MERMAID MARITIME PUBLIC COMPANY LIMITED

CONSOLIDATED AND COMPANY
FINANCIAL STATEMENTS

30 SEPTEMBER 2010

PRICEWATERHOUSECOOPERS

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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

Mermaid Maritime Public Company Limited
Balance Sheets
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.

	Notes	Consolidated 2010 Baht'000	Consolidated 2009 Baht'000	Company 2010 Baht'000	Company 2009 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.

Mermaid Maritime Public Company Limited
Statements of Income
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.

Mermaid Maritime Public Company Limited
Statements of Changes in Shareholders' Equity
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.

Mermaid Maritime Public Company Limited
Statements of Changes in Shareholders' Equity
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.

		Consolidated		Company	
		2010	**2009**	**2010**	**2009**
	Notes	**Baht'000**	**Baht'000**	**Baht'000**	**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.

		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.

		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.

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:

<u>Effective for the period beginning on or after 1 January 2011</u>

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

<u>Effective for the period beginning on or after 1 January 2013</u>

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 Investments in subsidiaries and associates (Cont'd)

8.1 Investments in subsidiaries

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

	Company	
	2010	**2009**
	Baht'000	**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:

<u>Nemo Subsea AS and Nemo Subsea IS</u>

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
<u>Less</u> 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	Company
	Baht'000	**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	**2009**	**2010**	**2009**
	Baht'000	**Baht'000**	**Baht'000**	**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:

<u>Loans for the purchase of support vessels and equipment</u> 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.