying out his duties as Director of the Company. If the Nomination Committee considers it necessary, it shall make recommendations to the Board on the guidelines to be implemented to address the competing time commitments faced by Directors serving on multiple boards.

(5) Ensure that, in connection with the re-election of Directors at annual general meetings of the Company, sufficient information is provided to the shareholders so as to enable them to make an informed decision.

(6) Identify and nominate candidates for the approval of the Board to fill vacancies in the Board as and when they arise.

(7) Review all candidates nominated for appointment as the Company's chairman, president, chief executive officer, group managing director, managing director, deputy chairman, deputy president, deputy chief executive officer or other officer by whatever name called who has responsibilities and functions similar to any of the said officers.

(8) Put in place plans for succession, in particular, of the Chairman of the Board and the Managing Director of the Company.

(9) Make recommendations to the Board on the continuation (or not) of service of any Director who has reached the age of 70.

(10) At least once every financial year, review (and thereafter, make recommendations to the Board regarding) the Board structure, size, composition and core competencies, taking into account the balance between executive and non-executive Directors and between independent and non-independent Directors, and having regard at all times to the principles of corporate governance and the Code.

(11) Procure that at least one-third (1/3) of the Board shall comprise of independent Directors (or such other minimum proportion and criteria as may be specified in the Code from time to time).

(12) Propose, for approval by the Board, objective performance criteria (that allows comparison with the Company's industry peers) to evaluate the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board.

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

Name of Director	Board	Audit Com.	Rem. Com.	Nom. Com.
M.L. Chandchutha Chandratat	7/7	–		–
Mr. David Stewart Simpson*	4/4	–	–	–
Mr. Surasak Khaoroptham	7/7	–	–	–
Mr. Pichet Sithi-Amnuai	7/7	4/4	–	–
Mr. Lim How Teck	7/7	4/4	–	–
Mr. Ng Chee Keong	7/7	–	2/2	
Mr. Leslie George Merszei	6/7	4/4	1/2	
Ms. Joey Horn	7/7	–	2/2	–
Mr. Andrew Tom Springall**	7/7	–	–	–

* Mr. David Stewart Simpson resigned effective 25 July 2010
** Mr. Andrew Tom Springall was elected on 28 January 2010

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

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

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

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

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

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

6. Composition of Nominating Committee.

As at 30 September 2010, the Nomination Committee members were Mr. Ng Chee Keong, Mr. Leslie George Merszei and Ms. Joey Horn. The Chairman of the Nomination Committee was Mr. Ng Chee Keong.

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

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

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

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

* Mr. David Stewart Simpson resigned effective 25 July 2010
** Mr. Andrew Tom Springall was elected on 28 January 2010

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

On the initiative of the Audit Committee and in line with past practice, each Director is in the process of undertaking a self-assessment exercise of the performance of the Board as a whole and of himself/herself taking into relevant consideration the roles and responsibilities of directors pursuant to the Code and the results of the business operations. The results of the self-assessment exercise will be reported to and discussed by the Board and areas for improvement will be noted by the Board and recorded in the minutes.

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

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

11. Composition of Remuneration Committee.

As at 30 September 2010, the Remuneration Committee members were Mr. Ng Chee Keong, Mr. Leslie George Merszei and Ms. Joey Horn. The Chairman of the Remuneration Committee was Mr. Ng Chee Keong.

12. The name and remuneration of each person who is/was a Director of the company during the financial year ending 30 September 2010 in bands of SGD 250,000.

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

* Mr. David Stewart Simpson resigned effective 25 July 2010
** Mr. Andrew Tom Springall was elected on 28 January 2010

Note: For persons who served in the capacity of a director for any part of a financial period, remuneration calculation is based on a pro-forma assessment of full year remuneration, (ie. the remuneration that the director would have received had he/she served as a director for the full financial period).

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

Name	[1]	[2]	[3]	[4]
M.L. Chandchutha Chandratat	100%	0%	0%	0%
Mr. David Stewart Simpson*	90%	10%	0%	0%
Mr. Surasak Khaoroptham	100%	0%	0%	0%
Mr. Pichet Sithi-Amnuai	100%	0%	0%	0%
Mr. Lim How Teck	100%	0%	0%	0%
Mr. Ng Chee Keong	100%	0%	0%	0%
Mr. Leslie George Merszei	100%	0%	0%	0%
Ms. Joey Horn	100%	0%	0%	0%
Mr. Andrew Tom Springall**	100%	0%	0%	0%

* Mr. David Stewart Simpson resigned effective 25 July 2010
** Mr. Andrew Tom Springall was elected on 28 January 2010

The value of stock options (if any) were derived based on the positive net difference between the market price on 30 November 2010 and the exercise price as at the date of the grant of such options multiplied by the number of options held, even though the actual compensation from such stock options may only be realisable in subsequent calendar years.

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

Key Executives	Below SGD 250,000	SGD 250,000 to SGD 499,999	SGD 500,000 and above
Mr. Sataporn Amornvorapak	●		
Mr. Stephen William Davey*			●
Mr. Stephen Gregor Lenz	●		
Mr. Mark Andrew Shepherd**	●		
Mr. Simon Matthew Turner	●		
Mr. Jeffery Allen Breal***	●		
Mr. James McGhee Nicol****	●		

Note: For the financial year that ended on 30 September 2010, Mr. Stephen William Davey succeeded Mr. Mark Andrew Shepherd as Executive Director for Mermaid Offshore Services on 15 September 2010; and Mr. James McGhee Nicol succeeded Mr. Jeffery Allen Breal as General Manager for Mermaid Drilling on 01 November 2010.

Note: For persons who served in the capacity of a key executive for any part of a financial period, remuneration calculation is based on a pro-forma assessment of full year remuneration, (ie. the remuneration that the key executives would have received had he/she remain in employment for the full financial period).

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

Key Executives	[1]	[2]	[3]	[4]
Mr. Sataporn Amornvorapak	71%	22%	7%	0%
Mr. Mark Andrew Shepherd	70%	23%	7%	0%
Mr. Simon Matthew Turner	74%	24%	2%	0%
Mr. Stephen Gregor Lenz	82%	0%	18%	0%
Mr. Jeffery Allen Breal	80%	0%	20%	0%
Mr. James McGhee Nicol	88%	0%	12%	0%
Mr. Stephen William Davey	100%	0%	0%	0%

The value of stock options (if any) were derived based on the positive net difference between the market price on 30 November 2010 and the exercise price as at the date of the grant of such options multiplied by the number of options held, even though the actual compensation from such stock options may only be realisable in subsequent calendar years.

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

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

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

Please refer to Items 12 and 14 above.

18. Details of Employee Share Option Plan.

Mermaid's first employee share option plan was approved by Mermaid's shareholders on 11 July 2007 ("ESOP 2008"). Mermaid's second employee share option plan was approved by Mermaid's shareholders on 29 January 2009 ("ESOP 2009"). Mermaid's third employee share option plan was approved by Mermaid's shareholders on 28 January 2010 ("ESOP 2010"). The following is a summary of the principal rules of ESOP 2008, ESOP 2009 and ESOP 2010.

(a) Objectives of ESOP 2008, ESOP 2009 and ESOP 2010

Mermaid recognises that the contributions and continued dedication of its executives and employees are significant to its future growth and development. ESOP 2008, ESOP 2009 and ESOP 2010 were offered by Mermaid to advance the best interests of the Group by providing employees of the Group with additional incentives through the grant of options ("Options") based on the performance of the Group.

The objectives of ESOP 2008 and ESOP 2009 were as follows: (a) to retain key personnel whose contributions are essential to the long-term growth and profitability of the Group; and (b) to align the interests of participants with the interests of the shareholders. ESOP 2010 follows on the same theme, and extends participants to include non-executive directors of the Group.

ESOP 2008, ESOP 2009 and ESOP 2010 are share incentive plans. The implementation of ESOP 2008, ESOP 2009 and ESOP 2010 enabled Mermaid to recognise the contributions made by the participants by introducing a variable component into their remuneration package in the form of Options. ESOP 2008, ESOP 2009 and ESOP 2010 also provided an opportunity for each participant to participate in the equity of Mermaid and will provide a further incentive for the participants to strive for greater long-term growth and profitability for the Group. Mermaid believes ESOP 2008, ESOP 2009 and ESOP 2010 helps to attract, motivate and retain key executives and reward them for achievement of pre-determined targets which create and enhance economic value for the shareholders.

(b) Summary of ESOP 2008, ESOP 2009 and ESOP 2010

A summary of the rules of ESOP 2008, ESOP 2009 and ESOP 2010 is set out below. Full details of ESOP 2008 were disclosed to shareholders in Appendix-C of Mermaid's Initial Public Offering ("IPO") prospectus dated 09 October 2007 and a summary of the principle terms of ESOP 2009 were circulated to the shareholders on 09 January 2009 with full details available to shareholders upon request, and a summary of the principle terms of ESOP 2010 were circulated to shareholders on 06 January 2010 with full details available to shareholders upon request.

Plan administration: ESOP 2008, ESOP 2009 and ESOP 2010 are administered by the Remuneration Committee ("Committee"), which have powers to determine, among others, the persons to be granted Options, number of Options to be granted, recommendations for modifications to ESOP 2008, ESOP 2009 and ESOP 2010, and calculation of the exercise price of the Options.

Option Participants: Only employees of Mermaid and its subsidiaries (including executive Directors) were eligible to participate in ESOP 2008 and ESOP 2009, at the absolute discretion of the Remuneration Committee. The non-Executive Directors of the Group, and persons who are controlling shareholders and their associates, were not eligible to participate in ESOP 2008 and ESOP 2009. In ESOP 2010, non-Executive Directors of the Group were included as eligible participants.

Size of ESOP 2008, ESOP 2009 and ESOP 2010: The aggregate number of new shares that were available to be granted under ESOP 2008 was limited to 3,832,053 shares or 1.0% of the then issued share capital of Mermaid. The aggregate number of new shares that were available to be granted under ESOP 2009 was limited to 3,000,000 shares or 0.55% of the then issued share capital of Mermaid. The aggregate number of new shares that were available to be granted under ESOP 2010 was limited to 4,000,000 shares or 0.51% of the then issued share capital of Mermaid (after the Rights Issue).

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

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

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

Grant of Options: Under the rules of the Thai Securities and Exchange Commission ("Thai SEC"), the Options must be granted within one (1) year from the approval date. For ESOP 2008 and ESOP 2009, the expiry date has lapsed therefore no new Options can be granted under the said schemes. For ESOP 2010, the expiry date is 28 January 2011.

Termination of Options: Special provisions in the rules of ESOP 2008, ESOP 2009 and ESOP 2010 deal with the lapse or earlier exercise of Options in circumstances which include the termination of the employment of the participant.

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

(c) Financial Effects of ESOP 2008, ESOP 2009 and ESOP 2010

Share capital: ESOP 2008, ESOP 2009 and ESOP 2010 will result in an increase in Mermaid's issued share capital when the Options are exercised into new shares and when new shares are issued to participants pursuant to the grant. This will in turn depend on, among others, the number of shares comprised in the Options to be granted, the vesting schedules under the Options and the prevailing market price of the shares on the SGX-ST.

Costs to the Company: Under Thai Generally Accepted Accounting Principles ("GAAP"), the granting of options under ESOP 2008, ESOP 2009 and ESOP 2010 do not result in having to recognise any expenses in the income statement.

(d) Status of ESOP 2008

Allocation of Options pursuant to ESOP 2008 was made by the Remuneration Committee on 20 November 2008. In accordance with Rule 704(27) of the SGX-ST Listing Manual, Mermaid had on 20 November 2008 disclosed to the SGX-ST details of the grant of Options pursuant to ESOP 2008. As at 01 December 2010, 925,100 of those Options remained exercisable amongst 16 participants.

The Remuneration Committee who administered ESOP 2008 comprised: Mr. Ng Chee Keong, M.L. Chandchutha Chandratat, and Mr. Leslie George Merszei. The Chairman of the Remuneration Committee was Mr. Ng Chee Keong. Effective 24 November 2009, an adjustment was made pursuant to the terms of ESOP 2008 to the number of options granted under ESOP 2008 due to a variation to Mermaid's issued capital arising from the completion of Mermaid's renounceable underwritten rights issue ("Rights Issue"). The Remuneration Committee who approved the adjustments to ESOP 2008 arising from the Rights Issue comprised: Mr. Ng Chee Keong, Mr. Leslie George Merszei and Ms. Joey Horn. The Chairman of the Remuneration Committee was Mr. Ng Chee Keong.

Reference is made to the directors of Mermaid that remained in office as at 30 September 2010 (see Item 8). As at 01 December 2010, none of the said directors are participants of ESOP 2008.

None of the participants of ESOP 2008 received more than 5% or more of the total number of options available under ESOP 2008 and no options were granted at a discount. Furthermore, no controlling shareholders or their associates were granted options under ESOP 2008 and no options were granted to Mermaid's parent company or other subsidiaries of the parent company outside Mermaid, nor any of its or their directors and employees.

(e) Status of ESOP 2009

Allocation of Options pursuant to ESOP 2009 was made by the Remuneration Committee on 16 November 2009. In accordance with Rule 704(27) of the SGX-ST Listing Manual, Mermaid had on 16 November 2009 disclosed to the SGX-ST details of the grant of Options pursuant to ESOP 2009. As at 01 December 2010, 841,000 of those Options remained exercisable amongst 20 participants.

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

Reference is made to the directors of Mermaid that remained in office on 30 September 2010 (see Item 8). As at 01 December 2010, none of the said directors are participants of ESOP 2009.

None of the participants of ESOP 2009 received more than 5% or more of the total number of options available under ESOP 2009 and no options were granted at a discount. Furthermore, no controlling shareholders or their associates were granted options under ESOP 2009 and no options were granted to Mermaid's parent company or other subsidiaries of the parent company outside Mermaid, nor any of its or their directors and employees.

(f) Status of ESOP 2010

Allocation of Options pursuant to ESOP 2010 was made by the Remuneration Committee on 01 December 2010. In accordance with Rule 704(27) of the SGX-ST Listing Manual, Mermaid had on 01 December 2010 disclosed to the SGX-ST details of the grant of Options pursuant to ESOP 2010. As at 01 December 2010, 700,000 of those Options were exercisable amongst 25 participants.

The Remuneration Committee who administered ESOP 2010 comprised: Mr. Ng Chee Keong, Mr. Leslie George Merszei and Ms. Joey Horn. The Chairman of the Remuneration Committee was Mr. Ng Chee Keong.

Reference is made to the directors of Mermaid that remained in office on 30 September 2010 (see Item 8). As at 01 December 2010, none of the said directors are participants of ESOP 2010.

None of the participants of ESOP 2010 received more than 5% or more of the total number of options available under ESOP 2010 and no options were granted at a discount. Furthermore, no controlling shareholders or their associates were granted options under ESOP 2010 and no options were granted to Mermaid's parent company or other subsidiaries of the parent company outside Mermaid, nor any of its or their directors and employees.

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

As at 30 September 2010, the Audit Committee members were: Mr. Pichet Sithi-Amnuai, Mr. Leslie George Merszei and Mr. Lim How Teck. The Chairman of the Audit Committee was Mr. Pichet Sithi-Amnuai.

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

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

- Reviewed the interim consolidated and company financial statements, annual audited consolidated and company financial statements and the related auditors' reports before their submission to the Board;
- Monitored the effectiveness of the external auditor's performance, their independence and objectivity;
- Pre-approved an annual external audit scopes and fees;
- Reviewed and approved the audit plans of Mermaid's Internal Audit Department to ensure the adequacy of internal control systems in the Company;
- Reviewed the effectiveness of Mermaid's internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditors;
- Reviewed the performance of the Internal Audit Manager and concurred with annual compensation and salary adjustment;
- Separately met with the external auditors and internal auditors, without the presence of Mermaid's management, to discuss any matters and concerns;
- Reviewed the Company's related party transactions;
- Regularly reported the Board of Directors about the committee activities, internal audit activities and findings, and recommended the proper solutions;
- Investigated anonymous reports raised by whistleblowers as appropriate.

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

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

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

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

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

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

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

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

Notwithstanding this present limitation in Thailand, Mermaid is in compliance with this recommendation insofar as it relates to its subsidiaries incorporated in jurisdictions outside Thailand, to the extent permissible by applicable laws in such jurisdictions.

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AUDITOR'S REPORT

To the Shareholders of Mermaid Maritime Public Company Limited

I have audited the accompanying consolidated and company balance sheets as of 30 September 2010 and 2009, and the related consolidated and company statements of income, changes in shareholders' equity, and cash flows for the years then ended of Mermaid Maritime Public Company Limited and its subsidiaries, and of Mermaid Maritime Public Company Limited, respectively. The company's management is responsible for the correctness and completeness of information in these financial statements. My responsibility is to express an opinion on these financial statements based on my audits.

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

In my opinion, the consolidated and company financial statements referred to above present fairly, in all material respects, the consolidated and company financial positions as at 30 September 2010 and 2009, 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.

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

Bangkok
24 November 2010

BALANCE SHEETS

Mermaid Maritime Public Company Limited

As at 30 September 2010 and 2009

		Consolidated		Company	
		2010	2009	2010	2009
	Notes	Baht'000	Baht'000	Baht'000	Baht'000
Assets					
Current assets					
Cash and cash equivalents	5	3,742,938	1,450,525	3,375,758	224,140
Short-term investments	6	606,325	334,217	606,325	334,217
Trade accounts receivable - others, net	7	616,323	1,036,688	-	-
Trade accounts receivable - related parties	26.2	169	113	-	-
Amounts due from related parties	26.2	22	1,953	311,798	474,045
Short-term loans to related parties	26.3	-	-	2,808,167	737,102
Supplies and spare parts		138,545	112,940	-	-
Other current assets	10	128,348	137,014	10,896	16,054
Total current assets		5,232,670	3,073,450	7,112,944	1,785,558
Non-current assets					
Investments in subsidiaries					
- cost method, net	8.1	-	-	4,995,728	5,237,264
Investments in associates - equity method	8.2	-	387,967	-	-
Other long-term investments	9	-	77,697	-	-
Property, plant, and equipment, net	11	11,985,255	10,300,959	173,444	189,264
Goodwill		332,279	266,310	-	-
Intangible assets, net	12	16,925	16,101	389	959
Deferred expenses, net		47,789	84,203	-	-
Deferred tax assets, net	13	113,240	228,424	-	-
Other non-current assets	14	111,143	120,397	597	569
Total non-current assets		12,606,631	11,482,058	5,170,158	5,428,056
Total assets		17,839,301	14,555,508	12,283,102	7,213,614

The accompanying notes are an integral part of these consolidated and company financial statements.

BALANCE SHEETS (Cont'd)

Mermaid Maritime Public Company Limited

As at 30 September 2010 and 2009

		Consolidated		Company	
		2010	2009	2010	2009
	Notes	Baht'000	Baht'000	Baht'000	Baht'000
Liabilities and shareholders' equity					
Current liabilities					
Trade accounts payable - others		116,507	173,569	-	-
Trade accounts payable - related parties	26.2	7,201	9,958	-	-
Other accounts payable		69,729	826,858	2,113	2,567
Amounts due to related parties	26.2	101	29	1,790,240	33
Current portion of long-term loans from financial institutions	15	695,643	466,834	24,800	24,800
Current portion of finance lease liabilities		868	2,420	-	774
Income taxes payable		26,824	55,484	-	-
Accrued expenses		178,109	107,368	6,760	800
Current portion of employee benefit obligations	16	66,151	115,560	-	-
Other current liabilities		41,147	29,998	8,853	8,796
Total current liabilities		1,202,280	1,788,078	1,832,766	37,770
Non-current liabilities					
Long-term loans from financial institutions	15	3,624,772	2,073,459	11,200	36,000
Finance lease liabilities		3,413	4,021	-	-
Employee benefit obligations	16	27,047	33,285	3,855	2,960
Total non-current liabilities		3,655,232	2,110,765	15,055	38,960
Total liabilities		4,857,512	3,898,843	1,847,821	76,730
Shareholders' equity					
Share capital	17				
Registered share capital		790,607	544,903	790,607	544,903
Issued and fully paid-up		784,748	541,205	784,748	541,205
Premium on share capital	17	9,818,420	6,470,791	9,818,420	6,470,791
Translation adjustments for investments in foreign subsidiaries		(270,702)	(30,384)	-	-
Retained earnings (deficit)					
Appropriated - legal reserves	18	39,717	39,717	39,717	39,717
Unappropriated		2,519,918	2,975,996	(207,604)	85,171
Total parent's shareholders' equity		12,892,101	9,997,325	10,435,281	7,136,884
Minority interests		89,688	659,340	-	-
Total shareholders' equity		12,981,789	10,656,665	10,435,281	7,136,884
Total liabilities and shareholders' equity		17,839,301	14,555,508	12,283,102	7,213,614

The accompanying notes are an integral part of these consolidated and company financial statements.

STATEMENTS OF INCOME

Mermaid Maritime Public Company Limited

For the years that ended on 30 September 2010 and 2009

		Consolidated		Company	
		2010	2009	2010	2009
	Notes	Baht'000	Baht'000	Baht'000	Baht'000
Service income	4	3,476,365	5,209,869	-	-
Cost of services		(3,245,194)	(3,770,855)	-	-
Gross profits		231,171	1,439,014	-	-
Management fee income	26.1	-	-	93,360	70,320
Interest income		6,499	16,618	76,567	33,687
Other income		29,201	28,566	12,912	10,334
Administrative expenses		(556,453)	(485,611)	(121,353)	(95,879)
Losses on exchange rates		(79,926)	(55,513)	(459,285)	(51,442)
Net gains on disposals and write-off of property, plant, and equipment and intangible assets		11,802	21,252	950	1,052
Net gains on disposals of investments in subsidiaries and associates		170,657	-	346,954	4,538
Impairment losses of investments in a subsidiary	8.1	-	-	(241,536)	-
Operating profits (losses)		(187,049)	964,326	(291,431)	(27,390)
Share of profits (losses) of investments in associates	8.2	19,779	(17,329)	-	-
Profits (losses) before finance costs and income taxes		(167,270)	946,997	(291,431)	(27,390)
Finance costs		(95,890)	(83,908)	(1,344)	(3,169)
Profits (losses) before income taxes		(263,160)	863,089	(292,775)	(30,559)
Income taxes	20	(193,324)	(115,711)	-	-
Net profits (losses) for the year		(456,484)	747,378	(292,775)	(30,559)
Attributable to:					
Shareholders of the parent		(456,078)	714,485	(292,775)	(30,559)
Minority interests		(406)	32,893	-	-
		(456,484)	747,378	(292,775)	(30,559)
		Baht	Baht	Baht	Baht
Earnings (losses) per share for profits (losses) attributable to the shareholders of the parent					
Basic and diluted earnings (losses) per share	21	(0.61)	1.32	(0.39)	(0.06)

The accompanying notes are an integral part of these consolidated and company financial statements.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Mermaid Maritime Public Company Limited

For the years that ended on 30 September 2010 and 2009

Consolidated — Baht'000

	Note	Issued and paid-up share capital	Premium on share capital	Translation adjustments for investments in foreign subsidiaries	Legal reserves	Unappropriated retained earnings	Minority interests	Total
Beginning balance as at 1 October 2009		541,205	6,470,791	(30,384)	39,717	2,975,996	659,340	10,656,665
Issuance of shares	17	243,543	3,347,629	-	-	-	-	3,591,172
Effect of disposals of investments in subsidiaries		-	-	-	-	-	(566,644)	(566,644)
Net losses for the year		-	-	-	-	(456,078)	(406)	(456,484)
Translation adjustments for investments in foreign subsidiaries		-	-	(240,318)	-	-	(2,602)	(242,920)
Ending balance as at 30 September 2010		784,748	9,818,420	(270,702)	39,717	2,519,918	89,688	12,981,789

Company — Baht'000

	Note	Issued and paid-up share capital	Premium on share capital	Legal reserves	Unappropriated retained earnings (deficit)	Total
Beginning balance as at 1 October 2009		541,205	6,470,791	39,717	85,171	7,136,884
Issuance of shares	17	243,543	3,347,629	-	-	3,591,172
Net losses for the year		-	-	-	(292,775)	(292,775)
Ending balance as at 30 September 2010		784,748	9,818,420	39,717	(207,604)	10,435,281

The accompanying notes are an integral part of these consolidated and company financial statements.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Cont'd)

Mermaid Maritime Public Company Limited

For the years that ended on 30 September 2010 and 2009

	Consolidated						Baht'000
	Issued and paid-up share capital	Premium on share capital	Translation adjustments for investments in foreign subsidiaries	Legal reserves	Unappropriated retained earnings	Minority interests	Total
Beginning balance as at 1 October 2008	541,205	6,470,791	(24,536)	39,717	2,261,511	385,254	9,673,942
Issuance of shares	-	-	-	-	-	260,534	260,534
Return of capital investment from a subsidiary	-	-	-	-	-	(18,667)	(18,667)
Net profits for the year	-	-	-	-	714,485	32,893	747,378
Translation adjustments for investments in foreign subsidiaries	-	-	(5,848)	-	-	(674)	(6,522)
Ending balance as at 30 September 2009	541,205	6,470,791	(30,384)	39,717	2,975,996	659,340	10,656,665

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

The accompanying notes are an integral part of these consolidated and company financial statements.

STATEMENTS OF CASH FLOWS

Mermaid Maritime Public Company Limited

For the years that ended on 30 September 2010 and 2009

	Notes	Consolidated 2010 Baht'000	Consolidated 2009 Baht'000	Company 2010 Baht'000	Company 2009 Baht'000
Cash flows from operating activities					
Profits (losses) before income taxes		(263,160)	863,089	(292,775)	(30,559)
Adjustments for:					
Depreciation	11	704,088	554,433	19,947	20,478
Amortisation of intangible assets	12	14,177	7,451	570	3,138
Finance costs		95,890	83,908	1,344	3,169
Net gains on disposals and write-off of property, plant, and equipment and intangible assets		(11,802)	(21,252)	(950)	(1,052)
Net gains on disposals of investments in subsidiaries and associates		(170,657)	-	(346,954)	(4,538)
Impairment losses of investments in a subsidiary	8.1	-	-	241,536	-
Write-off of goodwill		-	1,884	-	-
Realised (gains) losses on exchange rates		86,133	(29,834)	92,209	(14,320)
Unrealised (gains) losses on exchange rates		(6,207)	85,347	367,076	65,762
Employee benefit obligations		78,425	143,472	895	895
Share of (profits) losses of investments in associates	8.2	(19,779)	17,329	-	-
Exchange rates (gains) losses from translation of oversea subsidiaries		(125,385)	26,402	-	-
Changes in operating assets and liabilities (excluding the effects of acquisition and disposal)					
- Trade accounts receivable - others		732,906	429,604	-	-
- Trade accounts receivable - related parties		(56)	39	-	-
- Amounts due from related parties		1,931	12,299	158,276	(205,003)
- Supplies and spare parts		(25,605)	34,575	-	-
- Other current assets		(252,464)	234,748	7,653	5,021
- Deferred expenses		20,037	(84,203)	-	-
- Other non-current assets		9,242	(106,045)	(28)	-
- Trade accounts payable - others		(331,989)	(140,096)	-	-
- Trade accounts payable - related parties		(2,757)	9,958	-	-
- Other accounts payable		215,059	45,498	(870)	673
- Amounts due to related parties		72	(22)	1,878,035	16
- Accrued expenses		61,148	32,178	5,960	205
- Other current liabilities		(30,152)	(149,336)	57	(2,068)
Cash generated from operations		779,095	2,051,426	2,131,981	(158,183)
- Finance costs paid		(93,169)	(83,532)	(1,344)	(3,181)
- Income taxes paid		(110,643)	(108,906)	(2,495)	(4,098)
- Employee benefit paid	16	(121,572)	-	-	-
Net cash inflows (outflows) from operating activities		453,711	1,858,988	2,128,142	(165,462)

The accompanying notes are an integral part of these consolidated and company financial statements.

STATEMENTS OF CASH FLOWS (Cont'd)

Mermaid Maritime Public Company Limited

For the years that ended on 30 September 2010 and 2009

		Consolidated		Company	
		2010	2009	2010	2009
	Notes	Baht'000	Baht'000	Baht'000	Baht'000
Cash flows from investing activities					
Repayment of short-term loans to related parties		-	1,140,394	812,275	1,546,150
Short-term loans provided to related parties		-	-	(3,145,091)	(197,700)
Payments for short-term investments	6	(1,307,063)	(359,719)	(1,307,063)	(359,719)
Proceeds from short-term investments	6	993,595	-	993,595	-
Payments for investments in subsidiaries and associates		(492,348)	(87,296)	(410,000)	(1,708,191)
Net proceeds from disposals of investments in subsidiaries		2,135,050	-	-	-
Net proceeds from disposals of investments in associates		743,781	-	743,370	-
Payments for other long-term investments	9	-	(77,697)	-	-
Proceeds from return of capital investment from a liquidated subsidiary		-	-	-	18,857
Proceeds from disposals of property, plant and equipment and intangible assets		80,392	32,303	1,139	2,142
Purchases of property and equipment		(6,014,617)	(3,583,651)	(4,316)	(2,778)
Purchases of intangible assets		(13,623)	(8,347)	-	-
Net cash outflows from investing activities		(3,874,833)	(2,944,013)	(2,316,091)	(701,239)
Cash flows from financing activities					
Repayments of finance lease liabilities		(2,879)	(4,076)	(774)	(1,730)
Proceeds from long-term loans from financial institutions	15	2,824,193	1,361,976	-	-
Repayments of long-term loans from financial institutions	15	(509,088)	(756,167)	(24,800)	(24,800)
Payments for capital investments to minorities		-	(18,667)	-	-
Proceeds from issuance of share capital	17	243,543	-	243,543	-
Net proceeds from share premium	17	3,347,629	-	3,347,629	-
Proceeds from issuance of share capital received from minorities		-	260,534	-	-
Net cash inflows (outflows) from financing activities		5,903,398	843,600	3,565,598	(26,530)

The accompanying notes are an integral part of these consolidated and company financial statements.

STATEMENTS OF CASH FLOWS (Cont'd)

Mermaid Maritime Public Company Limited

For the years that ended on 30 September 2010 and 2009

		Consolidated		Company	
		2010	2009	2010	2009
	Note	Baht'000	Baht'000	Baht'000	Baht'000
Net increase (decrease) in cash and cash equivalents		2,482,276	(241,425)	3,377,649	(893,231)
Cash and cash equivalents at the beginning of the year	5	1,450,525	1,726,430	224,140	1,141,842
Effects of exchange rates		(189,863)	(34,480)	(226,031)	(24,471)
Cash and cash equivalents at the end of the year	5	3,742,938	1,450,525	3,375,758	224,140

Non-cash transactions

During the years that ended on 30 September 2010 and 2009, the following significant non-cash transactions occurred:

Unpaid liabilities for purchases of vessels and equipment	37,832	695,583	-	-

The accompanying notes are an integral part of these consolidated and company financial statements.

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

Mermaid Maritime Public Company Limited

For the years that ended on 30 September 2010 and 2009

1 General information

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

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

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

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

The Board of Directors approved the issue of the audited consolidated and Company financial statements on 24 November 2010.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

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

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

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

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

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

2 Summary of significant accounting policies (Cont'd)

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

a) Accounting framework

The amendments of accounting framework are effective on 26 May 2010.

b) New accounting standards, new financial reporting standards, and amendments to accounting standards

The following new accounting standards, new financial reporting standards, and amendments to accounting standards are mandatory for the accounting periods beginning on or after 1 January 2011 and 1 January 2013, but the Group has not early adopted them:

Effective for the period beginning on or after 1 January 2011

TAS 1	(Revised 2009)	Presentation of Financial Statements
TAS 2	(Revised 2009)	Inventories
TAS 7	(Revised 2009)	Statement of Cash Flows
TAS 8	(Revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10	(Revised 2009)	Events after the Reporting Period
TAS 11	(Revised 2009)	Construction Contracts
TAS 17	(Revised 2009)	Leases
TAS 23	(Revised 2009)	Borrowing Costs
TAS 24	(Revised 2009)	Related Party Disclosures
TAS 27	(Revised 2009)	Consolidated and Separate Financial Statements
TAS 28	(Revised 2009)	Investments in Associates
TAS 29		Financial Reporting in Hyperinflationary Economies
TAS 31	(Revised 2009)	Interests in Joint Ventures
TAS 33	(Revised 2009)	Earnings per Share
TAS 34	(Revised 2009)	Interim Financial Reporting
TAS 36	(Revised 2009)	Impairment of Assets
TAS 37	(Revised 2009)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38	(Revised 2009)	Intangible Assets
TAS 40	(Revised 2009)	Investment Property
TFRS 3	(Revised 2009)	Business Combinations
TFRS 5	(Revised 2009)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6		Exploration for and Evaluation of Mineral Resources

Effective for the period beginning on or after 1 January 2013

TAS 12		Income taxes
TAS 20	(Revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance

The Group's management has determined that the new accounting standards, new financial reporting standards, and amendments to accounting standards will not significantly impact the financial statements being presented.

2 Summary of significant accounting policies (Cont'd)

2.3 Critical accounting estimates, assumptions, and judgments

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

2.3.1 Property, plant, and equipment and intangible assets

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

2.3.2 Deferred income taxes

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

2.3.3 Impairment of goodwill

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

2.4 Accounting policies

2.4.1 Investments in subsidiaries and associates

(a) Investments in subsidiaries

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

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

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

A list of the Group's principal subsidiaries and the effect of acquisitions and disposals of subsidiaries are shown in Note 8.

2 Summary of significant accounting policies (Cont'd)

2.4 Accounting policies (Cont'd)

2.4.1 Investments in subsidiaries and associates (Cont'd)

(b) Investments in associates

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

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

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

A list of the Group's principal associates and the effects of acquisitions and disposals of associates are shown in Note 8.

2.4.2 Foreign currencies translation

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

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

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

2.4.3 Cash and cash equivalents

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

2.4.4 Trade accounts receivable

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

2 Summary of significant accounting policies (Cont'd)

2.4 Accounting policies (Cont'd)

2.4.5 Supplies and spare parts

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

2.4.6 Other investments

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

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

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

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

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

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

2.4.7 Property, plant, and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is unrecognised. All other repair and maintenance costs 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
New build support vessels	5 to 30 years
Second-hand support vessels	5 to 16 years
Second-hand tender rigs	1 to 20 years
Motor launches	10 years
Tools and equipment	3 to 10 years
Office equipment	5 years
Motor vehicles	5 years

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

2 Summary of significant accounting policies (Cont'd)

2.4 Accounting policies (Cont'd)

2.4.7 Property, plant, and equipment (Cont'd)

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

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

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

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

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

2.4.8 Goodwill

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

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

Goodwill is allocated to forecast future cash-generating units and is not amortised but is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired.

2.4.9 Intangible assets

Computer software

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

2 Summary of significant accounting policies (Cont'd)

2.4 Accounting policies (Cont'd)

2.4.10 Accounting for long-term leases

Where the Group is the lessee

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

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

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

Where the Group is the lessor

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

2.4.11 Provisions

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

2.4.12 Share capital

Ordinary shares are classified as equity.

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

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

2 Summary of significant accounting policies (Cont'd)

2.4 Accounting policies (Cont'd)

2.4.13 Revenue recognition

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

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

(a) Rendering of services

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

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

(b) Interest income

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

(c) Dividend income

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

(d) Rental income

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

2.4.14 Dividend distribution

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

2 Summary of significant accounting policies (Cont'd)

2.4 Accounting policies (Cont'd)

2.4.15 Financial instruments

The Group is party to derivative financial instruments, which mainly comprise foreign currency forward contracts and interest rate swap agreements. Such instruments are not recognised in the financial statements on inception.

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

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

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

2.4.16 Current and deferred income taxes

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

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

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

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

2 Summary of significant accounting policies (Cont'd)

2.4 Accounting policies (Cont'd)

2.4.17 Employee benefits

(a) Provident fund

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

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

(b) Retirement benefits

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

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

(c) Retention incentives

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

2.4.18 Segment reporting

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

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

2 Summary of significant accounting policies (Cont'd)

2.4 Accounting policies (Cont'd)

2.4.19 Related parties

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

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

3 Capital risk management

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

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

4 Business segment information

The segment results are as follows:

	Consolidated					Baht'000
	For the year that ended 30 September 2010					
	Subsea services	Drilling services	Training services	Survey services	Holding	Group
Total service income	2,321,566	1,076,298	22,488	633,911	-	4,054,263
Inter-segment service income	(244,154)	-	(55)	(333,689)	-	(577,898)
Service income	2,077,412	1,076,298	22,433	300,222	-	3,476,365
Operating profits (losses)	(280,440)	(16,898)	14,153	6,448	89,688	(187,049)
Finance costs						(95,890)
Income taxes						(193,324)
Share of profits from associates						19,779
Net losses for the year						(456,484)

	Consolidated					Baht'000
	As at 30 September 2010					
	Subsea services	Drilling services	Training services	Survey services	Holding	Group
Property, plant, equipment, and intangible assets	9,975,930	1,775,200	5,478	71,738	173,834	12,002,180
Total assets						17,839,301

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

The segment results are as follows: (Cont'd)

	Consolidated					Baht'000
	For the year that ended 30 September 2009					
	Subsea services	Drilling services	Training services	Survey services	Holding	Group
Total service income	2,797,731	2,213,027	36,485	518,750	-	5,565,993
Inter-segment service income	(15,704)	-	(540)	(339,880)	-	(356,124)
Service income	2,782,027	2,213,027	35,945	178,870	-	5,209,869
Operating profits (losses)	201,416	812,726	5,536	40,789	(96,141)	964,326
Finance costs						(83,908)
Income taxes						(115,711)
Share of losses from associates						(17,329)
Net profits for the year						747,378

	Consolidated					Baht'000
	As at 30 September 2009					
	Subsea services	Drilling services	Training services	Survey services	Holding	Group
Property, plant, equipment, and intangible assets	4,931,786	5,119,778	7,407	67,866	190,223	10,317,060
Total assets						14,555,508

5 Cash and cash equivalents

Cash and cash equivalents comprise:

	Consolidated		Company	
	2010 Baht'000	2009 Baht'000	2010 Baht'000	2009 Baht'000
Cash on hand	4,640	7,677	50	46
Cash at banks	3,738,298	1,442,848	3,375,708	224,094
Total cash and cash equivalents	3,742,938	1,450,525	3,375,758	224,140

6 Short-term investments

	Consolidated		Company	
	2010 Baht'000	2009 Baht'000	2010 Baht'000	2009 Baht'000
Fixed deposits	606,325	334,217	606,325	334,217

Short-term investments represent the fixed deposits for twelve-month periods with two financial institutions which carry interest at a fixed rate per annum.

The movement of short-term investments during the years is as follows:

	Consolidated		Company	
	2010 Baht'000	2009 Baht'000	2010 Baht'000	2009 Baht'000
Opening balance	334,217	-	334,217	-
Payment for short-term investments	1,307,063	359,719	1,307,063	359,719
Proceed from short-term investments	(993,595)	-	(993,595)	-
Unrealised loss from exchange rate	(41,360)	(25,502)	(41,360)	(25,502)
Closing net book amount	606,325	334,217	606,325	334,217

7 Trade accounts receivable - others, net

Trade accounts receivable - others, comprise:

	Consolidated		Company	
	2010 Baht'000	2009 Baht'000	2010 Baht'000	2009 Baht'000
Trade accounts receivable - others	590,819	989,442	-	-
Accrued income	108,772	51,425	-	-
	699,591	1,040,867	-	-
Less Allowance for doubtful accounts	(83,268)	(4,179)	-	-
Trade accounts receivable - others, net	616,323	1,036,688	-	-

7 Trade accounts receivable - others, net (Cont'd)

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

	Consolidated		Company	
	2010 Baht'000	2009 Baht'000	2010 Baht'000	2009 Baht'000
Trade accounts receivable under credit terms	485,464	414,462	-	-
Aging of trade accounts receivable past due:				
Less than 3 months	55,018	525,063	-	-
Overdue 3 to 6 months	9,006	97,021	-	-
Overdue 6 to 12 months	19,488	142	-	-
Overdue 12 months	130,615	4,179	-	-
	699,591	1,040,867	-	-
Less Allowance for doubtful accounts	(83,268)	(4,179)	-	-
Trade accounts receivable - other, net	616,323	1,036,688	-	-

8 Investments in subsidiaries and associates

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

Name	Classification	Country of incorporation	Percentage of holding As at 30 September 2010	2009
Mermaid Offshore Services Ltd., which has nine subsidiaries as follows:	Subsidiary	Thailand	100.0	100.0
Nemo Subsea AS	Subsidiary	Norway	100.0	-
Nemo Subsea IS	Subsidiary	Norway	97.0[1]	20.5
Seascape Surveys (Thailand) Ltd.	Subsidiary	Thailand	80.0	80.0
Seascape Surveys Pte. Ltd., which has two subsidiaries as follows:	Subsidiary	Singapore	80.0	80.0
PT Seascape Surveys Indonesia	Subsidiary	Indonesia	97.0	97.0
Seascape Inspection Services Pte. Ltd.*	Subsidiary	Singapore	-	100.0
Subtech Ltd., which has one subsidiary as follows:	Subsidiary	Seychelles	100.0	-
Subtech Qatar Diving and Marine Services LLC	Subsidiary	Qatar	97.0	-
Mermaid Offshore Services Pty. Ltd.	Subsidiary	Australia	100.0	-
Mermaid Drilling Ltd., which has four subsidiaries as follows:	Subsidiary	Thailand	95.0	95.0
MTR-1 Ltd.	Subsidiary	Thailand	100.0	100.0
MTR-2 Ltd.	Subsidiary	Thailand	100.0	100.0
Mermaid Drilling (Malaysia) Sdn. Bhd.	Subsidiary	Malaysia	100.0	100.0
MTR-1 (Singapore) Ltd. [2]	Subsidiary	Singapore	100.0	100.0
Mermaid Training and Technical Services Ltd.	Subsidiary	Thailand	100.0	100.0
Mermaid Drilling (Singapore) Pte. Ltd., which has one associate and three subsidiaries as follows:	Subsidiary	Singapore	100.0	100.0
Kencana Mermaid Drilling Sdn. Bhd.	Associate	Malaysia	-	40.0
Mermaid Kencana Rig 1 Pte. Ltd.	Subsidiary	Singapore	-	75.0
MTR-3 (Singapore) Ltd. **	Subsidiary	Singapore	100.0	100.0
Mermaid Kencana Rigs (Labuan) Pte. Ltd.	Subsidiary	Malaysia	-	75.0
MTR-2 (Singapore) Ltd. [2]	Subsidiary	Singapore	100.0	100.0
Worldclass Inspiration Sdn. Bhd. [3], which has a subsidiary as follows:	Associate	Malaysia	-	25.0
Allied Marine & Equipment Sdn. Bhd., which has four subsidiaries as follows:	Associate	Malaysia	-	90.0
AME Marine Services Sdn. Bhd.	Associate	Malaysia	-	100.0
Maju Hydro Sdn. Bhd.	Associate	Malaysia	-	100.0
Allied Marine Robitics Sdn. Bhd.	Associate	Malaysia	-	100.0
Allied Support Corporation	Associate	Malaysia	-	100.0

(1) Investment portion of 97.0% represents Mermaid Offshore Services Ltd.'s direct ownership of Nemo Subsea IS. Another 3.0% of Nemo Subsea IS is owned by Nemo Subsea AS.

(2) On 1 April 2010, Mermaid Drilling (Singapore) Pte. Ltd., a subsidiary, entered into Share Sale and Purchase Agreements with the Company to sell and transfer one ordinary share each of MTR-1 (Singapore) Ltd ("MTR1-S"). and MTR-2 (Singapore) Ltd.("MTR2-S"), and on 22 September 2010, the Company entered into Share Sale and Purchase Agreements with Mermaid Drilling Ltd. to sell and transfer shares of MTR1-S as described in Note 8.1.

(3) On 10 June 2010, the Company acquired ordinary shares in Worldclass Inspiration Sdn. Bhd. from Mermaid Offshore Services Ltd., and on 9 July 2010, the shares were subsequently sold to a third party, as described in Note 8.2.

* The liquidation was completed on 14 July 2010.

** Formerly named Mermaid Kencana Rig 2 Pte. Ltd.

8.1 Investments in subsidiaries

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

	Company	
	2010 Baht'000	2009 Baht'000
Opening balance	5,237,264	3,543,392
Additional investments in subsidiaries	-	1,708,191
Gain on disposal of investment in a subsidiary	-	4,538
Return of capital investment from a liquidated subsidiary	-	(18,857)
Ending balance	5,237,264	5,237,264
Less Allowance for impairment loss of investments in a subsidiary	(241,536) [4]	-
Closing net book amount	4,995,728	5,237,264

[4] The impairment loss of investments in a subsidiary was due to the fact that subsidiary sold its whole investments in subsidiaries and an associate to a third party and resulted in losses on disposals.

Mermaid Maritime Public Company Limited ("the Company")

During the year that ended on 30 September 2010, the Company had additional investments in subsidiaries as follows:

MTR-1 (Singapore) Ltd. ("MTR1-S") and MTR-2 (Singapore) Ltd. ("MTR2-S")

On 1 April 2010, the Company entered into Share Sale and Purchase Agreements with Mermaid Drilling (Singapore) Pte. Ltd., a subsidiary, to buy MTR1-S and MTR2-S and on 22 September 2010, the Company subsequently has entered into Share Sale and Purchase Agreement with Mermaid Drilling Ltd., a subsidiary, to sell MTR1-S as follows:

- On 1 April 2010, the Company purchased of 1 share with a par value of USD 1 constituting 100% of the total issued and paid-up share capital of MTR1-S and MTR2-S. The total purchase value was USD 2 for MTR1-S and MTR2-S.
- On 22 September 2010, the Company sold of 1 share with a par value of USD 1 constituting 100% of the total issued and paid-up share capital of MTR1-S. The total purchase value was USD 1.

8 Investments in subsidiaries and associates (Cont'd)

8.1 Investments in subsidiaries (Cont'd)

Mermaid Offshore Services Ltd. ("MOS")

During the year that ended on 30 September 2010, MOS, a subsidiary, had additional investments in subsidiaries as follows:

Nemo Subsea AS and Nemo Subsea IS

On 26 October 2009, MOS entered into Sale and Purchase Agreements with the shareholders of Nemo Subsea IS and Nemo Subsea AS for the purchase of the shares as follows:

- Purchase of 76.5 shares representing 76.50% of the total shares in Nemo Subsea IS. The total purchase value was Baht 362.4 million (or USD 10.8 million);
- Purchase of 1,000 shares representing 100% of the total shares in Nemo Subsea AS which owns 3 shares representing 3.00% of the total shares in Nemo Subsea IS. The total purchase value was Baht 14.2 million (or USD 0.4 million).

Nemo Subsea AS is a Norwegian private limited company whose sole purpose is to act as legal owner of the M.V. "Mermaid Asiana" for the benefit of Nemo Subsea IS, a Norwegian partnership. The vessel was completed and delivered on 29 January 2010. Upon delivery, the vessel was originally planned to commence a time charter with MOS through, firstly, a bareboat charter from Nemo Subsea AS to the service provider who shall be responsible to operate the vessel, and secondly a time charter of the vessel from such service provider to MOS. In parallel with negotiations leading up to the execution of the transactions, MOS concluded an agreement with the service provider and Nemo Subsea AS to terminate the time charter with such service provider as described in note 25 (b) "Vessel Charter Contract" and for MOS to directly bareboat charter the vessel from Nemo Subsea AS. This will, among other things, allow MOS to directly operate the vessel.

Details of the acquisition are as follows:

As at 26 October 2009[a]	**Baht'000**
Purchase consideration	451,076
Fair value of net assets acquired	(451,076)
Goodwill	-
Cash paid for the acquisition of investment	451,076
Less Reclassification from other long-term investments (Note 9)	(77,697)
Cash and cash equivalents of the invested company	(7,742)
Cash outflows on the acquisition, net of cash and cash equivalents acquired	365,637

[a] The carrying amount of assets and liabilities was based on 31 October 2009, which was the nearest accounting period date, to the acquisition date (26 October 2009).

8 Investments in subsidiaries and associates (Cont'd)

8.1 Investments in subsidiaries (Cont'd)

Mermaid Offshore Services Ltd. ("MOS") (Cont'd)

Nemo Subsea AS and Nemo Subsea IS (Cont'd)

The fair value at 100% interest of assets and liabilities acquired in Nemo Subsea AS and Nemo Subsea IS is as follows:

	Baht'000
Cash and cash equivalents	7,742
Vessel under construction	609,903
Other current assets	539
Deferred expenses	23,632
Long-term loans from financial institutions	(190,438)
Other liabilities	(302)
Fair value of net assets	451,076
Interest acquired	100%
Fair value of net assets acquired	451,076

Subtech Ltd. and Subtech Qatar Diving and Marine Services LLC

On 12 March 2010, MOS purchased from Subtech (Proprietary) Ltd. the entire issued shares of Subtech Ltd. for USD 7,500,000. The consideration was arrived based on negotiations on a willing-buyer, willing-seller basis with regard to current market conditions and is within fair value as assessed by MOS taking into relevant consideration of its own business and technical due diligence and professional third party legal and financial due diligence of Subtech Ltd. and Subtech Qatar Diving and Marine Services LLC ("Subtech Qatar"), its subsidiary.

As at 30 September 2010, MOS has fully paid to the seller USD 7,500,000.

Subtech Ltd. is a company incorporated in Seychelles. Its principal investment is a 97% beneficial interest in Subtech Qatar. Subtech Qatar is an IMCA diving and sub-sea contractor incorporated and based in Qatar. Its services are mainly provided in the Middle East and Persian Gulf region.

Details of the acquisition are as follows:

As at 12 March 2010[b]	**Baht'000**
Purchase consideration	248,578
Fair value of net assets acquired	(182,609)
Goodwill	65,969
Cash paid for the acquisition of investment	248,578
Less Account payable for investment in a subsidiary	(19,212)
Cash and cash equivalents of the invested company	(102,655)
Cash outflows on the acquisition, net of cash and cash equivalents acquired	126,711

[b] The carrying amount of assets and liabilities was based on 28 February 2010, which was the nearest accounting period date, to the acquisition date (12 March 2010).

8 Investments in subsidiaries and associates (Cont'd)

8.1 Investments in subsidiaries (Cont'd)

Mermaid Offshore Services Ltd. ("MOS") (Cont'd)

Subtech Ltd. and Subtech Qatar Diving and Marine Services LLC (Cont'd)

The fair value at 100% interest of assets and liabilities acquired in Subtech Ltd. and Subtech Qatar Diving and Marine Services LLC is as follows:

	Baht'000
Cash and cash equivalents	102,655
Accounts receivable, net	349,978
Equipment, net	78,307
Intangible assets, net	1,110
Other current assets	5,055
Accounts payable	(319,638)
Other liabilities	(34,858)
Fair value of net assets	182,609
Interest acquired	100%
Fair value of net assets acquired	182,609

Mermaid Offshore Services Pty. Ltd.

On 30 August 2010, MOS registered a subsidiary in Australia, namely Mermaid Offshore Services Pty. Ltd., with paid-up capital of AUD 1,000. As at 30 September 2010, the subsidiary has not commenced operation.

Mermaid Drilling (Singapore) Pte. Ltd. ("MDS")

During the year that ended on 30 September 2010, MDS, a subsidiary, sold its investments in an associate and subsidiaries as follows:

- Kencana Mermaid Drilling Sdn. Bhd. (an associate) ("KMD")
- Mermaid Kencana Rig 1 Pte. Ltd. (a subsidiary) ("MKR-1")
- Mermaid Kencana Rigs (Labuan) Pte. Ltd. (a subsidiary) ("MKR-L")

MDS entered into three separate Sale and Purchase Agreements dated 21 June 2010 for the 'en bloc' sale of its entire shareholdings (collectively, "Proposed Transaction") in MKR-1, MKRL, and KMD (collectively, "Target Companies"). The disposal of its entire shareholdings in the Target Companies collectively constitutes the disposal of the Group's investments in the "KM-1" tender rig project.

MKR-1 and MKRL are 75% owned subsidiaries of MDS, and KMD is a 40% owned associate company of MDS. Upon completion of the Proposed Transaction, MKR-1 and MKRL will cease to be subsidiaries of MDS, and KMD will cease to be an associate company of MDS.

8 Investments in subsidiaries and associates (Cont'd)

8.1 Investments in subsidiaries (Cont'd)

Mermaid Drilling (Singapore) Pte. Ltd. ("MDS") (Cont'd)

The aggregate value of the consideration for the Target Companies is USD 43,650,000 ("Sales consideration").

The amount of loss from the Proposed Transaction is approximately USD 7,350,000. The receipt of the Sales consideration and the inter - company loan settlement can be subsequently utilised by the Company to pursue other business opportunities.

Details of the disposal are as follows:

	Baht'000
Sales consideration as at 21 June 2010	1,415,775
Settlement inter-company loan and other payable	743,387
Loss on exchange rate	(22,907)
Cash and cash equivalents of the deconsolidated	(1,205)
Cash inflows on the disposal, net cash and cash equivalents	2,135,050

As at 21 June 2010, the net book value at 100% interest of assets and liabilities disposed in the above subsidiaries (MKR-1 and MKRL) are as follows:

	MKR-1 Baht'000	MKRL Baht'000	Total Baht'000
Cash and cash equivalents	1,138	67	1,205
Advances to suppliers	258,079	-	258,079
Other current assets	8,391	265	8,656
Deferred assets	40,009	-	40,009
Construction in progress	3,423,453	-	3,423,453
Short-term loans from MDS	(97,332)	-	(97,332)
Other accounts payable	(412,688)	(217)	(412,905)
Amounts due to Mermaid group	(528,432)	(641)	(529,073)
Long-term loans from financial institutions	(517,482)	-	(517,482)
Other liabilities	(10,178)	(161)	(10,339)
Net book value of net assets	2,164,958	(687)	2,164,271

	Baht'000
Cost of investments in share capital	1,736,764
Exchange rate effect on cost of investments in subsidiaries	(82,120)
Cumulative share of losses and translation adjustments of investments in subsidiaries	(62,984)
Net book amount as at 21 June 2010	1,591,660
Sales consideration	1,415,775
Net book amount of investments in subsidiaries	(1,591,660)
Translation adjustments	(3,077)
Losses on disposal of investments in subsidiaries	(178,962)

8 Investments in subsidiaries and associates (Cont'd)

8.2 Investments in associates

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

	Consolidated		Company	
	2010 Baht'000	2009 Baht'000	2010 Baht'000	2009 Baht'000
Opening balance	387,967	405,296	-	-
Additional investments in associates	-	-	410,000	-
Disposal of investments in associates	(407,746)	-	(410,000)	-
Share of profits (losses) of investments in associates	19,779	(17,329)	-	-
Ending balance	-	387,967	-	-

Worldclass Inspiration Sdn. Bhd. ("WCI")

On 10 June 2010, the Company acquired 9,007,407 ordinary shares in WCI from MOS with a par value of RM 1 per share, at a subscription price of RM 4.6 per share, totalling RM 41.7 million, or equivalent to Baht 410 million. The subscribed shares represent 25% of the total paid-up share capital of WCI. On 9 July 2010, the Company subsequently sold its entire investment in WCI to a third party.

Details of the disposal are as follows:

	Consolidated Baht'000	Company Baht'000
Sales consideration as at 9 July 2010	757,324	757,324
Settlement of inter-company other payable	(370)	(370)
Loss on exchange rate	(13,584)	(13,584)
Proceeds from disposals of investments in an associate	743,370	743,370
Cost of investments at the acquisition date	372,756	410,000
Cumulative shares of gains of investments in an associate	34,990	-
Net book amount as at 9 July 2010	407,746	410,000
Sales consideration	757,324	757,324
Settlement of inter-company other payable	(370)	(370)
Net book amount of investments in an associate	(407,746)	(410,000)
Gains on disposal of investments in an associate	349,208	346,954

8 Investments in subsidiaries and associates (Cont'd)

8.2 Investments in associates (Cont'd)

Kencana Mermaid Drilling Sdn. Bhd. ("KMD")

On 21 June 2010, MDS, a subsidiary, sold its entire investment in KMD to a third party. The net book amount of this investment at the disposed date was nil.

Details of the disposal are as follows:

	Baht'000
Sales consideration as at 21 June 2010	406
Gain on exchange rate	5
Proceeds from disposals of investments in an associate	411

	Baht'000
Cost of investments in share capital	408
Exchange rate effect on cost of investments in an associate	(19)
Cumulative shares of losses of investments in an associate	(389)
Net book amount as at 21 June 2010	-
Sales consideration	406
Net book amount of investments in an associate	-
Translation adjustments	5
Gains on disposal of investments in an associate	411

9 Other long-term investments

Other long-term investments are investments in other companies.

For the year that ended on 30 September 2010	Consolidated Baht'000
Opening net book amount	77,697
Reclassification to investment in a subsidiary (Note 8.1)	(77,697)
Closing net book amount	-

Prior to 26 October 2009, MOS invested in ordinary shares representing 20.5% of the total shares in Nemo Subsea IS for Baht 77.7 million. On 26 October 2009, MOS made additional investments in Nemo Subsea IS as mentioned in Note 8.1. Therefore, other long-term investments were reclassified to be an investment in a subsidiary from that date.

10 Other current assets

Other current assets comprise:

	Consolidated		Company	
	2010 Baht'000	2009 Baht'000	2010 Baht'000	2009 Baht'000
Value added taxes refundable	16,702	22,111	-	5,236
Prepaid expenses	37,981	23,675	1,133	1,331
Advances to employees	8,375	5,872	18	569
Advances for business expenses	24,417	49,938	-	-
Prepaid withholding taxes	13,617	18,103	6,593	7,142
Deferred mobilisation cost	9,589	10,639	-	-
Accrued interest income	2,757	273	2,757	273
Suspense input taxes	6,058	5,280	185	162
Other current assets	8,852	1,123	210	1,341
	128,348	137,014	10,896	16,054

11 Property, plant and equipment, net

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

	Consolidated										Baht'000
	Land	Buildings	Building improvement	Tools and equipment	Office equipment	Motor vehicles	Offshore support vessels, and tender rigs	Dry-docking	Motor launches	Construction in process	Total
At 30 September 2009											
Cost	35,136	189,114	19,917	1,663,439	56,704	22,819	4,041,341	450,189	298	5,926,635	12,405,592
Less Accumulated depreciation	-	(47,636)	(12,832)	(340,821)	(39,893)	(12,261)	(1,466,993)	(183,900)	(297)	-	(2,104,633)
Net book amount	35,136	141,478	7,085	1,322,618	16,811	10,558	2,574,348	266,289	1	5,926,635	10,300,959
For the year that ended on 30 September 2010											
Opening net book amount	35,136	141,478	7,085	1,322,618	16,811	10,558	2,574,348	266,289	1	5,926,635	10,300,959
Additions	-	-	4,239	81,224	4,510	7,656	976,252	39,194	-	4,244,510	5,357,585
Increased from investments in subsidiaries	-	-	982	72,479	2,118	1,995	610,635	-	-	-	688,209
Deconsolidated due to disposals of investments in subsidiaries	-	-	-	-	-	-	-	-	-	(3,423,453)	(3,423,453)
Transferred in (out)	-	-	-	389,281	38	-	6,239,152	-	-	(6,628,471)	-
Disposals	-	-	(76)	(3,064)	(447)	(991)	(72,550)	-	-	-	(77,128)
Write-off	-	-	-	(4,681)	(516)	-	(1,108)	-	-	(2,044)	(8,349)
Depreciation charge	-	(11,655)	(5,016)	(199,453)	(6,146)	(4,802)	(385,348)	(91,668)	-	-	(704,088)
Translation adjustments	-	-	(158)	(5,672)	(305)	(355)	(35,578)	-	-	(106,412)	(148,480)
Closing net book amount	35,136	129,823	7,056	1,652,732	16,063	14,061	9,905,803	213,815	1	10,765	11,985,255
At 30 September 2010											
Cost	35,136	189,114	24,653	2,193,548	60,884	28,453	11,673,829	489,383	298	10,765	14,706,063
Less Accumulated depreciation	-	(59,291)	(17,597)	(540,816)	(44,821)	(14,392)	(1,768,026)	(275,568)	(297)	-	(2,720,808)
Net book amount	35,136	129,823	7,056	1,652,732	16,063	14,061	9,905,803	213,815	1	10,765	11,985,255

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

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

	Company						Baht'000
	Land	Buildings	Building improvement	Tools and equipment	Office equipment	Motor vehicles	Total
At 30 September 2009							
Cost	35,136	189,115	16,257	295	32,814	5,285	278,902
Less Accumulated depreciation	-	(47,637)	(11,288)	(210)	(26,331)	(4,172)	(89,638)
Net book amount	35,136	141,478	4,969	85	6,483	1,113	189,264
For the year that ended on 30 September 2010							
Opening net book amount	35,136	141,478	4,969	85	6,483	1,113	189,264
Additions	-	-	69	202	2,367	1,678	4,316
Disposals	-	-	-	-	(32)	(120)	(152)
Write-off	-	-	-	-	(37)	-	(37)
Depreciation charge	-	(11,655)	(3,013)	(69)	(4,137)	(1,073)	(19,947)
Closing net book amount	35,136	129,823	2,025	218	4,644	1,598	173,444
At 30 September 2010							
Cost	35,136	189,115	16,326	497	34,898	4,035	280,007
Less Accumulated depreciation	-	(59,292)	(14,301)	(279)	(30,254)	(2,437)	(106,563)
Net book amount	35,136	129,823	2,025	218	4,644	1,598	173,444

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

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

As at 30 September 2010, there are land and buildings, one saturation diving system, three remotely operated vehicles, two vessels, and two tender rigs that are mortgaged with various banks as collateral for their overdrafts, loans facilities and the maximum aggregate amount of the swap exposure. These assets are mortgaged at a total value of Baht 2,746 million and USD 115.5 million (30 September 2009: Baht 2,606 million in respect of land and building, one saturation diving system, one remotely operated vehicles, and two tender rigs).

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

	Consolidated		Company	
	2010 Baht'000	2009 Baht'000	2010 Baht'000	2009 Baht'000
Depreciation charged to				
- Cost of services	676,400	519,704	-	-
- Administrative expenses	27,688	34,729	19,947	20,478
	704,088	554,433	19,947	20,478

12 Intangible assets, net

Computer software	Consolidated Baht'000	Company Baht'000
At 30 September 2009		
Cost	45,452	24,606
Less Accumulated amortisation	(29,351)	(23,647)
Net book amount	16,101	959
For the year that ended on 30 September 2010		
Opening net book amount	16,101	959
Additions	13,623	-
Increased from investments in subsidiaries	1,110	-
Write-off	(3)	-
Amortisation charge	(14,177)	(570)
Translation adjustments	271	-
Closing net book amount	16,925	389
At 30 September 2010		
Cost	60,586	24,606
Less Accumulated amortisation	(43,661)	(24,217)
Net book amount	16,925	389

13 Deferred tax assets, net

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

	Consolidated		Company	
	2010 Baht'000	2009 Baht'000	2010 Baht'000	2009 Baht'000
Deferred tax assets	128,745	258,336	-	-
Deferred tax liabilities	(15,505)	(29,912)	-	-
Deferred tax assets, net	113,240	228,424	-	-

The amounts shown in the balance sheets include the following:

	Consolidated		Company	
	2010 Baht'000	2009 Baht'000	2010 Baht'000	2009 Baht'000
Deferred tax assets to be recovered more than 12 months	108,900	223,668	-	-
Deferred tax liabilities to be recovered more than 12 months	(15,505)	(29,912)	-	-

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

	Consolidated		Company	
	2010 Baht'000	2009 Baht'000	2010 Baht'000	2009 Baht'000
Opening net book amount	228,424	213,605	-	-
Statements of income (charged)/ credited (Note 20)	(115,184)	14,819	-	-
Closing net book amount	113,240	228,424	-	-

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

Deferred tax assets	Employee benefit obligations Baht'000	Tax loss carry-forwards Baht'000	Depreciation Baht'000	Total Baht'000
At 30 September 2008	857	145,510	67,238	213,605
(Charged)/ credited to 2009 consolidated statement of income	41,692	3,039	-	44,731
At 30 September 2009	42,549	148,549	67,238	258,336
(Charged)/ credited to 2010 consolidated statement of income	(24,781)	(44,628)	(60,182)	(129,591)
At 30 September 2010	17,768	103,921	7,056	128,745

13 Deferred tax assets, net (Cont'd)

Deferred tax liabilities	Depreciation Baht'000	Total Baht'000
At 30 September 2008	-	-
Charged/(credited) to 2009 consolidated statement of income	(29,912)	(29,912)
At 30 September 2009	(29,912)	(29,912)
Charged/(credited) to 2010 consolidated statement of income	14,407	14,407
At 30 September 2010	(15,505)	(15,505)

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

The Company and certain subsidiaries did not recognise deferred income tax assets of Baht 267.2 million (2009: Baht 104.7 million) in respect of tax loss carry-forwards amounting to Baht 890.5 million (2009: Baht 348.9 million) as management's view is that insufficient taxable income will be available for offset in the foreseeable future. These tax losses will expire in 5 years.

14 Other non-current assets

	Consolidated		Company	
	2010 Baht'000	2009 Baht'000	2010 Baht'000	2009 Baht'000
Prepayment	92,468	93,773	-	-
Other deposit	18,675	26,624	597	569
Total	111,143	120,397	597	569

15 Long-term loans from financial institutions

Long-term loans from financial institutions comprise:

	Consolidated		Company	
	2010 Baht'000	2009 Baht'000	2010 Baht'000	2009 Baht'000
Current portion of long-term loans	695,643	466,834	24,800	24,800
Long-term portion of loans	3,624,772	2,073,459	11,200	36,000
Loans from financial institutions	4,320,415	2,540,293	36,000	60,800

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

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

	Consolidated		Company	
	2010 Baht'000	2009 Baht'000	2010 Baht'000	2009 Baht'000
Beginning balance	2,540,293	1,938,427	60,800	85,600
Additions during year	2,824,193	1,361,976	-	-
Increased from investments in subsidiaries	190,438	-	-	-
Repayments during year	(509,088)	(756,167)	(24,800)	(24,800)
Deconsolidated due to disposals of investments in subsidiaries	(517,482)	-	-	-
Realised (gains) losses on exchange rates	(9,030)	13,381	-	-
Unrealised losses on exchange rates	(167,093)	(17,324)	-	-
Translation adjustments	(31,816)	-	-	-
Ending balance	4,320,415	2,540,293	36,000	60,800

As at 30 September 2010 and 2009, maturity of long-term loans from financial institutions is as follows:

	Consolidated		Company	
	2010 Baht'000	2009 Baht'000	2010 Baht'000	2009 Baht'000
Less than 1 year	695,643	466,834	24,800	24,800
1 - 5 years	2,088,724	2,006,227	11,200	36,000
Over 5 years	1,536,048	67,232	-	-
	4,320,415	2,540,293	36,000	60,800

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

	Consolidated		Company	
	2010 Baht'000	2009 Baht'000	2010 Baht'000	2009 Baht'000
Currencies:				
US Dollar	3,338,828	1,606,016	-	-
Thai Baht	981,587	934,277	36,000	60,800
	4,320,415	2,540,293	36,000	60,800

Long-term loans from financial institutions comprise:

Loans for the purchase of support vessels and equipment are granted by commercial banks, and are denominated in Thai Baht and US Dollars, having a total outstanding balance of Baht 945.6 million and USD 91.0 million as at 30 September 2010 (30 September 2009: Baht 873.5 million and USD 24.6 million) with repayment terms within 5 - 10 years. As at 30 September 2010, interest rates on the Thai Baht loans and US Dollar loans are as follows:

- The loan balance of Baht 945.6 million (30 September 2009: Baht 863.5 million): three-month fixed deposit rates plus a certain margin;
- The loan balance of USD 91.0 million (30 September 2009: USD 24.6 million): USD-LIBOR plus a certain margin.
- No loan balance (30 September 2009: Baht 10 million): MLR.

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

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

Loans for the purchase of tender rigs are granted by a local commercial bank and are denominated in US Dollars with a total outstanding balance of USD 18.5 million as at 30 September 2010 (30 September 2009: USD 23.1 million) with repayment terms within 9 years. These loans bear interest at the rate of USD-LIBOR plus a certain margin, are secured by mortgages of the tender rigs as mentioned in Note 11.1, and guaranteed by the Company and two subsidiaries.

Loans for the purchase of land and construction of buildings are granted by a local commercial bank and are denominated in Thai Baht with a total outstanding balance of Baht 36.0 million as at of 30 September 2010 (30 September 2009: Baht 60.8 million) with repayment term of 6.5 years. The loan is secured by mortgages of the Company's land and buildings as mentioned in Note 11.1. This loan bears interest at the three-month fixed deposit rates plus a certain margin.

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

Borrowing facilities

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

	30 September 2010			
	Consolidated		Company	
	Baht Million	USD Million	Baht Million	USD Million
Floating interest rate				
- expiring within one year	-	63	-	-

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

As at 30 September 2010, the Company in its capacity as a guarantor for loans undertaken by subsidiaries and a subsidiary as a borrower had breached two loan covenants. The Company's management had commenced discussions with the relevant banks and the status of discussions is being finalised. The Company's management is of the opinion that the outcome will not result in a material adverse effect.

16 Employee benefit obligations

Employee benefit obligations comprise:

	Consolidated		Company	
	2010 Baht'000	2009 Baht'000	2010 Baht'000	2009 Baht'000
Current portion of employee benefits	66,151	115,560	-	-
Long-term portion of employee benefits	27,047	33,285	3,855	2,960
Employee benefit obligations	93,198	148,845	3,855	2,960

	Consolidated		Company	
	2010 Baht'000	2009 Baht'000	2010 Baht'000	2009 Baht'000
Balance sheet obligations for:				
Retirement benefits	17,115	11,151	3,855	2,960
Retention incentives	76,083	137,694	-	-
	93,198	148,845	3,855	2,960

(a) Retirement benefits

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

	Consolidated		Company	
	2010 Baht'000	2009 Baht'000	2010 Baht'000	2009 Baht'000
Present value of obligations	17,748	11,784	3,869	2,974
Unrecognised actuarial gains	(633)	(633)	(14)	(14)
Liability in the balance sheets	17,115	11,151	3,855	2,960

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

	Consolidated		Company	
	2010 Baht'000	2009 Baht'000	2010 Baht'000	2009 Baht'000
Beginning of the year	11,784	6,012	2,974	2,079
Current service cost	5,460	5,411	780	780
Interest cost	504	361	100	100
Actuarial losses	-	-	15	15
Ending of the year	17,748	11,784	3,869	2,974

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

	Consolidated		Company	
	2010 Baht'000	2009 Baht'000	2010 Baht'000	2009 Baht'000
Current service cost	5,460	5,411	780	780
Interest cost	504	361	100	100
Amortisation of actuarial (gains) losses	-	6	15	15
Total, included in staff costs	5,964	5,778	895	895

16 Employee benefit obligations (Cont'd)

(a) Retirement benefits (Cont'd)

These amounts are included in administrative expenses.

The principal actuarial assumptions used are as follows:

	Consolidated		Company	
	2010	2009	2010	2009
Discount rate	6.00%	6.00%	6.00%	6.00%
Future salary increase	6.00%	6.00%	6.00%	6.00%
Mortality rate	0.11% - 1.48%	0.11% - 1.48%	0.11% - 1.48%	0.11% - 1.48%
Resignation rate	0.00% - 30.00%	0.00% - 30.00%	0.00% - 30.00%	0.00% - 30.00%

(b) Retention incentives

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

	Consolidated		Company	
	2010 Baht'000	2009 Baht'000	2010 Baht'000	2009 Baht'000
Obligations	76,083	137,694	-	-

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

	Consolidated		Company	
	2010 Baht'000	2009 Baht'000	2010 Baht'000	2009 Baht'000
Beginning of the year	137,694	-	-	-
Current service cost	75,796	111,311	-	-
Paid during the year	(121,572)	-	-	-
Effects from disposal of investments in subsidiaries	(3,335)	-	-	-
Unrealised gain on exchange rate	(12,500)	-	-	-
Capitalisation to equipment	-	26,383	-	-
Ending of the year	76,083	137,694	-	-

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

	Consolidated		Company	
	2010 Baht'000	2009 Baht'000	2010 Baht'000	2009 Baht'000
Current service cost	75,796	111,311	-	-

These amounts are included in cost of services.

17 Share capital and premium on share capital

Share capital, issued and paid-up, comprises:

	Par value Baht	Number of registered ordinary shares Shares'000	Issued and paid-up ordinary shares Shares'000	Share premium Baht'000	Total Baht'000
As at 30 September 2008	1	674,537	541,205	6,470,791	7,011,996
Issued shares	1	3,000	-	-	-
Decrease in number of shares registered	1	(132,634)	-	-	-
As at 30 September 2009	1	544,903	541,205	6,470,791	7,011,996
Issued shares	1	250,894	243,543	3,347,629	3,591,172
Decrease in number of shares registered	1	(5,190)	-	-	-
As at 30 September 2010	1	790,607	784,748	9,818,420	10,603,168

As at 30 September 2010 and 2009, all issued shares are fully paid.

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

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

17.2 On 19 November 2009, the Company received proceeds from the rights issue of Baht 3,696.1 million. The proceeds are split into an increase in share capital of Baht 243.5 million and share premium of Baht 3,452.6 million before deducting expenses relating to the rights issue. The additional paid-up share capital was registered with the Ministry of Commerce on 23 November 2009.

17.3 At the Annual General Meeting of Shareholders No.1/2010 held on 28 January 2010, there were significant matters approved by the shareholders as follows:

- A reduction in the registered share capital of the Company from Baht 788,797,743 to Baht 786,607,343 by means of the cancellation of 2,190,400 ordinary shares with a par value of Baht 1 each that have remained unissued or unallocated under the Employee Stock Option Plans ("ESOP") for 2008 and 2009.
- The issue and offer up to 4,000,000 free warrants to directors and employees of the Company or subsidiaries under ESOP 2010 pursuant to its terms.
- An increase in the registered share capital of the Company from Baht 786,607,343 to Baht 790,607,343 by means of issuance of 4,000,000 new ordinary shares with a par value of Baht 1 each.
- The allocation of 4,000,000 new ordinary shares from the increase in registered share capital for distribution under ESOP 2010.

17 Share capital and premium on share capital (Cont'd)

17.4 The ESOP 2010 was subsequently approved by the Annual General Meeting of Shareholders No. 1/2010 held on 29 January 2010 of Thoresen Thai Agencies Public Company Limited, the parent company, as required by the notification No. Tor Jor 32/2551 of the Securities and Exchange Commission of Thailand.

As at 30 September 2010, the registered share capital of the Company was 790.6 million ordinary shares with a par value of Baht 1 per share and paid-up share capital of the Company was 784.7 million ordinary shares, with a par value of Baht 1 per share (30 September 2009: registered share capital of the Company was 544.9 million ordinary shares with a par value of Baht 1 per share and paid-up share capital of the Company was 541.2 million ordinary shares, with a par value of Baht 1 per share). There remains another 5.9 million unissued ordinary shares (2009: 3.7 million unissued ordinary shares).

18 Legal reserves

	Consolidated		Company	
	2010 Baht'000	2009 Baht'000	2010 Baht'000	2009 Baht'000
As at 1 October	39,717	39,717	39,717	39,717
Allocation during the year	-	-	-	-
As at 30 September	39,717	39,717	39,717	39,717

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

19 Expenses by nature

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

	Consolidated		Company	
	2010 Baht'000	2009 Baht'000	2010 Baht'000	2009 Baht'000
Crew, staff, and subcontractor costs	1,737,176	2,020,859	63,682	47,807
Vessel expenses and repair and maintenance expenses	786,063	750,419	-	-
Charter hire and equipment rental	177,875	490,969	-	-
Depreciation	704,088	554,433	19,947	20,478
Amortisation of intangible assets	14,177	7,451	570	3,138
Office and office equipment rental	11,850	7,206	2,244	2,207
Others	370,418	425,129	34,910	22,249
Total cost of services and administrative expenses	3,801,647	4,256,466	121,353	95,879

20 Income tax expenses

	Consolidated		Company	
	2010 Baht'000	2009 Baht'000	2010 Baht'000	2009 Baht'000
Current taxes	78,140	130,804	-	-
Deferred taxes (Note 13)	115,184	(14,819)	-	-
Exchange rate difference	-	(274)	-	-
Total	193,324	115,711	-	-

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

	Consolidated		Company	
	2010 Baht'000	2009 Baht'000	2010 Baht'000	2009 Baht'000
Profits (losses) before income taxes - accounting	(263,160)	863,089	(292,775)	(30,559)
Tax at the domestic rate of 30%	(78,948)	258,927	(87,833)	(9,168)
Adjustments:				
Income not subject to tax and additional taxable expenses	(205,158)	(286,157)	(36,944)	(18)
Expenses not deductible for tax purpose	33,174	2,246	77,547	178
Utilisation of previously unrecognised tax losses	(13,857)	(79,422)	-	(58,635)
Tax losses for which no deferred income tax assets were recognised	267,153	104,668	47,230	67,643
Tax charges from domestic operations	2,364	262	-	-
Tax charges from overseas operations	75,776	130,542	-	-
Total tax charges	78,140	130,804	-	-
Tax charges	78,140	130,804	-	-
The effect from change of deferred tax assets	115,184	(15,093)	-	-
	193,324	115,711	-	-
The average effective tax rate	73.46%	13.41%	-	-

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

21 Earnings (losses) per share

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

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

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

For the calculation of the diluted earnings (losses) per share, the weighted average number of shares assuming conversion of all dilutive potential ordinary shares as at 30 September 2010 are 749,784,873 shares (as at 30 September 2009: 541,540,797 shares).

	Consolidated		Company	
	2010	2009	2010	2009
Weighted average number of ordinary shares (Shares'000)	749,384	541,205	749,384	541,205
Effect of dilutive potential ordinary shares				
Employee Shares Option Plan (Shares'000)	401	335	401	335
Weighted average number of ordinary shares for diluted earnings (losses) (Shares'000)	749,785	541,540	749,785	541,540
Net profits (losses) for the period attributable to ordinary shareholders (Baht'000)	(456,078)	714,485	(292,775)	(30,559)
Basic and diluted earnings (losses) per share (Baht)	(0.61)	1.32	(0.39)	(0.06)

There is no significant impact from dilutive potential ordinary shares in issue for the years that ended on 30 September 2010 and 2009.

22 Financial instruments

The principal financial risks faced by the Group are exchange rate risk, interest rate risk, and credit risk. Exchange rate risk arises from loans and operation denominated in foreign currencies. Interest rate risk arises from borrowing loans at floating interest rates to finance its investments and operations. Credit risk arises when services are made on deferred credit terms.

(a) Exchange rate and interest rate risks

The exchange rate risk is the principal risk faced by the Group as certain purchases and services are entered in foreign currencies and also interest rate risk which is the risk that future movements in market interest rates will affect the results of the Group's operations and its cash flows. The Group manages these risks as follows:

22 Financial instruments (Cont'd)

Cross currency and interest rate swap contracts

On 29 December 2008, Mermaid Offshore Services Ltd. entered into a cross currency and interest rate swap contract with a local commercial bank for a long term loan in Thai Baht currency with a maturity date of 31 August 2012. As at 30 September 2010, the outstanding loan balance is Baht 174.7 million (30 September 2009: Baht 262.7 million) and the loan has a notional amount of USD 5.0 million (30 September 2009: USD 7.5 million).

On 6 February 2009, Mermaid Offshore Services Ltd. entered into another cross currency and interest rate swap contract with a local commercial bank for a long-term loan facility in Thai Baht currency of Baht 786.2 million. The loan has a notional amount of USD 22.5 million and a maturity date of December 2016. As at 30 September 2010, the loan has been fully drawn down, and the outstanding loan balance is Baht 758.2 million (30 September 2009: Baht 512.6 million) and the loan has a notional amount of USD 21.7 million (30 September 2009: USD 14.7 million).

On 29 December 2009, Nemo Subsea AS, a subsidiary of Mermaid Offshore Services Ltd; entered into an interest rate swap contract with a commercial bank for a long-term loan facility in US Dollar currency of USD 45.9 million. The notional principal amounts of the outstanding interest rate swap contracts at 30 September 2010 were USD 21.4 million and USD 21.4 million with a maturity date of September 2012 and September 2017, respectively.

Net fair values

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

	Consolidated		Company	
	30 September 2010 Baht'000	30 September 2009 Baht'000	30 September 2010 Baht'000	30 September 2009 Baht'000
Favourable cross currency and interest rate swap contract	132,158	21,847	-	-

	Consolidated		Company	
	30 September 2010 USD'000	30 September 2009 USD'000	30 September 2010 USD'000	30 September 2009 USD'000
Unfavourable interest rate swap contract	5,237	-	-	-

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

(b) Credit risk

Management is of the opinion that credit risk is not significant. The Group has not entered into any derivative contracts relating to credit risk.

(c) Fair value

As at 30 September 2010 and 2009, financial assets carried on the consolidated balance sheet include cash and cash equivalents, short-term investments, trade accounts receivable and amounts due from related parties. Financial liabilities carried on the consolidated balance sheet include loans from financial institutions, trade accounts payable, amounts due to related parties, other current liabilities, and finance lease liabilities.

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

23 Promotional privileges

As at 30 September 2010, the Company and five 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, drilling services, trade and investment service office. 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 2010 and 2009, the Group and the Company have outstanding guarantees as follows:

	Consolidated				
	30 September 2010			30 September 2009	
	Baht'000	USD'000	QAR'000	Baht'000	USD'000
Letters of guarantee issued by banks in the normal course of business	15,650	65	14,500	15,897	552
A guarantee for long-term loans of associates to a financial institution	-	-	-	-	28,935

	Company			
	30 September 2010		30 September 2009	
	Baht'000	USD'000	Baht'000	USD'000
Letters of guarantee issued by banks in the normal course of business	400	-	400	-
A guarantee for long-term loans of subsidiaries to a financial institution	945,588	109,472	873,477	47,660

25 Commitments

(a) Capital commitments

	Consolidated		Company	
	30 September 2010 Baht'000	30 September 2009 Baht'000	30 September 2010 Baht'000	30 September 2009 Baht'000
Vessel and rig building contracts				
US Dollar	-	2,020,654	-	-
Norwegian Krone	-	1,815,114	-	-
Euro	-	385,824	-	-
Vessel equipment contracts				
US Dollar	-	30,328	-	-
Singapore Dollar	-	21,888	-	-

(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	
	2010 Baht'000	2009 Baht'000	2010 Baht'000	2009 Baht'000
No later than 1 year	-	349,779	-	-

25 Commitments (Cont'd)

(b) Operating lease commitments - group company as lessee (Cont'd)

Vessel Charter Contract

In May 2007, a subsidiary entered into a long-term charter agreement for a dynamically positioned (Class 2) dive support vessel for a period of ten years with an exclusive option to purchase the vessel, at a fixed price, commencing from the third to the tenth years after the vessel is delivered. As mentioned in Note 8.1, this vessel charter contract with a service provider was terminated as part of the acquisition of Nemo Subsea AS by MOS during the first quarter of the 2010 financial year.

(c) Service Agreements

As at 30 September 2010, the Group has one outstanding drilling service agreement. The remaining agreement period is 6 months.

(d) Other commitments

As at 30 September 2010, the Group has other commitments approximately Baht 62.3 million.

26 Related party transactions

As at 30 September 2010, the Group is controlled by Thoresen Thai Agencies Public Company Limited, which owns 57.14% of the Company's shares (30 September 2009: 57.14%).

Significant related party transactions are as follows:

26.1 Transactions with related parties

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

	For the year that ended on 30 September			
	Consolidated		Company	
	2010 Baht'000	2009 Baht'000	2010 Baht'000	2009 Baht'000
Revenues				
Service income				
Other related parties	644	5,455	-	-
Interest income				
Subsidiaries	-	-	70,808	30,660
An associate	-	8,285	-	-
	-	8,285	70,808	30,660
Management fee income				
Subsidiaries	-	-	93,360	70,320
Rental income				
Subsidiaries	-	-	7,761	8,285
Other related parties	1,674	1,674	1,674	1,674
	1,674	1,674	9,435	9,959

26 Related party transactions (Cont'd)

26.1 Transactions with related parties (Cont'd)

	For the year that ended on 30 September			
	Consolidated		Company	
	2010 Baht'000	2009 Baht'000	2010 Baht'000	2009 Baht'000
Expenses				
Cost of services				
Other related parties	39,097	43,311	-	-
Expenses relating to the Right Issue				
Other related parties	67,322	-	67,322	-

The expenses relating to the rights issue are offset with premium on share capital when presented in the balance sheet.

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

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

26.2 Accounts receivable and payable - related parties

	Consolidated		Company	
	2010 Baht'000	2009 Baht'000	2010 Baht'000	2009 Baht'000
Trade accounts receivable				
Other related parties	169	113	-	-
Amounts due from related parties				
Subsidiaries	-	-	311,776	-
Associates	-	1,928	-	474,020
Other related parties	22	25	22	25
	22	1,953	311,798	474,045
Trade accounts payable				
Associates	-	6,248	-	-
Other related parties	7,201	3,710	-	-
	7,201	9,958	-	-
Amounts due to related parties				
Subsidiaries	-	-	1,790,225	4
Other related parties	101	29	15	29
	101	29	1,790,240	33

26 Related party transactions (Cont'd)

26.3 Short-term loans to related parties

	Interest rate (%)	Consolidated 2010 Baht'000	Consolidated 2009 Baht'000	Company 2010 Baht'000	Company 2009 Baht'000
Subsidiaries					
- Baht	2.75%	-	-	-	200,000
- US Dollar	2.75%	-	-	2,808,167	537,102
		-	-	2,808,167	737,102

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

27 Subsequent events

On 22 October 2010, the Company and Keppel Offshore & Marine Limited's subsidiary, Singapore Keppel FELS Limited ("Keppel"), entered into a Letter of Intent for construction of two (2) newbuild high-specification jack-up rigs with a combined value of about USD 360 million for Asia Offshore Drilling Limited ("AOD"). The value of the first two jack-up rigs is estimated to be about USD 180 million each and the total estimated value of two jack-up rigs, including options for another two units, if exercised, is expected to be above USD 700 million.

AOD retained RS Platou Markets as Manager and Bookrunner to advise on and effect a private placement in AOD of new shares directed towards Norwegian investors and international institutional investors (the "Private Placement").

The Private Placement was successful and remains subject to a number of conditions precedent, including: (i) replacement of the Letter of Intent with Keppel for turnkey construction contracts for two (2) x 350 ft. MOD V-B class jack-ups and option contracts for another two (2) jack-ups; (ii) execution of a corporate management agreement and technical and commercial management agreements with Mermaid; (iii) registration of AOD's shares in the Norwegian Electronic Securities Register (the "VPS") for the purpose of facilitating trading of the shares in Norway; (iv) receipt of exemption from prospectus requirements from the Bermuda Ministry of Finance ("BMA"); and (v) BMA clearance of new investors.

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