



Placing and Admission to AIM



THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to its contents, you should immediately consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

This document, which comprises a prospectus, has been drawn up in accordance with the AIM Rules and the Public Offers of Securities Regulations 1995 as amended ("POS Regulations"). A copy of this document has been delivered to the Registrar of Companies in England and Wales for registration in accordance with regulation 4(2) of the POS Regulations. A copy of this document, having attached thereto copies of the material contracts referred to in paragraph 11 of Part IV and the consents referred to in paragraph 17 of Part IV, has been delivered to the Companies Registry maintained by the Isle of Man Financial Supervision Commission for registration as a prospectus pursuant to Section 38 of the Isle of Man Companies Act 1931. To the best of the knowledge and belief of the Director of Hallin Marine Subsea International Plc (whose names appear on page 6 of this document and who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. All the Directors accept responsibility accordingly.

Application will be made for the entire issued ordinary share capital of Hallin Marine Subsea International Plc to be admitted to trading on the Alternative Investment Market ("AIM") of the London Stock Exchange. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk than that associated with established companies attaches. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after careful consideration and consultation with a suitably qualified and regulated independent financial adviser. In particular, prospective investors' attention is drawn to the section headed "Risk Factors" set out in Part II of this document.

The rules of AIM are less demanding than those of the Official List of the United Kingdom Listing Authority ("UKLA"). It is emphasised that no application is being made for admission of the Ordinary Shares of Hallin Marine Subsea International Plc to the Official List of the UKLA. Furthermore, neither the UKLA nor the London Stock Exchange has examined or approved the contents of this document.

HALLIN MARINE SUBSEA INTERNATIONAL PLC

(incorporated in the Isle of Man under the Companies Act 1931 to 2004 of the Isle of Man with registered number 107479C)

Placing by J M Finn & Co.

of up to 5,400,000 Placing Shares

at a price of 64p per share payable in full on application
and

Application for Admission to trading on the Alternative Investment Market

Nominated Adviser

ARM Corporate Finance Limited

Broker

J M Finn & Co.

<i>Authorised</i>		Share Capital immediately following Admission	<i>Issued following the Placing</i>	
<i>Amount</i>	<i>Number</i>		<i>Amount</i>	<i>Number</i>
£400,000	40,000,000	Ordinary Shares of 1p each	£304,000	30,400,000

The Placing is conditional, *inter alia*, on Admission taking place on or before 22nd April, 2005 (or such later date as Hallin Marine Subsea International Plc and J M Finn & Co. may agree, being not later than 6th May, 2005).

The Ordinary Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended, or under the registered securities legislation of any state of the United States of America. The relevant clearances have not been, and will not be, obtained from the Securities Commission or any province or territory of Canada. No document in relation to Admission or the Placing has been, or will be, lodged with, or registered by, the Australian Securities Commission, and no registration statement, has been, or will be, filed with the Japanese Ministry of Finance, in relation to Admission or the Placing. Furthermore, no person treated as resident in the Isle of Man for Manx taxation purposes may hold shares in the Company, subject to certain exceptions. Accordingly, subject to certain exceptions, the Ordinary Shares may not directly or indirectly, be offered or sold within the United States, Canada, Australia, Japan or the Isle of Man (the "Prohibited Territories") or offered or sold to a person within the Prohibited Territories.

ARM Corporate Finance Limited, which is regulated by the Financial Services Authority, is the Company's nominated adviser for the purposes of the AIM Rules. Its responsibilities as the Company's nominated adviser under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of his decision to acquire Placing Shares in reliance on any part of this document. No representation or warranty, expressed or implied, is made by ARM Corporate Finance Limited as to any of the contents of this document (without limiting the statutory right of any person to whom this document is issued). J M Finn & Co. is the Company's Broker and is regulated by the Financial Services Authority. It is acting exclusively for the Company and no-one else in connection with the Placing or Admission. It will not regard any other person as its customer nor be responsible to any person for providing protections afforded to the clients of J M Finn & Co. nor for providing advice to any other person in connection with the arrangements described in this document. No representation or warranty, expressed or implied, is made by J M Finn & Co. as to any of the contents of this document (without limiting the statutory right of any person to whom this document is issued).

Copies of this document will be available free of charge during normal business hours on any weekday (except Saturdays and public holidays) at the offices of J M Finn & Co. and the Company's registered office from the date of this document and for a period of one month from Admission.

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EXPECTED TIMETABLE

Expected time and date of commencement of dealings on AIM in the Ordinary Shares and CREST accounts credited by 8.00 am on	22nd April, 2005
Expected date of dispatch of definitive Ordinary Share certificates	29th April, 2005

PLACING STATISTICS

Placing Price	64p
Number of fully paid Ordinary Shares currently in issue	25,000,000
Number of Placing Shares	5,400,000
Number of Ordinary Shares in issue following the Placing	30,400,000
Market capitalisation at the Placing Price following the Placing	£19,456,000
Estimated net proceeds of the Placing	£3,081,000
Percentage of the enlarged issued share capital of the Company represented by Placing Shares	17.76 %

DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

“Act”	the Companies Act 1985 (as amended).
“Admission”	Admission of the entire issued ordinary share capital of the Company to trading on AIM pursuant to the AIM Rules.
“AIM”	the Alternative Investment Market operated by the London Stock Exchange.
“AIM Rules”	the AIM Rules for Companies, published by the London Stock Exchange.
“ARMCF”	ARM Corporate Finance Limited, a registered AIM Nominated Adviser, authorised and regulated by the FSA.
“Company” or “Hallin”	Hallin Marine Subsea International Plc.
“CREST”	the computerised registration and electronic stock transfer system (as defined in the Uncertificated Securities Regulations 2001 (SI 2001 No. 10/3755)) for the paperless settlement of share transfers and the holding of shares in uncertificated form which is administered by CRESTCo Limited.
“Directors” or “Board”	the Directors of the Company from time to time.
“Existing Shares”	the 25,000,000 Ordinary Shares currently in issue.
“FSMA”	the Financial Services and Markets Act 2000.
“FSA”	the Financial Services Authority.
“Group”	the Company, Systems, Hallin Marine (Thailand) Ltd and Hallin Marine Pte Ltd.
“HMSI”	Hallin Marine Systems International Ltd.
“IOM Act”	the Companies Acts 1931 to 2004 of the Isle of Man.
“J M Finn”	J M Finn & Co., a member of the London Stock Exchange and International Securities Market Association, authorised and regulated by the FSA.
“London Stock Exchange”	London Stock Exchange Plc.
“Model Code”	the Model Code on directors’ dealings in securities as set out in the appendix to Chapter 16 of the Listing Rules of the UK Listing Authority.
“Official List”	the official list of the UK Listing Authority.
“Overseas Shareholders”	Shareholders with a registered address outside the United Kingdom.
“Ordinary Shares”	Ordinary Shares of 1p each in the capital of the Company.
“Placees”	together the subscribers under the Placing.

“Placing Agreement”	the placing agreement dated 15th April, 2005 between the Company (1), the Directors (2), ARMCF (3) and J M Finn (4) in respect of issue of the Placing Shares by the Company.
“Placing Price”	64p per Ordinary Share.
“Placing Shares”	up to 5,400,000 Ordinary Shares to be issued pursuant to the Placing all of which are being placed.
“Placing”	the conditional placing by J M Finn of the Placing Shares pursuant to the Placing Agreement.
“POS”	the Public Offers of Securities Regulations 1995, as amended.
“Regulations”	the Transfer of Securities Regulations 1996 of the Isle of Man.
“Shareholders”	holders of Ordinary Shares.
“Share Options”	the options granted or conditionally granted by the Company to subscribe for Ordinary Shares.
“Systems”	Hallin Marine Systems Limited.
“Taxes Act”	the Income and Corporation Taxes Act 1988.
“UKLA”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the FSMA.

DIRECTORS AND ADVISERS

Directors	Antony Gerard Ebel (<i>Non-Executive Chairman</i>) John Hallin Giddens (<i>Chief Executive</i>) John Barry Quinn (<i>Non-Executive</i>) Tanya Maria O'Carroll (<i>Non-Executive, Isle of Man</i>) all of whose business address is:- International House, Castle Hill, Victoria Road, Douglas, Isle of Man IM2 4RB
Registered Office and Head Office	International House, Castle Hill, Victoria Road, Douglas, Isle of Man IM2 4RB
Company Secretary	Niamh Goddard, International House, Castle Hill, Victoria Road, Douglas, Isle of Man IM2 4RB
Nominated Adviser	ARM Corporate Finance Limited 12 Pepper Street, London E14 9RP
Broker	J M Finn & Co. Salisbury, House, London Wall, London EC2M 5TA
Auditors and Reporting Accountants	Moores Rowland Certified Public Accountants, Singapore 133 Cecil Street, #15-02 Keck Seng Tower, Singapore 069535
Solicitors to the Company:	
UK	DMH Stallard Centurion House, 37 Jewry Street, London EC3N 2ER
Isle of Man	Dickinson Cruickshank 33 Athol Street, Douglas, Isle of Man IM1 1LB
Bankers	Royal Bank of Scotland PO Box 64, 71 Bath Street, St Helier, Jersey Channel Islands, JE4 8PJ Barclays Bank plc Isle of Man International Banking Centre, Barclays House, Victoria Street, Douglas, Isle of Man IM1 2LE
CREST Registrars	Neville Registrars Limited Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA
Corporate Services Provider in the Isle of Man	IFG International Limited International House, Castle Hill, Victoria Road, Douglas, Isle of Man IM2 4RB

KEY INFORMATION

The following information must be read in context of the whole document.

Hallin specialises in offshore sub-sea intervention primarily for the oil, gas, and telecommunication industries either contracting directly with energy majors or through multi-national contractors. The work involves use of marine vessels, diving systems of various types, remotely controlled intervention systems and survey positioning systems to conduct underwater inspection, construction and maintenance operations.

Saturation Diving Systems are the core assets of the business.

The ownership and availability of Saturation Diving Systems is an essential factor which enables the Group to undertake a variety of projects including those which require longer periods being spent on the seabed.

Since commencement of trading in 1998, HMSI expanded from US\$1 million turnover in the first year of trading to approximately US\$3 million by 2003. The business was then transferred to the Group which, in the first 11 month period, saw an operating turnover of US\$7 million and, in the most recent 12 months to December 2004, Group revenues grew to more than US\$20 million.

The Group provides services to large multi-national companies such as oil companies, telecommunications companies, oilfield concession holders or major construction contractors.

The business of the Group is largely dependent on the scale of activity and investment in the world oil and gas markets. In the past this has been cyclical and the level of contracts available for tender has varied materially from year to year. Currently the level of investment activity is particularly high, as a consequence of which Hallin has seen a record level of contracting activity in 2004 and the market for 2005 continues to look strong.

The price of crude oil has been volatile in 2004 and the early part of 2005. However the continuing underlying total demand for oil and gas is predicted to increase at least until 2025.

Hallin has grown in the South East Asia market from a small start up to its present status as a successful mid-size industry player whose location, the Directors believe, makes it ideally placed to benefit from the continued predicted growth in the oil and gas industries.

The sale and issue of the Placing Shares pursuant to the Placing at the Placing Price will raise approximately £3.45 million (before expenses) for the Company which will be used to fund the developing business activities of the Group.

It intends to use the new funding to expand its working capital base and be in a position to finance larger contracts up to US\$15 million, a major increase from the US\$1 million to US\$10 million it presently pursues. It will also use the additional resources to finance the addition of further diving systems that will enable the Group to address its new geographic markets. The Company also intends, when resources allow, to repay loans advanced by its current investors.

The Placing Shares will represent approximately 17.76 per cent. of the enlarged issued share capital of the Company immediately following Admission.

PART I

INFORMATION ON THE GROUP

Introduction

Hallin specialises in offshore sub-sea intervention primarily for the oil, gas, and telecommunication industries either contracting directly with energy majors or through multi-national contractors. The work involves use of marine vessels, diving systems of various types, remotely controlled intervention systems and survey positioning systems to conduct underwater inspection, construction and maintenance operations.

Hallin was formed in 2003 to acquire the business of Hallin Marine Systems International Ltd, (“HMSI”) which had been formed by John Giddens in 1998. Between 1998 and 2002 HMSI progressively established itself as a small, competitive and highly professional contractor for subsea diving services. Prior to the establishment of HMSI John Giddens had gained considerable experience in sub sea support through a number of years in the Royal Navy and thereafter as a senior manager for one of the larger commercial diving companies in the Middle East and South East Asia.

During the 1990’s the offshore diving industry had undergone a process of consolidation. John Giddens identified that, as a consequence of this process, a significant business opportunity was emerging in the South East Asia regional market capable of being exploited by a dynamic medium sized company with the necessary technical expertise. HMSI was formed to meet that demand, and to address the void created through these industrial mergers.

In order to establish the necessary credibility with major oil customers a number of joint ventures were pursued by HMSI thereby enabling the utilisation of larger operating equipment which is an essential part of higher value contracts. However, whilst enabling a rise in the scale of the operations and the level of annual turnover, the joint venture relationships became ineffective and disruptive. As a result in 2002 John Giddens sought to establish a new stronger commercial base to expand the operations created by HMSI.

A new company was formed at the beginning of 2003 with funds provided by Gresham House plc and other investors with a view to building on the base established by HMSI and, through the purchase of additional diving systems, to enable the rate of growth to accelerate.

Group Structure

Hallin acts as the holding company of the Group. It acquired the operations of HMSI in 2003 and utilised them as the basis for the business now operated by its wholly owned subsidiary Hallin Marine Systems Ltd (“Systems”). The Company owns all the major equipment assets of the Group including the diving systems, which are available to hire to operating subsidiaries for use in their contracts. The Group is in the process of establishing another operating company, Hallin Marine (Thailand) Limited, which will be a wholly owned subsidiary, and it is anticipated that a further operating company will be formed shortly to cover operations in the Middle East.

There is presently one other company in the Group: Hallin Marine Pte Ltd, the wholly owned Singapore registered company which operates the Singapore office of the business.

As the majority of the Group’s revenues are generated offshore, both the Company and Systems were incorporated in the Isle of Man whilst other subsidiaries have been, or will be, formed in their respective areas of operation.

The Business

The offshore diving companies which have dominated the industry since the 1990’s have tended to concentrate on larger turnkey projects where their large-scale, multi-purpose, intervention vessels and ultra deep-water equipment (more than 200 metres) can be utilised most profitably. In the Directors’ opinion this focus has reduced their flexibility and raised the cost of their overhead base to a level

which restricts their ability to undertake cost effectively comparatively small and medium sized subsea intervention projects in the 10 to 200-metre depth range. This area of business is focused on by the Group and represents a meaningful proportion of the work regularly available in the South East Asia and Middle East offshore oil and gas fields.

Typically the work undertaken by Systems is surveying, maintaining, repairing or installing equipment on the seabed. Most of the projects are planned well in advance and Systems' role is that of a key contractor, normally working as part of a much larger team. The largest projects may take two or more years from decision to proceed to the stage where divers actually enter the water.

Contracts normally require competitive tendering although, wherever appropriate, the Group will seek to offer a technically advanced solution that has advantages in terms of time and costs to the client yet show a greater return to the operating company. The Group's preferred system of operation is to work closely with a client from the earliest phases of a project to identify the best solution to the underwater engineering challenge.

Additionally there is call-out work which normally occurs at short notice in response to an urgent requirement for subsea engineering. This may be in response to damage to equipment or a change in a planned work schedule. This work is normally more profitable but by its nature is less predictable. The instant availability of the "package" including diving assets, divers and technicians and a suitable vessel to transport and house the assets is fundamental to winning this call-out work.

Nature of Services

The Group's expertise encompasses a range of solutions employing a wide variety of equipment. Systems has experience in saturation diving, air/surface mixed gas diving, deploying and operating remote operated vehicles (ROVs) and survey services.

The Group either provides a sea-going platform from which to operate these systems in the form of a dynamically positioned ocean-going vessel or places its teams of divers and technicians with the equipment on a suitable vessel provided by the client.

Contracts normally involve a charge to the client based around a daily charge rate which is negotiated in advance. Any extension or overrun in a contract would be paid for at this daily rate unless the contract is a fixed one or the Group has been responsible for the overrun. It has been Group policy to avoid entering into fixed price contracts unless there are compelling commercial reasons to do so. However, the Directors recognise that with the expansion of the Group and for the tendency for the size of contracts to increase, the Group may have to enter into this type of contract in the future.

(i) Saturation Diving Systems

Saturation Diving Systems are the core assets of the business.

The ownership and availability of Saturation Diving Systems is an essential factor which enables the Group to undertake a variety of projects including those which require longer periods being spent on the seabed. In the Directors' opinion ownership of these types of assets separates technically capable offshore subsea contracting companies from minor operators.

It can take many days for a diver to decompress safely after working at deep depths for more than a few hours. During decompression the divers are unproductive. Using a Saturation Diving System means that, if necessary, the divers can live at the same pressure as they encounter on the seabed for weeks on end. Thus they only need to decompress once at the end of the project, thereby minimising unproductive downtime.

As divers employed by the Group may work at depths of up to 200 metres the decompression time may last many days. In the Directors' opinion the use of a Saturation Diving System is a cost effective method of operating at depths of between 50 and 200 metres to carry out extensive work schedules.

This living chamber resides on the deck of the operating vessel and the divers are transported from there to the seabed via a diving bell without changing pressure. The living chamber also has an

additional rescue chamber (pressurised lifeboat) attached which provides a means of escape for the divers should it be required.

All these chambers and equipment are connected to the control cabin situated close to the living chamber. This is manned by supervisors who constantly monitor the operations and the state of the divers and their environment.

The diving bell is connected to a control centre on the deck of the operating vessel via an umbilical connection consisting of a number of cables and pipes. Along the umbilical are transferred power, hot water, breathing gas and communications, including digital imagery from the divers' helmet-mounted cameras. From this control centre the performance and well-being of the divers is constantly monitored by a supervisor. Safety records are taken and stored for reference, control and analysis purposes.

On the seabed up to two divers at a time work for periods of between 6 and 8 hours connected via their own individual umbilical cables to the diving bell. A safety diver (or bellman) remains inside the diving bell as a safety measure in case any diver outside the bell experiences difficulties.

A full diving team for a saturation diving project generally comprises a minimum of 21 people supporting a minimum of 4 divers whilst they are in saturation. The team will often be increased to 9 or 12 saturation divers being supported by a team of up to 26 deck crew, specialist technicians and supervisors.

Including ancillary equipment the current cost of purchasing a new Saturation Diving System from a specialist vendor is typically US\$1.8 million, depending on its design and capability. Hallin builds its own systems and it has shown considerable savings on this cost, currently budgeting US\$1.4 million to produce SDS_003, a high specification system.

Hallin currently has two Saturation Diving Systems, it is completing the building of a third and plans a fourth later this year. It also has had a further such system on long term charter. In addition the Group has hired up to two further Saturation Diving Systems from time to time.

(ii) Air Diving Systems

In shallower depths of up to 50 metres a diver can work while being supplied air via an Air Diving System. This is a system that connects from the deck of the vessel directly to the diver via an umbilical connection. The umbilical is made up of a number of cables and hoses that supply the diver's air, power, hot water, communications and TV signal.

An Air Diving System is cheaper to operate than the Saturation Diving System as it is less sophisticated, requires no pressurised living accommodation and requires far fewer support personnel. Unlike the Saturation Diving System the time the diver can spend in the water on each dive is limited and the diver needs to decompress after each dive, allowing his body to slowly return to the surface pressure. Because of the relatively shallow depth this does not take long but reduces productivity and, in the Directors opinion, makes it commercially less attractive, particularly for depths over about 25 metres.

The use of a Saturation Diving System almost invariably requires an Air Diving System to accompany it. This is a safety requirement and ensures that a quick response is available should there be any problems during the lowering or lifting of the Saturation Diving System's diving bell.

With Hallin's growing asset base focusing on the operation and ownership of Saturation Diving Systems the Company has also progressively increased its number of Air Diving Systems thereby ensuring that there is always an Air Diving System to accompany a Saturation Diving System.

The Group currently owns four Air Diving Systems and it hires additional systems as and when appropriate.

(iii) Surface Mixed Gas Diving Systems

For short duration work at depths of between 50 and 75 metres, clients have the option to utilise a more sophisticated version of the Air Diving System called a Surface Mixed Gas Diving System if this allows the expense of Saturation Diving to be avoided.

Hallin's Air Diving Systems are designed to be capable of supporting Surface Mixed Gas operations without modification of the equipment. Although this means Hallin's Air Diving Systems are more expensive to build than systems that can only handle air they are, in the Directors opinion, much more flexible in use, thereby leading to greater utilisation in any contract.

(iv) ROV Systems

An underwater Remote Operated Vehicle is remotely controlled from the deck of the operational vessel on which it is based. It can work in conjunction with divers or independently. The Group has considerable experience of operating ROVs but, in the opinion of the Directors, the most cost-effective and versatile solution is usually divers.

To own and operate an ROV profitably the vehicle needs to have a very high degree of utilisation. Because of the ease of availability of ROVs for rent at very competitive prices Hallin has no plans at present to purchase an ROV system.

(v) Vessels

A diving system or ROV is transported to the operational site and is housed on and operates from a mother vessel. The ocean-going vessel is usually purpose designed for its specific role or has been converted to carry out the specialised work. The vessel can either be moored or positioned by a computer controlled system called Dynamic Positioning (DP). The Directors view the use of DP vessels as an exciting development for the future and for the last two years Hallin has successfully carried out work for clients from this kind of vessel.

The close positional control of the vessel is critical as the contact with the divers or ROV is through umbilical cables and hoses coming from the mother vessel to the diving system or ROV. If the vessel is not positioned and maintained in the same relative location as the subsea systems there are significant risk and cost issues.

A traditional vessel is kept in position by external forces; usually a number of anchors positioned by other smaller vessels and, depending on the type of job, those anchors may be constantly moved. Any move is time consuming and is likely to affect the length of the contract.

A DP vessel has the ability to hold itself in one location or move along a pre-determined path with great accuracy with no external help. This it normally does by using underwater thrusters positioned at the "four corners" of the vessel.

Because of their cost normally DP vessels are hired for the duration of a specific contract.

Clients

Since commencement of trading in 1998, HMSI expanded from US\$1 million turnover in the first year of trading to approximately US\$3 million by 2003. The business was then transferred to the Group which, in the first 11 month period, saw an operating turnover of US\$7 million and, in the most recent 12 months to December 2004, Group revenues grew to more than US\$20 million.

The Group provides services to large multi-national companies such as oil companies, telecommunications companies, oilfield concession holders or major construction contractors. Key clients from this relatively small client base include:-

Bluewater BV

Bluewater maintains operational bases in the UK, Netherlands, South Africa and China. It owns and operates five large tanker systems and counts Shell and Conoco Philips among its customers.

Cuel

Formed in mid-2000, Cuel is a fast growing company based in Thailand employing more than 600 staff. It is one of Thailand's largest full service oil and gas contractors – designing, building and installing pipeline and rigs. It was responsible for the first oil processing platform built and installed in the Gulf of Thailand.

J Ray McDermott

J Ray McDermott is the marine construction services segment of McDermott International, Inc one of the largest and oldest companies in the offshore construction business. As at 30th September, 2004 McDermott reported orders on its books of US\$1.4 billion and third quarter revenues of US\$325.6million. This company has offices in Batam, Dubai and Jakarta in Indonesia as well as the US and the Gulf of Mexico.

Hyundai Heavy Industries, Offshore & Engineering Division

In 2003 the Offshore and Engineering Division of this company achieved sales of US\$1.17 billion and in 2004 won new orders with a value of US\$1.61 billion. The division's base in Ulsan Port, Korea includes, what it claims to be the world's largest offshore yard spread over 196 acres, including a 156-acre assembly yard and 32-acre fabrication shops and facilities. The division is part of the giant Hyundai Heavy Industries Co. Limited, which includes the shipbuilding division which it states is responsible for taking up about a 15 per cent. share of the shipbuilding market.

Saipem

Saipem began operations in the 1950's and has since widened its customer base to include all the supermajors, majors, major national and independent oil and gas companies worldwide. This global contractor has strong local presence in West Africa, the former Soviet Union, Central Asia, North Africa, Middle East and South East Asia. Its Offshore Construction division reported revenues of 730 million euros for third quarter of 2004. Saipem is a former subsidiary of Italian oil giant ENI, who still own approximately 43 per cent., and is quoted on the Milan stock exchange.

SB Submarine Systems ("SBSS")

Since March 2004 Hallin has formed a relationship with SBSS, a joint venture company set up by China Telecom and Global Telecom, by way of an ad-hoc project by project charter arrangement. Hallin has recently increased the scope of this relationship by entering into a "Bimco Supplytime 89 Charter Party" agreement for a one year term from 1 March 2005 which commits both parties to work together. In the Directors' opinion this minimises the time consuming and expensive cost of loading, commissioning, decommissioning and offloading systems for each contract and has helped give Hallin a competitive edge.

Other significant clients of the Group and HMSI have included from time to time the following:-

BP, Shell, Chevron, Conoco Philips, Total, Unocal, Premier Oil, Petrovietnam, Petronas, Mitsui Oil Drilling & Exploration Co (Modec), European Marine Contractors (EMC), Allseas, Van Oord ACZ, Nippon Steel, Global Submarine Cable Systems, Horizon Offshore, Korean Telecom, Stolt Offshore, Thales, Teknic Lengkat Offshore and Aban Loyd Chiles Offshore.

Assets

(i) Current Assets

The major assets of the Group, which are owned by the Company and are rented to Systems as and when required, are the diving systems. The following list sets out the Company's principal diving assets:

<i>Type of asset</i>	<i>Reference</i>	<i>As at 31 December 2004 Book Value (US\$'000)</i>
Saturation Diving Systems	SDS_001	\$868
	SDS_002	\$1,323
	SDS_003 (under construction)	\$1,400 (budgeted cost)
Air Diving Systems	ADS-003	\$122
	ADS-004	\$146
	ADS-005	\$124
	ADS-006	\$264
Work Boats	DWB-001	\$29
	DWB-002	\$35

In addition to the above, the Group currently has on rental, three additional Saturation Diving Systems and two Air Diving Systems.

(ii) New Assets

The major assets of Hallin are its Saturation Diving Systems. It is the Company's policy to own its assets wherever possible. The ability to rent such systems on a per contract basis is often difficult. The available equipment may be of the wrong specification, located in the wrong part of the world or simply not available. When the equipment is of the correct specification and locally available the forces of supply and demand may make the price uneconomic.

Ownership of assets therefore ensures continuity of supply, a predictable cost base and, importantly in an extremely safety conscious industry, maintains a constant level of quality of equipment.

The Company has built the majority of its own equipment. This has enabled it to produce diving systems to a high specification at a substantial saving to the open market purchase price. As an example, Air Diving System ADS_006 was built in the last quarter of 2004 at a cost of US\$264K and was immediately engaged in profitable operation.

The Company's third Saturation Diving System is scheduled to be completed by end of April 2005 at a budget cost of US\$1.4 million. The system has been built in-house and will have the capability to house up to 12 divers and to transport three men to or from the seabed at a time. It will also be able to hold two teams of divers at different pressures. It will be the highest specification system owned and operated by the Company to date and it will give the Group the ability to tackle more complex or labour intensive projects. The Directors believe that the system will be amongst the highest specification portable saturation diving systems in the industry.

Contracts already entered into with a major offshore construction company means the SDS_003 system will be fully utilised and generating revenue immediately upon successful completion of the build programme and its associated sea-going trials.

Within the next 12 months, it is Hallin's intention to increase its asset base with a fourth Saturation Diving System and a fifth Air Diving System thereby enabling the extension of its contracting capability into new geographical areas and easing its present reliance on the rental of third party systems.

(iii) Rental of Systems

Using rental diving systems can result in lower operating margins, with a consequential detrimental effect on the Company's profitability; in addition the Directors believe that it reduces flexibility and takes an element of control of safety issues out of the Company's hands.

However, it may be necessary to rent systems to fulfill some contracts because of the high capital cost of diving systems and the need for high levels of utilisation of this equipment to justify its ownership.

Hallin has entered into one long term rental arrangement for a Saturation Diving System at advantageous rates. Under the terms of the agreement Hallin only pays for repairs, maintenance and associated charges when the system is onshore, sharing the risk with the equipment owners.

(iv) Vessel ownership

In the longer term the Directors believe it will be financially prudent to own a Dynamically Positioned ocean-going vessel to act as a mother vessel to its Saturation Diving Systems. They also believe that the flexibility and potential charge out rates would make the combination of owned vessel and Saturation Diving System financially very attractive, provided the necessary minimum levels of operation can be achieved.

The Market

The business of the Group is largely dependent on the scale of activity and investment in the world oil and gas markets. In the past this has been cyclical and the level of contracts available for tender has varied materially from year to year. Currently the level of investment activity is particularly high, as a consequence of which Hallin has seen a record level of contracting activity in 2004 and the market for 2005 continues to look strong.

The price of crude oil has been volatile in 2004 and the early part of 2005. However the continuing underlying total demand for oil and gas is predicted to increase at least until 2025.

Asia's appetite for energy is set to carry on growing with the United States Department of Energy predicting average annual increases of more than 3 per cent. in consumption for both oil and natural gas for developing Asia until 2025.

The Directors believe that, traditionally, demand for subsea contracting services has followed the price of oil and, as oil becomes more valuable, the greater the efforts become to get it out of the ground and the greater the economic justification for maintaining and supporting older fields. The current price of oil is comparatively high relative to prices over the last four years.

Geographical Areas of Operation

The Group's head office is based in the Isle of Man however it has a number of regional offices established in its principal areas of operations:

(a) Singapore

Hallin has an office located at the Loyang Offshore Supply Base in Singapore which supports a number of its activities in South East Asia. The leased offices are modern and modular and are deemed adequate for the immediate future, having been enlarged in the last six months. There is scope for further expansion if required on the existing site. Adjacent to the offices the Company has an extensive fenced yard for safe storage of its diving assets when they are not at sea. There are also large workshops which can cope with the building of new equipment and the repair and maintenance of existing assets.

(b) Thailand

Hallin's office is presently located in Cuel's offices in Bangkok. Hallin has reached a long-term agreement with Cuel to provide diving services and the basing of its operation in this key client's office has helped cement the relationship. The Company is in the process of establishing a Thai registered

company, Hallin Marine (Thailand) Limited, to manage the Cuel contracts and develop work elsewhere in Thailand and the Indo-China region, particularly in the Vietnamese development area which has been the source of important past contracts and is a major target for further expansion.

(c) Middle East and India

Hallin is in the process of opening a branch office in the United Arab Emirates which it plans to use as a marketing base throughout the Middle East and India. The office will be in the Hamriyah Free Zone Area of Sharjah close to where one of the Group's key clients, Hyundai Heavy Industries, has one of its three marine bases.

The Company intends to form a subsidiary company to comply with local legal requirements.

The Directors believe that an office in the Persian Gulf significantly increases the catchment area for its business. It also has seasonal advantages in that the busy season in Persian Gulf / India coincides with the NE Monsoon Season in South China Sea, which should help to even out seasonal peaks and troughs in the Group's activities and corresponding cash flows.

The Directors also believe that, given the region's ongoing potential growth, this new marketing office in the Persian Gulf and its eventual conversion into a full scale operational and profit centre for the Company is an important strategic objective.

(d) China

The Chinese marketing office is a product of a growing relationship with SB Submarine Systems Co Limited (SBSS) in Shanghai. Hallin has close working relationships with SBSS, a joint venture company of China Telecom and Global Telecom. The Directors believe that this office is an important initiative to enable the Group to benefit from the increasing offshore expenditure within the Asia Pacific region.

The continued growth of the Chinese economy has fuelled a significant increase in the demand for energy in the country. Systems has already successfully completed a number of large contracts in China. It has been predicted by industry specialists Mackay Consultants that China will at least double its offshore oil and gas production between 2004 and 2008 and is planning to become one of the largest offshore oil producers in the Asia/Pacific Region. They also forecast that expenditure in offshore development and production in China in 2004 was US\$2,295 million rising to US\$3,251 million by 2008.

(e) Indonesia

Industry analyst Infield Systems believes that Indonesia will account for nearly one third of all subsea expenditure in Southeast Asia up to 2008. The predicted growth, rising to a spend in the region of US\$200 million each year in years 2007 and 2008 highlights the commercial attractiveness for Hallin to become operational in this market. The Directors believe that its relative closeness to the Group's other regional offices will aid the sharing of assets and key personnel as demand dictates.

Directors and Key employees

ANTONY EBEL, aged 60, Non-Executive Chairman UK based.

Originally trained first in Law and then as a Chartered Accountant, Tony spent his first years after qualifying as an analyst with Esso Petroleum and then as a Financial Director within The Associated Fisheries Group.

In 1974 he joined Gresham House plc of which he has been a director since 1976. In 1977 he became Chief Executive of Quest Automation and led their growth as one of the successful, rapidly expanding, technology companies in the 80's.

In the 17 years since the takeover of Quest he has been responsible for a number of successful start-up companies, mainly technology based, which have achieved their target goals of a trade sale. Currently

he is involved with companies operating in technology distribution, market technology consultancy and the renewable energies sector.

JOHN GIDDENS, aged 44, Chief Executive Singapore based.

John spent 11 years with the Royal Navy, the last two as Diving Officer on board the service's only diving research vessel, HMS Challenger.

John also served as a Diving Training Officer at the Navy's School of Operations, advising the Royal Navy and Army on diving issues, commanded anti-drugs patrols off Hong Kong and is a graduate of Britannia Royal Naval College. As a Royal Navy Clearance Diving Officer he also qualified in bomb and mine disposal and dealt with clearance of live mines, ammunition and unexploded bombs.

John then spent eight years with major international diving contractor Fraser Diving, which specialises in portable Saturation Diving Systems and other manned subsea intervention techniques.

He worked in Vietnam, Saudi Arabia, Brunei and Dubai for Fraser Diving and became Vietnam Country Manager before being given the job of overseeing the whole of Fraser Diving's South East Asia operation as General Manager. John left to start HMSI in 1998 and became Chief Executive of Hallin in 2003.

John is a qualified saturation diver, supervisor and instructor and a member of a number of professional bodies, including the Society for Underwater Technology, an Associate of the International Institute of Risk and Safety Management and a Divemaster of the Professional Association of Diving Instructors.

JOHN QUINN, aged 49, Non-Executive UK based (see below).

A professional journalist and a former chairman of the National Association of Press Agencies, John is a director of a number of companies including the chairman of 2dayuk Ltd, one of the world's leading mobile phone content management and distribution companies. In addition he is the managing director of Scorched Productions Ltd which is involved with the provision of interactive services for estate agents.

He was national campaigning journalist of the year in 1991 while working on the Mail on Sunday and then purchased Solent News & Photo Agency in Southampton and Bournemouth News & Picture Service in Dorset.

He successfully grew the two companies becoming one of the UK's major news and photographic suppliers to the newspaper industry before selling the businesses in 2002.

TANYA MARIA O'CARROLL, aged 36, Non-Executive Isle of Man based.

Tanya is the representative of the IFG International's Trust and Corporate Services Division which looks after the Isle of Man registration and local administration for the Company. IFG International Limited, a subsidiary of IFG Group Plc, is a substantial provider of trust and corporate services in the Isle of Man, and is licensed by the Isle of Man Financial Supervision Commission as a corporate service provider. Tanya holds a BSc (Hons) in chemistry and has qualified as a Chartered Secretary.

ADDITIONAL NON-EXECUTIVE DIRECTOR

In acknowledgement of the challenges of addressing the Company's expanding international operations the Directors intend to appoint a new, UK based, Non-executive director with responsibility for Finance, who it is intended will be appointed shortly after Admission.

Directors of Subsidiary Companies

JON ATTENBURROW, aged 35, Director of Hallin Marine Systems Limited and Business Development Manager.

Jon gained his engineering degree at Aberdeen University where he also trained as a pilot with the University Air Squadron. Training as a commercial diver in Scotland and France, he worked as a diver

in the UK and Hong Kong before joining the Singapore based offshore commercial diving company Fraser Diving as a saturation diver. Progressive promotion led to him finally becoming business development manager for their operation in the Philippines.

Jon joined HMSI in November 1999 and was promoted to General Manager in 2002, responsible initially for operations and project management but latterly primarily for business development, bringing in many new projects and clients for that company. He transferred to the Group in 2003 as General Manager and is responsible for liaising with the Group's existing and potential customers thereby establishing the opportunities of future contracts. In addition Jon is responsible for the Group's marketing programme.

REMUS LIM TIEN POH, aged 34, Finance Director, Hallin Marine Pte Limited.

Remus qualified in Singapore in 1995 ultimately becoming a Member of the Institute of Certified Public Accountants. Before studying accountancy Remus spent two and a half years in the Singapore Army as an artillery officer. He continues to be a Captain in the country's Territorial Army. He has extensive experience both in the subsea industry and in general commerce in Singapore.

Remus was the regional accountant for Fraser Diving head office in Singapore for two and a half years, leaving in 1999 to join Interlocal Exim Pte Ltd, a major distributor of alcoholic beverages in the Indochina markets.

As head accountant at Interlocal Exim Pte Ltd he had the financial responsibilities for the group and its 10 subsidiaries and associates, reporting directly to the board. Remus was responsible for arranging that group's complex banking and trading facilities.

He joined the Group in April 2003 and has responsibility for the Finance and Commercial Department. He implemented the Company's existing formal financial reporting and forecasting systems essential to support the Operations Department on their financial needs. He also has responsibility for contract review and commercial monitoring of ongoing projects to ensure budget targets are met.

LILY LEE, aged 45, Director of Hallin Marine Pte Ltd. and Personnel & Administration Manager.

Lily has many years experience in the diving, oil and gas industries gained while working in both the Far and Middle East. Before joining Hallin, Lily was general manager of Technilink in Singapore for two years, prior to which she performed a similar function to her present role for Fraser Diving.

Lily also held senior positions for Fraser Diving in Vietnam and in Dubai. Before joining Fraser Diving she worked for a number of companies related to the oil and gas industry in her native Brunei.

She is responsible for the personnel aspects of the Group, ensuring the right quality and quantity of divers, supervisors and back up staff is available in the right part of the world at the right time.

As the Company's administration manager Lily is responsible for ensuring the efficient running of the Company's growing administration along with a team of two staff. Lily is the wife of the Chief Executive, John Giddens.

Key Employees

MICHAEL STUBBS, aged 51, Operations Manager.

Michael has more than 30 years experience within the offshore and diving industries and joined HMSI in 2002 as its operations manager.

He is a qualified saturation diver and diving supervisor and spent 10 years employed by British Nuclear Fuels Ltd, with six of those years as an inspection diver on the company's survey vessel Seascan, later working in the North Sea, and off South Africa and India.

After moving into management, he held a variety of roles in South East Asia and Australia with the Halliburton Brown & Root group of companies. He later joined Divocean where he was responsible for

the building of saturation diving systems. Subsequently he was a manager for Stolt Offshore (SA) Ltd thereafter joining Hallin.

Michael managed the build of Hallin's SDS_002 Saturation Diving System and several other equipment construction projects for the Company.

JOHN "JACK" AHERN, aged 53, Safety Manager.

As safety manager Jack is responsible for all Health and Safety issues at Hallin, a critical role in an industry that is extremely safety conscious and where divers are employed to work in potentially hazardous environments.

Jack gained an MA at Boston University before joining the US Navy and being trained in medicine and then transferring to the Navy's underwater systems centre.

Following seven years service Jack left the Navy and became a commercial diver and instructor. Following work in the US he moved to South East Asia in 1983 and spent the next 14 years as a saturation diver and supervisor, working for some of the major operators including McDermott International and Solus.

In 1997 Jack moved into management and acquired extensive experience as both an operations manager and health and safety manager before joining Hallin in June 2004 to become its first full time Safety Manager.

Jack is responsible for safety of the Group's operations, staff and equipment both offshore and at the Group's regional offices.

Future Prospects

Hallin has grown in the South East Asia market from a small start up to its present status as a successful mid-size industry player whose location, the Directors believe, makes it ideally placed to benefit from the continued predicted growth in the oil and gas industries.

To capitalise on this growth, and to maximise its effectiveness, Hallin needs to increase its working capital, to enable it to have access to more diving assets and to spread its geographical reach.

There currently exists an opportunity to increase the geographical range of the Group's operations by opening up the Middle East, Indonesia and Chinese markets.

From time to time the Company identifies opportunities to purchase small strategic niche contractors that would enable it to offer a wider range of services to its existing clients and would also allow it to offer a full turnkey approach to some contracts, rather than just acting as a subcontractor.

Hallin's venture with SBSS potentially offers an entrance to the Chinese market which has significant growth prospects. The Directors believe that it would enable the proven subsea skills of Hallin to be linked with the telecoms and large vessel expertise of SBSS and the means of entry to a particularly attractive regional area.

Working Capital

Until now the growth of the Group has been funded from cash flow and from short term loans from its investors.

Hallin has reached a point where it needs to expand its capital base to allow it to grasp the opportunities for growth and consequential expansion of its profits in a market that looks set for a meaningful period of significant development for the foreseeable future.

It intends to use the new funding to expand its working capital base and be in a position to finance larger contracts up to US\$15 million, a major increase from the US\$1 million to US\$10 million it presently pursues. It will also use the additional resources to finance the addition of further diving

systems that will enable the Group to address its new geographic markets. The Company also intends, when resources allow, to repay loans advanced by its current investors.

Admission and Placing

The Directors believe that the Company has developed to a stage where it will benefit from a wider shareholder base and the visibility it will gain as a company whose shares are traded on a public market. Accordingly, application is being made for the entire issued share capital of the Company, as enlarged by the issue of the Placing Shares, to be admitted to trading on AIM.

The sale and issue of the Placing Shares pursuant to the Placing at the Placing Price will raise approximately £3.45 million (before expenses) for the Company which will be used to fund the developing business activities of the Group.

The Placing Shares will represent approximately 17.76 per cent. of the enlarged issued share capital of the Company immediately following Admission.

Further information on the Placing is set out in paragraph 10 of Part IV of this document.

Lock-In arrangements

The Directors have undertaken to the Company, ARMCF and J M Finn that neither they, nor any person connected to them, will dispose of any Ordinary Shares held by them for a period of one year from the date of Admission, in each case, save in the event of an intervening court order, a takeover offer relating to the Ordinary Shares or on the death of that person, and that in any event, for a period of two years from the date of Admission, they will only dispose of the Ordinary Shares held by them through the Company's broker.

Share Options

The Directors believe that equity incentives are a means of attracting, motivating and retaining key employees. It is therefore their intention to establish a share option scheme in the near future for the benefit of both directors and senior employees. Options will be granted at the discretion of the Board who will be advised on such matters by the Remuneration Committee.

The Company has currently granted an option to J. Attenburrow in respect of 625,000 Ordinary Shares exercisable at any time between 1st April, 2006 and 31st March, 2013 at an exercise price of 1p.

Further details of the Option Scheme can be found in paragraph 5 of Part IV of this document.

Financial Information

The following is a summary of the financial information of the Group for the period from incorporation to 31st December, 2004. This summary has been extracted from the Accountants' Report set out in Part III of this document, which should be read in full.

	<i>Period ended 31st December 2003 US\$ 000</i>	<i>Year ended 31st December 2004 US\$ 000</i>
Turnover	7,111	20,155
Operating profit	46	1,281
(Loss)/profit on ordinary activities before taxation	(228)	917

The Directors believe that negotiations currently in hand with potential customers should generate further revenue growth and, in due course, increased profitability, which leads them to view the prospects for the future with confidence.

Dividend Policy

The Company is seeking primarily to achieve capital growth for its shareholders in the medium term but it is the present intention of the Directors to pay an annual dividend on the Ordinary Share capital of the Company in respect of the financial year ending 31st December, 2005.

Corporate Governance

The Directors intend, as soon as practicable and, so far as possible given the Group's size and the constitution of the Board, to comply with the principles of best practice as set out in the combined code on corporate governance published by the UKLA.

The Board has appointed an Audit Committee, consisting of the Chairman, John Quinn and Tanya O'Carroll. The Audit Committee will meet at least twice annually and is responsible for ensuring that the financial performance of the Group is properly reported and monitored and for meeting the auditors and reviewing their reports in relation to the accounts and internal control systems.

The Board has appointed a Remuneration Committee which again consists of the Chairman, John Quinn and Tanya O'Carroll. The Remuneration Committee is responsible for reviewing the performance of the Executive Directors and for setting the scale and structure of their remuneration and the basis of their service contracts bearing in mind the interests of shareholders. The Remuneration Committee will also determine the allocation of share options to employees.

Given the size of the Company, the full Board of Directors will act as the Nomination Committee responsible for considering changes in the Board's composition and membership.

Your attention is also drawn to the Risk Factors set out in Part II and the additional information contained in Part IV of this document.

PART II

RISK FACTORS

Investors should be aware of the risks associated with an investment in the Company. The following list of risks is not intended to be exhaustive. In particular, prospective investors should consider the following:

Retention of Key Employees

The Group depends on its Directors and senior management team. The departure from the Group of any executive Director or certain senior employees could, in the short term, have a materially adverse effect on the Group's business. Whilst the Group has entered into service agreements or contracts of employment with Directors and senior employees with the aim of securing their services, the retention of their services cannot be guaranteed. The Group currently has keyman insurance in place for J. Giddens and intends to extend this cover to J. Attenburrow, conditional upon Admission.

Continuation of commercial relationships

The success of the Group's business is, and will continue to be, largely dependent upon the continuation of commercial relationships with its clients. There can be no guarantee that these will continue satisfactorily, or that its clients will not seek alternative suppliers.

The Group's income is derived from a relatively small client base. This is in part a factor inherent in the industry. It is a strategic objective of the Group to broaden its client base as far as it is able. However, the customer base is known to, and largely common to, all competitive contractors and there are a number of other companies who have similar capabilities to the Group's.

Larger clients always have the option of starting their own commercial diving division. Whilst at present this may be considered uneconomic because of the high cost of the diving systems and the need for a high level of utilisation and great expertise to operate the systems safely and in accordance with best current practices and regulations, it does not mean a major client may not decide for strategic reasons to start their own subsea division.

Competition

The Group operates in a competitive industry where the majority of its work is won by competitive tender. Although the Group has an excellent record of building long term client relationships each contract is secured through the tender process which by definition is uncertain.

The Market

The demand for the Group's types of service may fluctuate with the economic activity within the industry. This in part is a reflection of the market price of oil, which historically has been volatile.

The willingness of the oil and gas producers to exploit reserves is obviously based on the demand and therefore the price of oil and gas. The higher the price of oil and gas the greater the number of known or predicted viable reserves. The Group has no influence whatsoever on the rate of extraction of those reserves.

The market for short term call-out work is uncertain and unpredictable and dependent upon availability of suitable equipment.

Scope of Contracts

The Group historically has not entered into fixed price or turnkey contracts unless it believes there is an overriding commercial reason to do so, because of the vagaries of the weather, sea and seabed the Group considers it undesirable to take the exposure on such work. The Group's standard contractual basis is for the client to carry any costs associated with work delays unless the delay is caused by Group staff or equipment it has supplied or used. Any breakdown or unusual operational issue involving the Group's equipment or any assets it has hired may well detrimentally affect the profitability of the contract.

In the future Hallin recognise that with expansion there will be a need to take on larger contracts which, in turn, means addressing fixed price or turnkey contracts where the Group charges higher margins in return for taking on some of the risk elements of the contract after careful assessment of those risks.

Payment

As with any contract there is a risk of major contractors not paying or of a trying to re-negotiate terms post-contract if a job goes badly for them.

Currency

The oil and gas industry is almost exclusively priced in US\$. All the Group's internal accounts are operated in US\$. Obviously the US\$ and the £ exchange rate are outside of the control of the Group and fluctuations in that exchange rate could adversely affect the results of the Group when converted into sterling.

Legal Disputes

However well a contract may be written there may still be scope for dispute. The risk of contractual dispute may well arise where contracts are entered into at short notice. The Group tries to minimise the risk of dispute by keeping detailed logs of its actions on each job and recording the images relating to the seabed operations which it receives from the helmet mounted video cameras of its divers.

Varying Legal Jurisdiction

Because the contracts are carried out often in international waters and may involve a main contractor based in one country and a client from another, a party may try to commence legal action in the country that it feels would be most sympathetic to its position.

Any legal process can require multi-country representation and be protracted and expensive. The Group will always seek to have any matter resolved in either the Singapore or English courts wherever practical to minimise cost and speedily and justly resolve any dispute.

Liability

The Group, like any similar contractor, faces potential liability issues should any of its work prove negligent or faulty. As the Group grows and takes on larger or more critical works for clients the scale of this potential exposure obviously increases in absolute terms.

Risks related to acquisitions

Should the Group seek to grow by corporate or business acquisitions, these may result in the need for significant amounts of cash, dilutive issues of equity securities and/or the incurrence of debt, any of which could materially and adversely effect the Group's business, results of operations, financial condition or the market price of the Ordinary Shares. In addition, acquisitions may lead to assimilation problems with the consequent diversion of management's attention from other business concerns. Whilst there are currently no commitments or agreements with respect to any acquisition, there can be no assurance that the Group's business, results of operations or financial condition would not be materially affected if such an acquisition does occur.

AIM-Quoted Investment

The market for shares traded on AIM may be less liquid and carry a higher risk than the market for shares listed on the Official List. Consequently, the share price may be subject to greater fluctuation than the price of officially listed shares and the Ordinary Shares may be difficult to buy and/or sell.

Suitability

An investment in Ordinary Shares may not be suitable for all recipients of this document. Before making an investment decision, potential investors are accordingly advised to consult a person authorised under the Financial Services and Markets Act 2000 who specialises in investments of this nature.

PART III

ACCOUNTANTS' REPORT

The following is the full text of a report on the Group from Moores Rowland, Certified Public Accountants in Singapore, the Reporting Accountants, to the Directors of the Company and to the Directors of ARM Corporate Finance Limited.



The Directors
Hallin Marine Subsea International Plc
International House, Castle Hill,
Victoria Road, Douglas,
Isle of Man IM2 4RB

The Directors
ARM Corporate Finance Limited
12 Pepper Street
London E14 9RP

15th April 2005

Dear Sirs

Introduction

We report in connection with the proposed admission of the entire issued ordinary share capital of Hallin Marine Subsea International Plc (“the Company”) to the Alternative Investment Market. This report has been prepared for inclusion in the Admission Document to be dated 18th April 2005 (“the Document”).

Basis of preparation

The financial information set out below is based on the audited financial statements of the Company, and the audited consolidated financial statements of the Company and its subsidiaries (collectively, “the Group”) for the period from 6 January 2003 to 31 December 2003 and for the year ended 31 December 2004, after making such adjustments as we consider necessary.

Moores Rowland Singapore audited the financial statements of the Company and of the Group for the period ended 31 December 2003 and for the year ended 31 December 2004 and gave unqualified reports thereon.

The above mentioned financial statements are the responsibility of the Directors of the Company who approved their issue.

The Directors of the Company are responsible for the contents of the Document in which this report is included.

It is our responsibility to compile the financial information set out in our report from the audited financial statements of the Company and of the Group, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that obtained by us relating to the audit of the financial statements underlying the information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and of whether the accounting policies are appropriate to the circumstances of the Group, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the balance sheets of the Company and the consolidated financial information set out below gives, for the purpose of the Document, a true and fair view of the profits, cash flow and changes in equity of the Group for the period ended 31 December 2003, and for the year ended 31 December 2004, and of the state of affairs of the Company and the Group at the end of the two periods.

BALANCE SHEETS

The balance sheets of the Group and the Company as at 31 December 2003 and 2004 are set out below:

	Note	Group		Company	
		2003 US\$'000	2004 US\$'000	2003 US\$'000	2004 US\$'000
SHAREHOLDERS' EQUITY					
Share capital	1	–	40	–	40
Share application money	2	400	–	400	–
Share premium	3	–	360	–	360
Reserves	4	(229)	649	(166)	593
		<u>171</u>	<u>1,049</u>	<u>234</u>	<u>993</u>
NON-CURRENT ASSETS					
Plant and equipment	5	2,178	3,600	2,144	3,256
Investments in subsidiaries	6	–	–	126	126
CURRENT ASSETS					
Trade and other receivables	7	374	3,740	18	20
Amounts owing by related companies		38	198	–	–
Amounts owing by subsidiaries		–	–	38	169
Cash and bank balances		14	2,335	2	8
		<u>426</u>	<u>6,273</u>	<u>58</u>	<u>197</u>
Less:–					
CURRENT LIABILITIES					
Trade and other payables	8	1,803	7,866	1,396	1,115
Amount owing to a shareholder		628	671	628	613
Amounts owing to subsidiaries		–	–	70	858
Current portion of obligations under finance leases	9	–	27	–	–
Provision for taxation		–	18	–	–
		<u>2,431</u>	<u>8,582</u>	<u>2,094</u>	<u>2,586</u>
NET CURRENT LIABILITIES		<u>(2,005)</u>	<u>(2,309)</u>	<u>(2,036)</u>	<u>(2,389)</u>
		173	1,291	234	993
NON-CURRENT LIABILITIES					
Obligations under finance leases	9	–	(235)	–	–
Deferred taxation	10	(2)	(7)	–	–
		<u>171</u>	<u>1,049</u>	<u>234</u>	<u>993</u>

CONSOLIDATED PROFIT AND LOSS ACCOUNTS

The profit and loss accounts of the Group for the period ended 31 December 2003, and for the year ended 31 December 2004, are set out below:

		<i>Pro forma</i>	<i>01/01/2004</i>
		<i>06/01/2003</i>	<i>to</i>
	<i>Note</i>	<i>31/12/2003</i>	<i>31/12/2004</i>
		<i>US\$'000</i>	<i>US\$'000</i>
REVENUE	11	7,111	20,155
LESS:			
Cost of sales		(6,082)	(17,729)
Gross profit		1,029	2,426
Other income		1	4
		1,030	2,430
LESS:			
Administrative expenses		(984)	(1,149)
Profit from operations	12	46	1,281
Finance costs	14	(67)	(150)
Exchange loss		(207)	(214)
(Loss)/Profit before taxation		(228)	917
Taxation	15	(2)	(22)
NET (LOSS)/PROFIT FOR THE PERIOD		<u>(230)</u>	<u>895</u>

The Group has no recognised gains or losses other than those set out above.

The profit and loss accounts have been prepared on the basis that all operations are continuing operations.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

The statements of changes in equity of the Group for the period ended 31 December 2003, and for the year ended 31 December 2004, are set out below:

	<i>Share</i>	<i>Share</i>	<i>Translation</i>	<i>(Accumulated</i>	<i>Total</i>
	<i>Capital</i>	<i>Premium</i>	<i>Reserve</i>	<i>Losses)/</i>	<i>Retained</i>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>Profits</i>	<i>Profits</i>
				<i>US\$'000</i>	<i>US\$'000</i>
Balance as at date of incorporation	—*	—	—	—	—
Currency translation differences	—	—	1	—	1
Net loss for the period	—	—	—	(230)	(230)
Balance as at 31 December 2003	—*	—	1	(230)	(229)
Issue of shares (Transfer from share application money)	40	360	—	—	400
Currency translation differences	—	—	(17)	—	(17)
Net profit for the year	—	—	—	895	895
Balance as at 31 December 2004	<u>40</u>	<u>360</u>	<u>(16)</u>	<u>665</u>	<u>1,049</u>

*Amount is less than US\$1,000

CONSOLIDATED CASH FLOW STATEMENTS

The cash flow statements of the Group for the period ended 31 December 2003, and for the year ended 31 December 2004, are set out below:

	2003 US\$'000	2004 US\$'000
Cash flows from operating activities		
(Loss)/Profit before taxation	(228)	917
Adjustments for:		
Exchange realignment	1	(16)
Interest expense	67	150
Depreciation of plant and equipment	102	330
Operating (loss)/profit before working capital changes	<u>(58)</u>	<u>1,381</u>
Increase/(Decrease) in working capital:		
Trade and other receivables	(374)	(3,366)
Amounts owing by related companies	(38)	(160)
Trade and other payables	1,803	6,063
Amount owing to a shareholder	628	43
Net cash inflow from operating activities	<u>1,961</u>	<u>3,961</u>
Cash flows from investing activities		
Purchase of plant and equipment	(2,280)	(1,483)
Net cash outflow from investing activities	<u>(2,280)</u>	<u>(1,483)</u>
Cash flows from financing activities		
Interest paid	(67)	(150)
Payment of finance leases	–	(7)
Share application money	400	–
Net cash inflow/(outflow) from financing activities	<u>333</u>	<u>(157)</u>
Net increase in cash and bank balances	<u>14</u>	<u>2,321</u>
Cash and bank balances at beginning of period	–	14
Cash and bank balances at end of period	<u><u>14</u></u>	<u><u>2,335</u></u>

During the year ended 31 December 2004, the Group acquired plant and equipment with an aggregate cost of US\$1,752,000 of which US\$269,000 was acquired by means of finance leases. Cash payments of US\$1,483,000 were made to purchase plant and equipment.

Principal Accounting Policies

(a) *Statement of compliance*

These financial statements have been prepared in accordance with the International Financial Reporting Standards.

(b) *Basis of financial information preparation*

The financial information, expressed in United States dollars, is prepared on the historical cost basis.

Pro forma adjustments have been made on the financial information for the period ended 31 December 2003 to reflect the acquisition of the business from Hallin Marine Systems International Ltd.

(c) *Plant and equipment*

(i) *Owned assets*

Items of plant and equipment are stated at cost less accumulated depreciation.

(ii) *Depreciation*

Depreciation is provided on the straight-line basis so as to write off the cost of plant and equipment over their estimated useful lives as follows:

Renovation	50%
Furniture and fittings	20%
Office equipment	33 1/3%
Operational equipment	10% – 20%
Motor vehicles	20%

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge of depreciation is made in respect of these assets.

The cost of equipment under construction represents all costs attributable to bringing the construed asset to its working condition and getting it ready for its intended use. The accumulated costs will be reclassified to the appropriate plant and equipment account when the construction is completed. No depreciation charge is provided for equipment under construction until the asset is used in operations.

(d) *Deferred taxation*

Deferred taxation is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax benefits are recognised in the financial statements only to the extent of any deferred tax liability or when such benefits are reasonably expected to be realisable in the near future.

(e) *Financial instruments*

Financial assets and financial liabilities carried on the balance sheets include cash and bank balances, trade and other receivables and payables that arise directly from the Group's operations. The Group has not entered into derivative transactions nor does it trade in financial instruments.

Principal Accounting Policies (continued)

(f) *Basis of consolidation*

The consolidated financial information incorporate the financial statements of the Company and its subsidiaries.

All significant intra-group transactions, balances and unrealised gains/losses are eliminated on consolidation and the consolidated financial information reflect external transactions and balances only.

Assets and liabilities of overseas subsidiaries are translated at the exchange rates ruling at the balance sheet date. The results of overseas subsidiaries are translated at the exchange rates ruling during the year. Exchange differences arising from such currency translation are included in the Translation Reserve Account.

(g) *Revenue recognition*

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit and loss accounts as follows:

(i) *Provision of services*

Revenue is recognised upon the completion of the services performed. Revenue of the Group comprises of net invoiced value of services rendered by the Group.

(ii) *Interest income*

Interest income is accrued on a time-apportioned basis on the principal outstanding and at the rates applicable.

(h) *Related parties*

For the purposes of this financial information, related parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

(i) *Pension*

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. Contributions payable for the periods under review are charged to the profit and loss account.

NOTES TO THE FINANCIAL INFORMATION

1. Share capital

	<i>Group and Company</i>			
	<i>2003</i>	<i>2004</i>	<i>2003</i>	<i>2004</i>
	<i>£'000</i>	<i>£'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Authorised				
275,000 ordinary shares of £0.10 each	28	28	44	44
Issued and fully paid				
250,000 (2003: 2) ordinary shares of £0.10 each	—*	25	—*	40

* Amount is less than £1,000 or US\$1,000

2. Share application money

On 10 March 2004, the Company increased its issued and paid up share capital to £25,000 (US\$40,000) via the allotment of an additional 249,998 shares of £0.10 each at a share premium of £0.90 per share.

The share application money was converted to share capital and share premium upon the completion of the above allotment.

3. Share premium

	<i>Group and Company</i>	
	<i>2003</i>	<i>2004</i>
	<i>US\$'000</i>	<i>US\$'000</i>
Balance at beginning	—	—
Premium from issue of shares	—	360
Balance at end	—	360

4. Reserves

	<i>Group</i>		<i>Company</i>	
	<i>2003</i>	<i>2004</i>	<i>2003</i>	<i>2004</i>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Balance at beginning	—	(229)	—	(166)
Net (loss)/profit for the period	(230)	895	(166)	759
Currency translation reserve	1	(17)	—	—
Balance at end	(229)	649	(166)	593

NOTES TO THE FINANCIAL INFORMATION (continued)

5. Plant and equipment

<i>Group</i>	<i>Furniture and fittings</i>		<i>Office equipment</i>	<i>Operational equipment</i>	<i>Equipment under construction</i>	<i>Motor vehicles</i>	<i>Total</i>
	<i>Renovation</i>	<i>and fittings</i>	<i>equipment</i>	<i>equipment</i>	<i>construction</i>	<i>vehicles</i>	
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Cost							
Additions	5	11	18	1,462	784	–	2,280
At 31 December 2003	5	11	18	1,462	784	–	2,280
Additions	43	26	20	1,151	243	269	1,752
Transferred to operational equipment	–	–	–	784	(784)	–	–
At 31 December 2004	<u>48</u>	<u>37</u>	<u>38</u>	<u>3,397</u>	<u>243</u>	<u>269</u>	<u>4,032</u>
Accumulated depreciation							
Charge in the period	1	1	2	98	–	–	102
At 31 December 2003	1	1	2	98	–	–	102
Charge in the year	10	5	13	282	–	20	330
At 31 December 2004	<u>11</u>	<u>6</u>	<u>15</u>	<u>380</u>	<u>–</u>	<u>20</u>	<u>432</u>
Net Book Value							
At 31 December 2003	<u>4</u>	<u>10</u>	<u>16</u>	<u>1,364</u>	<u>784</u>	<u>–</u>	<u>2,178</u>
At 31 December 2004	<u>37</u>	<u>31</u>	<u>23</u>	<u>3,017</u>	<u>243</u>	<u>249</u>	<u>3,600</u>

The net book value of plant and equipment includes an amount of US\$249,000 held under finance leases as at 31 December 2004.

Operational equipment and equipment under construction with net book value totalling US\$2,088,000 and US\$2,612,000 as at 31 December 2003 and 2004 respectively, was pledged in favour of the Loan Notes as disclosed in Note 7 of this report.

<i>Company</i>	<i>Furniture and fittings</i>		<i>Office equipment</i>	<i>Operational equipment</i>	<i>Equipment under construction</i>	<i>Motor vehicles</i>	<i>Total</i>
	<i>Renovation</i>	<i>and fittings</i>	<i>equipment</i>	<i>equipment</i>	<i>construction</i>	<i>vehicles</i>	
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Cost							
Additions	–	–	–	1,458	784	–	2,242
At 31 December 2003	–	–	–	1,458	784	–	2,242
Additions	–	–	–	1,150	243	–	1,393
Transferred to operational equipment	–	–	–	784	(784)	–	–
At 31 December 2004	<u>–</u>	<u>–</u>	<u>–</u>	<u>3,392</u>	<u>243</u>	<u>–</u>	<u>3,635</u>
Accumulated depreciation							
Charge in the period	–	–	–	98	–	–	98
At 31 December 2003	–	–	–	98	–	–	98
Charge in the year	–	–	–	281	–	–	281
At 31 December 2004	<u>–</u>	<u>–</u>	<u>–</u>	<u>379</u>	<u>–</u>	<u>–</u>	<u>379</u>
Net Book Value							
At 31 December 2003	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,360</u>	<u>784</u>	<u>–</u>	<u>2,144</u>
At 31 December 2004	<u>–</u>	<u>–</u>	<u>–</u>	<u>3,013</u>	<u>243</u>	<u>–</u>	<u>3,256</u>

Operational equipment and equipment under construction with net book value totalling US\$2,088,000 and US\$2,612,000 as at 31 December 2003 and 2004 respectively, was pledged in favour of the Loan Notes as disclosed in Note 8 of this report.

NOTES TO THE FINANCIAL INFORMATION (continued)

6. Investment in subsidiaries

	<i>Company</i>	
	<i>2003</i>	<i>2004</i>
	<i>US\$'000</i>	<i>US\$'000</i>
Unquoted shares, at cost	126	126

The following information relates to the subsidiary companies:

<i>Name of Subsidiary</i>	<i>Principal Activities</i>	<i>Country of Incorporation and Place of Business</i>	<i>Cost of investment held by Company</i>		<i>Percentage of equity held by Company</i>	
			<i>2003</i>	<i>2004</i>	<i>2003</i>	<i>2004</i>
			<i>US\$'000</i>	<i>US\$'000</i>	<i>%</i>	<i>%</i>
Hallin Marine Pte Ltd	The provision of specialist services to the marine, oil and gas and offshore cable laying and hydrographic survey industries and to act as agent for overseas companies	Singapore	46	46	100	100
Hallin Marine Systems Limited	The provision of specialist services to the marine, oil and gas and offshore cable laying and hydrographic survey industries.	Isle of Man	80	80	100	100
			<u>126</u>	<u>126</u>		

7. Trade and other receivables

	<i>Group</i>		<i>Company</i>	
	<i>2003</i>	<i>2004</i>	<i>2003</i>	<i>2004</i>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Trade receivables	221	2,520	–	–
Other receivables and advances	100	615	–	–
Prepayments and deposits	53	605	18	20
	<u>374</u>	<u>3,740</u>	<u>18</u>	<u>20</u>

8. Trade and other payables

	<i>Group</i>		<i>Company</i>	
	<i>2003</i>	<i>2004</i>	<i>2003</i>	<i>2004</i>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Trade payables	338	5,808*	60	57
Accrued operating expenses	157	1,026	31	26
Other payables (secured) **	1,308	1,032	1,305	1,032
	<u>1,803</u>	<u>7,866</u>	<u>1,396</u>	<u>1,115</u>

NOTES TO THE FINANCIAL INFORMATION (continued)

8. Trade and other payables (continued)

- * The Group has disputed the charge from one of its creditors of approximately US\$215,000. No provision is made in this financial information for this amount as the directors are of the view that no further liabilities will crystallise.
- ** Other payables relate mainly to a loan, in the form of debenture loan notes, from its existing shareholders. The loan is repayable in full in year 2004, at an interest rate of 6% per annum. The debenture loan notes holders have agreed to extend the repayment period to 31 December 2005. Interest will be charged at 6% per annum. These loans are secured on the Group's operational equipment and equipment under construction – See Note 5.

9. Obligations under finance leases

Group

	<i>Payments</i> <i>2003</i> <i>US\$'000</i>	<i>Interest</i> <i>2003</i> <i>US\$'000</i>	<i>Principal</i> <i>2003</i> <i>US\$'000</i>	<i>Payments</i> <i>2004</i> <i>US\$'000</i>	<i>Interest</i> <i>2004</i> <i>US\$'000</i>	<i>Principal</i> <i>2004</i> <i>US\$'000</i>
Within 1 year	–	–	–	34	7	27
After 1 year but within 5 years	–	–	–	136	27	109
After 5 years	–	–	–	156	30	126
	–	–	–	292	57	235
	–	–	–	326	64	262

The effective interest rates for the finance leases are 4.61% per annum for the period ended 31 December 2004.

10. Deferred taxation

The movement in the Group's deferred tax liabilities (prior to offsetting of balances within the same jurisdiction) during the periods is as follows:

Deferred tax liabilities

	<i>Group</i>	
	<i>Accelerated tax depreciation</i> <i>2003</i> <i>US\$'000</i>	<i>2004</i> <i>US\$'000</i>
At beginning of period	–	2
Transfer to income statement	2	5
At end of period	2	7

11. Segments

(a) Business segment

The revenue, (loss)/profit before taxation and net assets are attributable to the one principal activity which relates to the provisioning of specialist services to the marine, oil and gas and offshore cable laying and hydrographic survey industries.

NOTES TO THE FINANCIAL INFORMATION (continued)

11. Segments (continued)

(b) Geographical segment

Revenue segmentation is based on the location of the customers regardless of where the services are performed. Assets and additions to plant and equipment are based on the location of those assets.

Turnover by geographical segment is as follows:

	<i>Group</i>	
	<i>Pro forma</i> 06/01/2003	<i>01/01/2004</i>
	<i>to</i>	<i>to</i>
	31/12/2003	31/12/2004
	US\$'000	US\$'000
North Asia	2,431	12,310
South Asia	4,590	5,582
Others *	90	2,263
	<u>7,111</u>	<u>20,155</u>

Total assets and capital expenditure by geographical segments are as follows:

	<i>Group</i>			
	<i>Total assets</i>		<i>Total capital expenditure</i>	
	2003	2004	2003	2004
	US\$'000	US\$'000	US\$'000	US\$'000
North Asia	242	2,403	–	–
South Asia	117	3,798	38	359
Others *	2,245	3,672	2,242	1,393
	<u>2,604</u>	<u>9,873</u>	<u>2,280</u>	<u>1,752</u>

* Others include mainly the Netherlands and Isle of Man

12. Profit from operations

Profit from operations is stated after charging:

	<i>Group</i>	
	<i>Pro forma</i> 06/01/2003	<i>01/01/2004</i>
	<i>to</i>	<i>to</i>
	31/12/2003	31/12/2004
	US\$'000	US\$'000
Hire of plant and machinery	–	4
Depreciation – owned assets	–	33
Depreciation – assets on hire purchase contracts	102	297
Operating lease rentals	43	76
Directors' fees	22	24
Director's emoluments *	140	194
	<u>140</u>	<u>194</u>

* Included is an amount for defined contribution plans of US\$13,000 and US\$20,000 for the period ended 31 December 2003, and for the year ended 31 December 2004, respectively.

NOTES TO THE FINANCIAL INFORMATION (continued)

13. Staff costs

	<i>Group</i>	
	<i>Pro forma</i>	
	<i>06/01/2003</i>	<i>01/01/2004</i>
	<i>to</i>	<i>to</i>
	<i>31/12/2003</i>	<i>31/12/2004</i>
	<i>US\$'000</i>	<i>US\$'000</i>
Wages and salaries	191	446
Defined contribution plans	11	17
Staff benefits and allowances	72	53
	<u>274</u>	<u>516</u>

The number of employees at the end of the period was as follows:

	<i>Group</i>	
	<i>2003</i>	<i>2004</i>
	<i>No.</i>	<i>No.</i>
Number of employees at the end of the period (excluding directors)	<u>8</u>	<u>14</u>

14. Finance costs

	<i>Group</i>	
	<i>Pro forma</i>	
	<i>06/01/2003</i>	<i>01/01/2004</i>
	<i>to</i>	<i>to</i>
	<i>31/12/2003</i>	<i>31/12/2004</i>
	<i>US\$'000</i>	<i>US\$'000</i>
Interest paid to shareholders	66	146
Finance lease charges	–	4
Others	1	–
	<u>67</u>	<u>150</u>

NOTES TO THE FINANCIAL INFORMATION (continued)

15. Taxation

	<i>Group</i>	
	<i>Pro forma</i>	
	<i>06/01/2003</i>	<i>01/01/2004</i>
	<i>to</i>	<i>to</i>
	<i>31/12/2003</i>	<i>31/12/2004</i>
	<i>US\$'000</i>	<i>US\$'000</i>
Current tax charge	–	17
Deferred tax charge	2	5
	<u>2</u>	<u>22</u>

The reconciliation of the tax expenses and the product of accounting (loss)/profit multiplied by the applicable tax rate is as follows:

	<i>Group</i>	
	<i>06/01/2003</i>	<i>01/01/2004</i>
	<i>to</i>	<i>to</i>
	<i>31/12/2003</i>	<i>31/12/2004</i>
	<i>US\$'000</i>	<i>US\$'000</i>
(Loss)/Profit before taxation	<u>(228)</u>	<u>917</u>
Tax at the respective tax rates	–	14
Tax effect of non-deductible items	2	16
Tax exemptions	–	(6)
Others	–	(2)
Tax expense	<u>2</u>	<u>22</u>

16. Operating lease commitments

The Group had commitments under operating leases as follows:

	<i>Group</i>	
	<i>2003</i>	<i>2004</i>
	<i>US\$'000</i>	<i>US\$'000</i>
Expiry date:		
Within one year	34	120
Between two and five years	23	71
	<u>57</u>	<u>191</u>

NOTES TO THE FINANCIAL INFORMATION (continued)

17. Significant related party transactions

During the periods under review, the significant transactions at terms agreed between the Group and its related parties are as follows:

	<i>Group</i>	
	<i>Pro forma</i>	
	<i>06/01/2003</i>	<i>01/01/2004</i>
	<i>to</i>	<i>to</i>
	<i>31/12/2003</i>	<i>31/12/2004</i>
	<i>US\$'000</i>	<i>US\$'000</i>
Related company		
Purchase of plant and equipment	1,147	–
Shareholders		
Purchase of plant and equipment	236	–
Loan interest paid	66	146

18. Financial risk management

The Group's activities are exposed to the following key financial risks which were monitored closely by the Board of Directors.

Credit risk

The Group has no significant concentration risk. The Group has policies in place to ensure the services rendered are made with adequate financial standing and appropriate credit history.

The carrying amount of financial assets recorded in this financial information, represents the Group's maximum exposure to credit risk.

Foreign exchange risk

The Group's foreign exchange risk results mainly from cash flows from transactions denominated in foreign currencies.

The Group presently does not have any specific policy to hedge its foreign currency exposure and has not used any financial instruments to manage its foreign currency risk. Those exposures are managed using natural hedges that arise from offsetting assets and liabilities that are denominated in foreign currencies.

Fair value of financial instruments

The carrying amounts of financial assets and financial liabilities of the Group approximate their fair values.

19. Subsequent events

By way of an ordinary resolution passed on 8 April 2005:

- the authorised share capital of the Company was increased to £400,000 by the creation of a further 3,725,000 ordinary shares of 10 pence each ranking *pari passu* with the existing ordinary shares;
- the 4,000,000 issued and unissued ordinary shares of 10 pence each were sub-divided into 40,000,000 ordinary shares of 1 pence each;
- the directors of the Company were sanctioned to capitalise the amount standing to the credit of the reserve account and to distribute among the holders of the issued ordinary shares of 1 pence each by way of a special capital bonus in the proportion in which they would have been entitled to such sum had it been distributed by way of dividend and be applied in paying up in full at par nine ordinary shares of 1 pence each for each existing ordinary shares; and

NOTES TO THE FINANCIAL INFORMATION (continued)

19. Subsequent events (continued)

- (d) the directors were authorised pursuant to Article 7.3 of the Articles of Association to allot equity securities as if the pre-emption provisions in Article 7.3 did not apply, provided that such authority be limited to:
- (i) the allotment of equity securities for cash up to an aggregate nominal sum of £54,000 in connection with the Placing;
 - (ii) the allotment of equity securities for cash up to a nominal sum of £30,000 in connection with share options granted and to be granted; and
 - (iii) the allotment of equity securities for cash up to an aggregate nominal amount of £16,000 (representing approximately 5 per cent. of the Company's issued share capital following the issue of the placing shares pursuant to (i) above).

20. Nature of financial information

The financial information presented above does not constitute statutory accounts for each of the periods under review.

21. Consent

We consent to the inclusion of this report in the Document dated 18th April, 2005 and accept responsibility for this report for the purposes of paragraph 45(1)(b)(iii) of Schedule 1 to the Public Offers of Securities Regulations 1995 and Section 37 of the Isle of Man Companies Act 1931.

Yours faithfully

Moores Rowland
Certified Public Accountants
Singapore

PART IV

GENERAL INFORMATION

1. Incorporation

- (a) On 6th January, 2003 the Company was incorporated as a company limited by shares under the IOM Act with registered number 107479C under the name Portherras Limited. On 10th March 2003 the Company changed its name to Hallin Marine Subsea International (2003) Limited and on 30th November, 2004 it changed its name to Hallin Marine Subsea International Limited. On 8th April, 2005 the Company passed the necessary resolutions to become a public company limited by shares under the IOM Act, and changed its name to Hallin Marine Subsea International Plc.
- (b) The Company is the holding company of the Group.
- (c) The principal legislation under which the Company operates is the IOM Act and the regulations made hereunder.
- (d) The Company does not have a place of business in the UK. The Company's registered office is at International House, Castle Hill, Victoria Road, Douglas, Isle of Man, IM2 4RB, which is the principal place of business of IFG International Limited, the Company's corporate service provider in the Isle of Man. IFG International Limited is responsible, *inter alia*, for maintaining the statutory records of the Company.
- (e) The liability of the members of the Company is limited.

2. Details of Subsidiaries and Associated company

On 23rd October, 2003 the Company acquired for £50,000 the entire issued share capital of Systems being fifty thousand ordinary shares of £1 each. Systems was incorporated on 6th January 2003 under the IOM Act with registered number 107478C in the name of Chywoone Limited. On 11th March 2003 Systems changed its name to Hallin Marine Systems (2003) Limited and on 30th November, 2004 it changed its name to Hallin Marine Systems Limited.

On 27th August, 2003 the Company acquired for Singapore \$80,000 the entire issued share capital of Hallin Marine Pte Limited being eighty thousand ordinary shares of \$1 (Singapore) each. Hallin Marine Pte Limited was incorporated on 31st July, 2003 in Singapore with a registered number of 200307267E.

Hallin Marine (Thailand) Limited was incorporated in Thailand on 1st March, 2005 on behalf of the Company with a registered number of 0108254802458.

3. Share Capital

- (a) Although there are no provisions in the laws of the Isle of Man equivalent to sections 89 to 96 of the Act which confer pre-emption rights on existing shareholders in connection with the allotment of equity securities for cash, the Articles contain provisions having a similar effect and giving shareholders similar rights to those contained in sections 89 to 96 of the Act.
- (b) The Company was incorporated with an authorised share capital of £2,000 divided into 2,000 Ordinary Shares of £1 each, of which 2 were taken up by the subscribers to the Memorandum of Association.
- (c) The following is a summary of the changes in the authorised and issued share capital of the Company since incorporation:
 - (i) by special resolution passed on 26th February 2003 the authorised share capital of the Company was increased to £27,500 by the creation of a further 25,500 Ordinary Shares of £1 each ranking *pari passu* with the existing Ordinary Shares;
 - (ii) by a special resolution passed on 11th June 2003 the authorised share capital of the Company was subdivided into 275,000 Ordinary Shares of 10p each;
 - (iii) on 10th March 2004 249,980 Ordinary Shares were allotted and issued at a price of 10p per share;
 - (iv) by way of an ordinary resolution passed on 8th April, 2005:
 - (a) the authorised share capital of the Company was increased to £400,000 by the creation of a further 3,725,000 ordinary shares of 10p each ranking *pari passu* with the Existing Ordinary Shares;

- (b) the 4,000,000 issued and unissued ordinary shares of 10p each were sub-divided into 40,000,000 ordinary shares of 1p each;
- (c) the Directors were sanctioned to capitalise the amount standing to the credit of the reserve account and to distribute among the holders of the issued ordinary shares of 1p each by way of a special capital bonus in the proportion in which they would have been entitled to such sum had it been distributed by way of dividend and be applied in paying up in full at par nine ordinary shares of 1p each for each existing ordinary share; and
- (d) the Directors were authorised pursuant to Article 7.3 of the Articles of Association to allot equity securities as if the pre-emption provisions in Article 7.3 did not apply, provided that such authority be limited to:
 - (i) the allotment of equity securities for cash up to an aggregate nominal sum of £54,000 in connection with the Placing;
 - (ii) the allotment of equity securities for cash up to a nominal sum of £30,000 in connection with share options granted and to be granted; and
 - (iii) the allotment of equity securities for cash up to an aggregate nominal amount of £16,000 (representing approximately 5 per cent of the Company's issued share capital following the issue of Placing Shares pursuant to (i) above).

Such authority expires at the conclusion of the next annual general meeting of the Company or 7th July, 2006, whichever is earlier.

There are no founders', management or deferred shares in the Company.

- (d) The following table shows the authorised and issued share capital of the Company as at the date of this document and as it will be immediately following the Placing:

	<i>As at the date of this document</i>		<i>Following the Placing</i>	
	<i>Number</i>	<i>Amount</i>	<i>Number</i>	<i>Amount</i>
Authorised	40,000,000	£400,000	40,000,000	£400,000
Issued and fully paid	25,000,000	£250,000	30,400,000	£304,000

- (e) Save as disclosed in this document and save for the issue of Placing Shares and any shares to be issued pursuant to the Option Scheme referred to in paragraph 5 below:
 - (i) no share or loan capital of the Company or any of its subsidiaries has been issued or is now proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) except pursuant to the Placing Agreement referred to in paragraph 10 below no commission brokerage discount or other special term has been granted by the Company or any of its subsidiaries or is now proposed in connection with the issue or sale of any of its share or loan capital; and
 - (iii) save as set out in this document, no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (f) Following the Placing and taking into account all options granted by the Company 8,975,000 Ordinary Shares will remain unissued and save as provided for in this document no material issue of Ordinary Shares will be made (other than to shareholders pro rata to existing holdings) and no issue of Ordinary Shares will be made which would effectively alter the control of the Company and no change will be made to the nature of its business without in each case the prior approval of the shareholders in general meeting.
- (g) No shares in the Company are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.
- (h) The Placing Shares will rank in full for all dividends or other distributions hereafter declared, paid or made on the ordinary share capital of the Company.
- (i) Save as set out in this document, the Company has no present intention to issue any of the authorised but unissued share capital of the Company.
- (j) Except as stated in this document;
 - (i) the Company does not have in issue any securities not representing share capital; and
 - (ii) there are no outstanding convertible securities issued by the Company.

4. Directors' and Other Interests

- (a) The interests of the Directors (all of which are beneficial) and of all such persons connected (within the meaning of Section 346 of the Act) with the Directors in the issued share capital of the Company, as notified to the Company under the provisions of Sections 324 or 328 of the Act, assuming the Placing in full, as shown, or as will be shown immediately following Admission, in the register of interests required to be maintained under the provisions of Section 325 of the Act, are set out in the table below:

	<i>Number of Existing Shares</i>	<i>Percentage of Existing Shares</i>	<i>Percentage of Ordinary Shares following Admission</i>
A G Ebel	470,000	1.88	1.54
J H Giddens	8,125,000*	32.50	26.73
J Quinn	4,375,000*	17.50	14.39
T M O'Carroll	–	–	–

* These shares are registered in the name of Hallin Marine Systems International Limited of 43 Elizabeth Avenue, Nassau, Bahamas in which all the issued share capital is owned by J H Giddens, J B Quinn and their respective wives.

- (b) Save as disclosed in this document and as shareholders of the Company, none of the Directors has or has had any direct or indirect interest in any assets which during the period from incorporation of the Company to the date of this document, have been acquired, disposed of by or leased to the Company or are proposed to be acquired, disposed of by or leased to the Company.
- (c) At the date of this document the Directors are aware of the following other shareholders who are beneficially interested in Ordinary Shares amounting to 3 per. cent or more of the issued share capital of the Company in addition to those set out in paragraph 4(a) above:

	<i>Number of Existing Shares</i>	<i>Percentage of Existing Shares</i>	<i>Percentage of Ordinary Shares following Admission</i>
Abacus Nominees Limited (H679)	5,000,000	20.0	16.45
Gresham House Plc	4,000,000	16.0	13.16
Buckton Homes Limited	900,000	3.60	2.96
L Stickley	780,000	3.12	2.57

- (d) Save as set out in sub-paragraphs (a) and (c) above, the Directors are not aware of any person who is, or will be, entitled to control the exercise of 10 per cent or more of the total votes available to be cast on all matters at general meetings of the Company.
- (e) The aggregate remuneration and benefits in kind (including pension contributions) paid or granted to the Directors for the year ended 31st December, 2004 was US\$218,000 For the current financial year to 31st December, 2005, the estimated aggregate of such payments is US\$229,000.
- (f) No loans are outstanding from the Company to any of the Directors nor has any guarantee been provided by the Company for the benefit of any of the Directors.
- (g) Set out below is information relating to each Director in respect of partnerships or directorships (apart from the Company and its subsidiaries) which they have held over the previous five years and brief details of companies in receivership or liquidation where they were directors at the time or within twelve months preceding such events. Save as disclosed in this paragraph, no Director has any unspent convictions nor has any Director been the subject of any public criticisms by statutory or regulatory authorities or bankruptcy proceedings or individual voluntary arrangements.

<i>Name</i>	<i>Current Directorships</i>	<i>Past Directorships</i>
A G Ebel	Gresham House plc Security Change Limited Hightown Securities Limited New Capital Holdings Limited Watlington Securities Limited Napier Management Services Limited Azzurri Technology Limited Entertainment Corporation	Honeyrange Limited Medical Matrix Technology Limited

<i>Name</i>	<i>Current Directorships</i>	<i>Past Directorships</i>
	Sponsorship & Licensing Company Limited Manor Gardens Investments Limited Rapidform Limited	
J H Giddens	Hallin Marine Systems International Ltd. EOTR Pte Limited SKS Hallin Marine Sdn Bhd	Hallin Marine (IOM) Ltd
J B Quinn	Hallin Marine Systems International Limited 2DayUK Limited Solent News & Photo Agency Limited Bournemouth News & Picture Service Limited Solent Photos Limited Scorched Productions Limited	Wave 105 FM Limited The National Association of Press Agencies
T M O'Carroll	A.E.Shey Limited Abbots Limited African Petroleum Investment Limited Almondvale Limited Alverstone Ventures Limited Alwena Limited Arkadian Limited Atherton Limited Babinda Limited Bardor Limited Barsac Limited Barthez Limited Berardi Limited Blanka Limited Botha Limited Bretby Limited Brinton Limited Brochole Limited Buryan Limited Byrnwood Limited Campile Limited Casby Limited Cashmere Limited Cassius Limited Checa Limited Chelag Limited Chevron Limited Chiesa Limited Clarkston Limited CLB Properties Limited Cobain Limited Cody Limited Coongul Limited Corncastle Limited Costa Limited Counago Limited Coyney Properties Limited Cumulous Capital Limited Dancing Lily Limited Dancing Spirit Limited Darstone Limited Decade Property Investments Limited Devnya Limited Dhal Limited	Ableford Limited Adani Limited Afrinvest Limited Alanis Limited Alpaya Limited Alto Limited Altruis Limited Anberda Unlimited Anglo Eastern Developments Limited Arakan Limited Arch Properties Limited Ardea Limited Arpian Limited Ashton Resources Limited Asmara Limited Assured Ventures Limited Augustus Limited Axon Limited Backdale Limited Baderna Unlimited Baltisches Haus Limited Barandon Limited Beckston Limited Beverly Drive Limited Bevington Limited Birrell Limited Bishop Properties Limited Bismillah Limited Blairgowrie Limited Blake Limited Blakehill Limited Bowthorpe Limited Bradley Limited Broadband Access Marketspace Limited Bromet Limited Bryant Limited Burnous Limited Caballero Limited Camberwick Limited Campsie Limited Cannizaro Limited Canon Properties Limited Carbis Limited Cardwell Limited

<i>Name</i>	<i>Current Directorships</i>	<i>Past Directorships</i>
	Digital Ventures Limited	Carliska Limited
	Dorvia Limited	Carmay Limited
	Doulim Trading Limited	Casa Dona Limited
	Eagle Rock Limited	Catronia Limited
	Ecks Limited	Celsiana Limited
	Embrern Limited	Cerberus Limited
	Emer Limited	Chalside Limited
	Eneph Consultants Limited	Chine Properties Limited
	Eneray Limited	Cimarron Limited
	Eskimo Limited	Cleland Limited
	Estival Limited	Clockend Limited
	Eurasia Energy Limited	Colden Limited
	Eurasia Oil Services (Holdings) Limited	Condor Anlegen AG Limited
	Everclear Investments Limited	Construction Holdings Limited
	Ferl Limited	Cornhill Investments Limited
	FMC Data Limited	Cresthill Limited
	Fordstone Limited	Cyclops Investments Limited
	Forlana Limited	Danan Limited
	Fountainhead Investments Limited	Dargala Investments Limited
	Frontview Limited	Darrow Limited
	Gemmill Limited	Dean Properties Limited
	Gerrard Limited	Delby Company
	Gessler Limited	Dialog Freight (Isle of Man) Limited
	Gilquest Limited	Dilforth Limited
	Gram Haxir Limited	Direct Focus Limited
	H.G. Tree Limited	Dreamscape Limited
	Hallin Marine Systems Limited	Dromedary Limited
	Healthlink Limited	Drumlagen Limited
	Helvig Limited	Earlston Limited
	Hickleton Limited	Eastlight Investments Limited
	Highbeath Limited	Edale Limited
	Highview Limited	Edgelane Limited
	Hisar Limited	Eglinton Limited
	Hollingdale Limited	Elia Limited
	Huddon Limited	Ellenbrook Limited
	Humboldt Property Limited	Ellimore Limited
	Hyson Limited	Elta Limited
	IFIT Limited	Emerging Technologies Experts Group Limited
	Indolec Limited	Enara Limited
	Innisfail Limited	Energy Concepts International Limited
	Interfax Information Services Limited	Equinox Holdings Limited
	Interfax International Limited	Estrelle Limited
	Irontrain Investments Limited	Eton Place Holdings Limited
	Isleta Trading Limited	Fernlea Limited
	Jacktar Limited	Figo Limited
	Jakar Limited	Filan Limited
	Jalan Limited	Firhill Limited
	Jana Limited	Fordlea Limited
	Jorullo Limited	Fortius Limited
	Jos Limited	Fourloch Limited
	Jungersol Limited	Fragile Limited
	Juno Securities Limited	Furfano Limited
	Kapok Limited	G.A. (Resources) Limited
	Katarina Limited	Gal Marine (BVI) Limited
	Kelander Limited	Galatas Limited
	Kelbury Properties Limited	Gallas Limited
	Kheeley Limited	Gecoun Limited
	Kuantan Limited	Genting Oil Natuna Limited
	Kynance Limited	Genting Power Indonesia Limited
	Lafayette Limited	Genting Power Philippines Limited
	Lake Placid Limited	Genting Sanyen Indonesia Limited
	Lamorna Limited	Glaisbury Limited
	Lancia Limited	

*Name**Current Directorships**Past Directorships*

Larkco Limited	Global Connect Holding Limited
Larsen Limited	Gog Limited
Lateen Limited	Gowan Limited
Lena Limited	GP China Limited
Leon Limited	Gray Limited
Leuven Limited	Gridale Limited
Linaria Limited	Gulzar Limited
Linby Limited	Hamley Limited
Malay Limited	Hannibal Limited
Marindale Limited	Hansco Limited
Marne Limited	Haqemi Limited
Masteve Investments Limited	Harescombe Limited
Mazuri Limited	Haydon Properties Limited
Mcpill Projects Limited	Highlands Exploration Limited
Mellway Properties Limited	Highlands Power Development Limited
Meranti Limited	Hoggard Limited
Mitrالي Limited	Holbeck Limited
Molesly Limited	Hollow Oak Limited
Monreagh Limited	Holyfield Limited
Montreaux Properties Limited	Homepilot Distribution Limited
Morgan Ventures Limited	Hortensia Limited
Moulton Limited	Ionian Limited
Mourne View Limited	IWP (Isle of Man) Holdings Limited
Naviasky Limited	IWP (Isle of Man) Limited
Nedby Limited	Jondelle Limited
Network Estates Limited	Juldar Limited
New Emerald Limited	Kabinda Limited
Newlace Limited	Kalo Limited
O.S.T. Investments Limited	Kang Limited
Oberon Trading Limited	Kappa Alpha Limited
Ocean View Estates Limited	Kayel Limited
Omnia Securities Limited	Kent South Asia Limited
Overseas Investment Company (Bahamas) Limited	Keramis Limited
Palmgrove Limited	Keri Consulting Limited
Peckerwood Limited	Ketton Limited
Pelagos Limited	Kil Properties Limited
Pengale Limited	King Air Limited
Petrolin Group Limited	Kinsworth Limited
Pinheiros Limited	Klassder Limited
Portesham Limited	Kuranda Limited
Porthleven Limited	Lahinch Limited
Promalee Limited	Lancashire Consultancy Limited
Proved Limited	Lansbury Limited
Quality Ventures Limited	Larisa Limited
Quintina Limited	Lauriston Limited
Raees International Limited	LF Technologies Limited
Ramzor Investments Limited	Lightning Ridge Limited
Red Amazon Limited	Limelight Limited
Redchair Limited	Linsay Limited
Regalia Limited	Linsey Consultants Limited
Repka Limited	Lisdoon Limited
Ruska Limited	Litgo Investments Limited
Ryu Limited	Logan Rock Limited
S.C.Rollage Limited	Londrina Limited
Sabatier Limited	Lualua Limited
Salarino Limited	Malmont Limited
Samphire Limited	Martello Limited
Sancreed Limited	Med-House Limited
Saurel Limited	Mikado Investments Limited
Sauron Limited	Modlen Holdings Limited
Scenic Limited	Monavia Limited
Schwarzer Limited	Monee Limited
	Moon Dog Limited

*Name**Current Directorships**Past Directorships*

Selth Limited
Sharsam Limited
Shazr Limited
Sierough Limited
Silius Limited
Silverthorne Property Ltd
Simcoe Limited
Spotlight Limited
Squaw Valley Limited
Starpharma Limited
Suffolk Properties Limited
Swan Valley Limited
Swinford Limited
Tanyl Limited
Tarajan Limited
Tarakhel Limited
Tarondo Limited
Tekton Limited
Terai Limited
Thorncliffe Limited
Timar Limited
Tobiska Limited
Torico Limited
Transcom Limited
Trufield Limited
Tynecastle Limited
Unicare Limited
United Cohiba International Limited
Utopia Limited
V.N.Nane Limited
Venner Limited
Vine Hill Limited
Whitecliff Investments Limited
Wildfire Limited
Wildwater Limited
Wootton Limited
World Wide Water Limited
Yarraman Investments Limited
Zeletta Limited
Zgrada Republike Crne Gore Limited

Mulholland's (Consulting Engineers) Limited
Neronian Limited
Newgale Limited
Novaport International Consultants Limited
Oakley Limited
Ole Miss Limited
Orgles Limited
Paeony Limited
Palomino Holdings Limited
Palomino Sun Limited
Palomino World Limited
Parrin Limited
Pemberton Limited
Performance Associates International
(IOM) Limited
Petka Limited
Philsboro Limited
Playfair Limited
Prospect Limited
Purico Papertech Limited
Qube Apartments Limited
Quickstep Limited
Renworth Limited
Reubens Limited
Roundstone Limited
Ryan's Irish Cream Limited
Sarum Limited
Sedby Limited
Senna Limited
Shaldon Limited
Sigtronic Limited
Sinton Limited
SIPC Genting Cabinda Limited
Sonnet Limited
St Matthews Associates Limited
Stowbrook Limited
Sukin Limited
SW Limited
Swallow Creek Limited
Taos Limited
Tarrico Limited
Tayseer Limited
Taywood Limited
Tetha Limited
Tinos Limited
Tirana Ventures Limited
Tito Limited
TransOil Limited
Trinity Limited
Valens Limited
Valiant Limited
Valmont IOM Holdings
Valmont IOM Investments
Valmont IOM Nominees Limited
Valognes Limited
Vespor (2000) Limited
Vico Limited
Viola Limited
Vis Futura Limited
Westgate Marketing Limited
Whiteoak Limited
Whitestone Management Limited
Wilton Estates A Limited

<i>Name</i>	<i>Current Directorships</i>	<i>Past Directorships</i>
		Wilton Estates B Limited Wilton Estates Limited Xoanon Properties Limited Yssel Limited Zambezi Limited

IFG International Limited manage a substantial number of companies on behalf of clients and members of IFG staff therefore serve as directors on these companies. All of Miss O'Carroll's directorships fall within this category.

5. Options

An Option Agreement dated 1st April, 2004 between the Company (1) and J B Attenburrow (2) under which Mr Attenburrow whose address is at Unit 817, SOPS Drive, Box 5083, Loyang Offshore Supply Base, Singapore 508988 has been granted an option to subscribe for 625,000 Ordinary Shares at an exercise price of 1p per share. Options can be exercised at any time between 1st April, 2006 and 31st March 2013. All options are non-transferable. If Mr Attenburrow ceases to be an employee of the Company or any of its subsidiaries the options will lapse. In the event of any alteration of the ordinary share capital of the Company, the Board will be able to make such adjustments as they consider appropriate to the aggregate number or amount of shares subject to any option and the exercise price payable for each share under such option. Any such adjustment will need to be confirmed in writing by the auditors of the Company to be in their opinion fair and reasonable.

In addition to the above it is the Directors intention to establish a share option scheme for the benefit of both directors and senior employees, the nature and terms of which have yet to be agreed other than that the maximum number of Ordinary Shares over which options may be granted pursuant to all option schemes or arrangements adopted by the Company will not exceed 10 per cent of the issued share capital of the Company.

6. Directors' Service Agreements and Emoluments

The following service agreements have been entered into by the Directors and the Company:

- (a) A service agreement dated 15th April, 2005 between the Company (1) and J Giddens (2) whereunder Mr Giddens is employed as the Managing Director of the Company and Group Chief Executive from the date of Admission and thereafter until terminated by either party upon six months notice provided that notice may not be given for three years. The Service Agreement shall automatically terminate upon Mr Giddens attaining the age of 65 years, or upon his disqualification as a director or resignation as a director of the Group with prior written consent. Mr Giddens current annual salary is US\$105,750 (net of tax) and is reviewable annually. The Service Agreement also includes the following benefits: a pension contribution of 35 per cent. of salary, housing and associated accommodation costs capped at US\$3,000 per month, a fully expensed company car, childrens' school fees capped at US\$15,000 per year, annual economy return air fare to UK for family, medical insurance, family relocation expenses upon expiration of the Agreement, social club membership and payment of Singapore income tax liability. In addition Mr Giddens shall enter into a Singapore Service Agreement with Hallin Singapore providing, *inter alia*, for the local employment of Mr Giddens in Singapore and qualification for a Singapore "P2" Employment Pass. Mr Giddens Service Agreement is available for inspection as set out in paragraph 18(c) below. The service agreement contains restrictive covenants by Mr Giddens in relation to his activities during a period following termination of the agreement. If the Company terminates the agreement other than for reasons of Mr Giddens' default Mr Giddens will be entitled to receive 75 per cent of his salary during the period of his restriction.
- (b) Agreements between the Company (1) and Microdisc Limited (2) and the Company (1) and Scorched Productions Limited (2) for the provision of the services of A G Ebel and J Quinn respectively. Each of the Non-executive Directors has entered into a letter of appointment with the Company for the period until each of them are requested to stand for re-election as a director in accordance with the articles of association of the Company.
- (c) An agreement dated 30th July, 2003 between the Company (1) and IFG International Limited (2) whereunder IFG agree to provide certain Secretarial and Accountancy services including the appointment of a suitable person to act as a director of the Company. The Agreement may be terminated by either party upon 30 days notice.

Save as set out above, there are no service or consultancy agreements between any Director and any member of the Group which do not expire or cannot be determined within 6 months, and no such contracts are proposed.

7. Memorandum and Articles of Association

(a) The memorandum of the Company confirms the name of the Company and that it is a public company with limited liability. It further confirms the authorised share capital of the Company and that all the requirements of the Companies Act 1986 in respect of matters relating to registration and of matters precedent have been complied with. Isle of Man law does not require the Company to set out objects in its memorandum.

(b) The articles of association, as adopted by the Company on 8th April, 2005, may be summarised as follows:

(i) *Shares*

Isle of Man law allows the directors of a company to issue securities without first obtaining the authority of shareholders. The articles of the Company provide that, subject to law, the articles and any resolutions of the Company, the directors may offer, allot (with or without conferring a right of renunciation), grant options over or otherwise deal with or dispose of any unissued shares (whether forming part of the original or any increased capital) to such persons, at such times and generally on such terms as the Directors may decide but no share may be issued at a discount.

Isle of Man law does not impose obligations upon directors to issue securities pro rata to existing shareholders of the Company as is the case with an English company under section 89 of the Act. Accordingly, the articles of the Company provide that the Directors shall not allot equity securities on any terms unless:

- (a) the Directors have made an offer to each person who holds equity securities of the same class to allot to him on the same or more favourable terms such proportion of those equity securities that is as nearly as practicable (fractions being disregarded) equal to the proportion that the relevant persons existing holding of equity securities of the same class bears to all the issued shares of that class;
- (b) the period, which shall not be less than 21 clear days, during which any offer referred to in Article 7.3.1 may be accepted has expired or the Company has received notice of the acceptance or refusal of every offer made.

These pre-emption rights shall not apply to a particular allotment of equity securities if these are, or are to be, wholly or partly paid up otherwise than in cash or to the allotment of equity securities which would, apart from a renunciation or assignment of the right to their allotment, be held under an employees' share scheme or to the first allotments of equity securities after the date of adoption of these Articles (other than as aforesaid) of up to £100,000 nominal value. The articles provide that if the Company wishes to allot shares as fully or partly paid up otherwise than in cash, an independent valuation of the consideration for the allotment must be obtained.

(ii) *Dividends*

Subject to relevant statutory provisions, and to the rights attaching to any class of shares, the holders of the Ordinary Shares are entitled, *pari passu* amongst themselves, to the profits of the Company available for distribution and resolved to be distributed according to the amounts paid up on the Ordinary Shares held by them provided that no dividend shall be declared in excess of the amount recommended by the Board. Interim dividends may be paid if profits are available for distribution and if the Board so resolve.

(iii) *Return of Capital*

On a winding up of the Company, a liquidator may, subject to the sanction of an extraordinary resolution of the Company and any other sanction required by statute, divide amongst the members the balance of the assets available for distribution and determine how such divisions shall be carried out between members or different classes of members.

(iv) *Voting*

On a show of hands at any general meeting every member who is present in person shall have one vote and on a poll every such member who is present in person or by proxy shall have one vote for every share held by him. A corporate member may authorise a person to act as its representative at general meetings and such person shall be entitled to exercise such powers as the corporate member could exercise if it were an individual member.

(v) *Restrictions on Voting.*

A member of the Company shall not, if the directors so determine, be entitled to attend or vote, or to exercise rights of membership as aforesaid, if he or any other person appearing to be interested in such shares has failed to comply with a notice given under Article 40.

(vi) *Record Dates and Unclaimed Dividends*

The Board may fix any date as the record date for any dividend, distribution, allotment or issue and such record date may be on or at any time within six months before or after any date on which such dividend, distribution, allotment or issue is declared, paid or made. Any dividend unclaimed after a period of 12 years from the date when it became due for payment shall be forfeited and shall revert to the Company.

(vii) *Modification of Class Rights*

Subject to the statutory provisions, any rights attaching to any class of share in the Company may be modified, abrogated or varied in any manner with the written consent of the holders of not less than three-quarters in nominal value of the issued shares of the class, or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the relevant class.

(viii) *Transfer*

Transfers of shares may be effected in any usual form or in any other form acceptable to the Directors and shall be executed by or on behalf of the transferor and, if the share is partly paid, by the transferee. The articles contain provisions permitting any of the Company's securities to be held in uncertificated form under the Regulations, for such securities to be transferred by means of a relevant system under the Regulations and for the provisions of the articles relating, *inter alia*, to transfers of shares, to be construed accordingly. The Directors may refuse to register a transfer in respect of shares that are not fully paid.

Also the Directors may, subject to the provisions of the articles relating to disclosure of interests, decline to register a transfer in respect of shares which are the subject of a notice under Article 40.

(ix) *Alteration of Capital*

The Company may alter its share capital as follows:

- (a) by ordinary resolution, it may increase its share capital, consolidate and divide all or any of its shares into shares of larger amount, sub-divide all or any of its shares into shares of smaller amount and cancel any shares not taken or agreed to be taken by any person; and
- (b) by special resolution and subject to the statutory provisions, it may reduce its share capital, any capital redemption reserve or any share premium account in any manner.

Subject to the extent permitted by the Act and, if applicable, by the Rules of the London Stock Exchange or any relevant recognised stock exchange or OFEX, the Company may purchase any of its own shares.

(x) *Directors*

- (a) Unless altered by ordinary resolution of the Company, the minimum number of directors of the Company is two and the maximum is six.
- (b) The aggregate fees paid to the directors for their services in the office of director in addition to any remuneration payable to a director as the Board may in its discretion determine by reason of his appointment to any executive office or payable to a director who performs services which, in the opinion of the directors, go beyond the ordinary duties of a director shall not exceed £40,000 per annum or such higher amount as may be determined by ordinary resolution of the Company.
- (c) At each annual general meeting of the Company one-third of the directors who are subject to retirement by rotation (or, if their number is not three or a multiple of three, the number nearest to but not more than one-third) shall retire from office by rotation. A person shall not be prevented from being appointed a director and shall not be required to vacate the office of director, by reason only of the fact that such person has attained the age of 70 years. A director shall not be required to hold any shares in the Company.

(xi) *Directors' interests*

Save as provided in the articles, a director shall not vote or be counted in a quorum at a meeting in relation to any resolution concerning any contract, arrangement or transaction in which he is to his knowledge materially interested.

(xii) *Borrowing Powers*

Save as provided in the articles, the directors may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital and to create and issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The directors shall restrict the borrowing of the Company so that the aggregate amount at any one time outstanding in respect of monies borrowed by the Group shall not at any time, without the previous sanction of an ordinary resolution of the Company, exceed a sum equivalent to four times the adjusted total of the share capital and the consolidated reserves or the amount of £1 million whichever shall be the higher.

8. Financial Information

The financial information contained in this document with regard to the Company does not constitute full accounts within the meaning of Section 240 of the Act. Audited accounts of the Group for the period ended 31st December 2003 and the year ended 31st December, 2004 have been prepared in accordance with International Financial Reporting Standards. In each case the auditors have made reports in respect of each set of accounts and their audit report was unqualified.

9. Working Capital

The Directors are of the opinion, having made due and careful enquiry and taking into account the estimated net proceeds of the Placing, that the working capital available to the Company and its subsidiaries is sufficient for its present requirements, that is for at least twelve months from the date of Admission.

10. The Placing

By an agreement dated 15th April, 2005 between the Company (1), the Directors (2), ARMCF (3) and J M Finn (4) (the "Placing Agreement") J M Finn has agreed, subject to the conditions referred to below, as agent for and on behalf of the Company to use its reasonable endeavours to procure persons to subscribe for all of the Placing Shares at 64p per share.

The obligations of ARMCF and J M Finn under the Placing Agreement are conditional, inter alia, upon Admission occurring on or before 22nd April, 2005 or such later time or date as the Company, and ARMCF and J M Finn may agree but in any event not later than 6th May, 2005.

The Placing Agreement provides for the Company to pay to J M Finn a fee of £30,000 plus value added tax together with a commission equal to 4 per. cent on the value of the Placing Shares allotted to Placees. Out of the commissions paid to it, J.M.Finn will pay all commissions due to Placees. Additionally, the Company has agreed to pay all costs and expenses (including applicable value added tax) of the Placing.

The Placing Agreement also contains certain warranties and indemnities given by the Company and the Directors in favour of ARMCF and J M Finn as to the accuracy of the information contained in this document and other matters relating to the Company and its business under which the liability of the Company is unrestricted but the liability of the Directors is restricted to an aggregate of US\$368,250.

The obligations of ARMCF and J M Finn under the Placing Agreement may be terminated in certain circumstances if there occurs either a material breach of any of the warranties or a change in the national or international, financial, economic, market or political conditions and/or any financial position or prospects of the Company. Such rights exist in the event that such circumstances arise prior to Admission.

11. Material Contracts

During the course of the last two years the following contracts have been entered into which are or may be material and which are outside the ordinary course of business of the Company:-

- (i) The Shareholders Confirmatory Agreement dated 21st October, 2003 between the Company (1), Gresham House plc and others (2), Security Change Limited (3), John Giddens and John Quinn (4) and Systems (5) ("the Confirmatory Agreement") whereby the Investors (as defined therein) agreed to subscribe for shares and make available finance to the Company. Further to the Confirmation Agreement two loans have been made to the Company by the Investors on 14th February and 24th March, 2005;

- (ii) The Placing Agreement dated 15th April, 2005 made between the Company (1), the Directors (2), ARMCF (3) and J M Finn(4) as summarised in paragraph 10 above;
- (iii) An agreement dated 18th March, 2005 between the Company (1) and ARMCF (2) whereby ARMCF has agreed to act as Nominated Adviser to the Company on and following Admission;
- (iv) An agreement dated 11th March, 2005 between the Company (1) and J M Finn (2) whereby J M Finn has agreed to act as broker and placing agent to the Company on and following Admission;
- (v) An Option Agreement dated 1st April, 2004 between the Company (1) and Jon Attenburrow (2) particulars of which are set out in paragraph 5 above; and
- (vi) A Shareholders Cancellation Agreement dated 15 April, 2005 between the Company (1), Gresham House plc and Others (2), Security Change Limited (3), John Giddens and John Quinn (4) and Systems (5) setting out the arrangements whereby the Shareholders Confirmatory Agreement referred to in sub-paragraph (i) above will, following Admission, be cancelled.

12. United Kingdom Taxation

The statements set out below are intended only as a general guide to certain aspects of current UK tax law and Inland Revenue practice as at the date of this document and apply only to certain shareholders resident or ordinarily resident for tax purposes in the UK (save where express reference is made to persons resident outside the UK). The summary does not purport to be a complete analysis or listing of all the potential tax consequences of holding Ordinary Shares. Prospective purchasers of Ordinary Shares are advised to consult their own independent tax advisers concerning the consequences under UK tax law of the acquisition, ownership and disposition of Ordinary Shares.

The statements are not applicable to all categories of shareholders, and in particular are not addressed to (i) shareholders who do not hold their Ordinary Shares as capital assets, (ii) shareholders who own (or are deemed to own) ten per cent. or more of the voting power of the Company, (iii) special classes of shareholders such as dealers in securities, broker-dealers, insurance companies, trustees of certain trusts and investment companies, (iv) shareholders who hold Ordinary Shares as part of hedging or commercial transactions, (v) shareholders who hold Ordinary Shares in connection with a trade, profession or vocation carried on in the UK (whether through a branch or agency or otherwise), (vi) shareholders who hold Ordinary Shares in a personal equity plan or an individual savings account or (vii) shareholders who are not resident or ordinarily resident in the UK for tax purposes (unless express reference is made to non-UK resident shareholders).

12.1 Tax residence and UK taxation status of the Company

The Company is registered in the Isle of Man and it is intended that central management and control will continue to be exercised from the Isle of Man. Consequently, it is intended that the Company will remain resident in the Isle of Man for tax purposes. As a tax-exempt company, the Company will not be subject to Isle of Man income tax (as detailed in paragraph 13 below).

12.2 Dividends – UK resident shareholders

A UK resident individual shareholder who receives a dividend from the Company and who is liable to income tax at the starting or basic rate will be subject to tax on the dividend at the rate of ten per cent, of the gross dividend. A UK resident individual shareholder who is liable to income tax at the higher rate will be liable to tax on the dividend at the rate of 32.5 per cent.

A shareholder which is a company resident for tax purposes in the UK and which receives a dividend from the company will be subject to corporation tax on the dividend at the appropriate rate, currently up to 30 per cent.

12.3 Dividends – non UK resident shareholders

A Shareholder resident outside the UK may be subject to foreign taxation on dividend income under local law. A shareholder who is not resident in the UK (for tax purposes) should consult his own tax adviser concerning his tax liabilities on dividends received from the Company.

12.4 Taxation of capital gains

A disposal of ordinary Shares by a shareholder who is either resident or, in the case of individuals, ordinarily resident for tax purposes in the UK may, depending on the shareholder's circumstances and subject to any available exemption or relief, give rise to a chargeable gain or allowable loss for the purposes of the taxation of chargeable gains. Broadly, shareholders who are not resident or ordinarily resident for tax purposes in the UK will not be liable for UK tax on capital gains realised on the disposal of their Ordinary Shares unless such Ordinary Shares are used, held or acquired for the purposes of a trade, profession or vocation carried on in the UK through a branch or agency or for the purpose of such branch or agency. Such shareholders

may be subject to foreign taxation on any gain under local law. A shareholder who ceases to be resident or ordinarily resident for tax purposes in the UK for a period of less than five years, and who disposes of the Ordinary Shares during that period of non-residence, may also be liable to UK taxation on chargeable gains (subject to any available exemption or relief) as if, broadly, the disposal was made in such shareholder's year of return to the UK.

For the purposes of taper relief, the qualifying holding period will run from the date when the relevant holding of Ordinary Shares was acquired. Following the Finance Act 1998, indexation is not available to shareholders, other than those subject to corporation tax on chargeable gains. Shareholders subject to corporation tax on chargeable gains remain entitled to indexation allowance but are not entitled to taper relief. The Ordinary Shares will be non-business assets for the purposes of taper relief.

12.5 *UK stamp duty and stamp duty reserve tax ("SDRT")*

No stamp duty or SDRT will be payable by shareholders on the issue of the Ordinary Shares.

The above statements are intended only as a general guide to the current tax position under UK taxation law and practice. A Shareholder or potential investor who is in any doubt as to his or her tax position or is subject to tax in any jurisdiction other than the United Kingdom should consult his or her professional adviser without delay.

13. Isle of Man Taxation

No persons treated as resident in the Isle of Man for Manx taxation purposes may hold shares in the Company, save for persons who are exempt under the Isle of Man Income Tax (Exempt Insurance Companies) Act 1981, the Income Tax (Exempt Companies) Act 1984, Part II of the International Business Act 1994 or the Limited Liability Companies Act 1996. Trustees of Isle of Man settlements, the income of which arises outside the Isle of Man (or from certain approved sources within the Isle of Man) and which have no Isle of Man resident beneficiaries are currently not charged to Isle of Man income tax, and are regarded by the Isle of Man Assessor of Income Tax as not resident in the Isle of Man.

In the event of the death of a sole holder of Ordinary Shares, an Isle of Man grant of probate or administration may be required in respect of which certain fees will be payable to the Isle of Man Government.

Capital duty in the Isle of Man is payable on incorporation or on any increase in the nominal value of the authorised share capital of the Company at the rate of £15 per £1,000 (or part thereof) of authorised capital over £2,000 subject to a minimum of £125 and a maximum aggregate amount of £5,000 for each company.

13.1 *Exempt status*

The Company will apply on an annual basis for tax exempt status in the Isle of Man pursuant to the Isle of Man Income Tax (Exempt Companies) Act 1984 as it applies to public companies that issue prospectuses pursuant to Practice Note 63 – 96 issued by the Assessor of Income Tax. The fee is payable on an annual basis in respect of the Company's exempt status. The amount of the fee in respect of the tax year 2005-06 is £475 if paid on time. As a tax exempt company, the Company will not be subject to Isle of Man income tax and there will be no withholding tax on dividends paid by the Company. There is no capital gains tax, inheritance tax, stamp duty or SDRT in the Isle of Man.

The granting of exemption does not affect the liability of a company to deduct and account for income tax under the Isle of Man Income Tax (Instalment Payments) Act 1974 if applicable, although this is not relevant to the Company as the Company has no Isle of Man employees.

The Isle of Man is moving towards zero standard tax rate for most companies scheduled for introduction by 6th April, 2006.

The zero rate proposal has been developed in consultation with private sector representatives and its implementation is subject to Tynwald approval.

The corporate tax system is intended to replace the existing income tax system for the taxation of companies. If implemented all companies would be subject to zero rate taxation with a higher rate for defined regulated businesses; it is expected that the exempt tax regime will ultimately be abolished in order to meet the international standards being set by both the OECD and the EU.

13.2 *Savings Directive*

Directive 2003/48 EEC of the European Union on the taxation of savings income seeks to bring about effective taxation of interest payments in a beneficial owner's member state of tax residence through the automatic exchange of information on cross border interest payments to individual beneficial owners.

The Isle of Man has entered into agreements with all the EU member states to apply a retention tax during the transitional period in the same manner as the withholding tax under the Directive and, thereafter, to apply automatic exchange of information in the same manner as the Directive. The implementation of these agreements into Isle of Man law is conditional upon the introduction of equivalent measures in certain third countries. The earliest implementation date is expected to be 1 July, 2005. During the transitional period, three member states (namely Austria, Belgium and Luxembourg) shall not be required to exchange information but shall apply a withholding tax to savings income covered by the Directive. The Directive does not currently extend to dividend payments.

13.3 *Management and control of the Company*

It is the intention of the Directors to conduct the affairs of the Company so that the management and control of the Company is not exercised elsewhere other than the Isle of Man and the Company is not resident in the UK or elsewhere for taxation purposes and so that it does not carry on any trade in the UK or elsewhere (whether or not through a permanent establishment situated there). Accordingly, the Company should not be liable for the taxation by the UK or any other jurisdiction on its profits or gains other than taxation sourced on certain income deriving from sources within such jurisdictions.

14. **Minimum Amount**

In the opinion of the Directors the minimum amount that must be raised for the purposes set out in paragraph 21 of Schedule 1 to the Public Offer of Securities Regulations 1995 and paragraph 5(a) of the Fourth Schedule to the IOM Act is £3,456,000 which will be applied as follows:

(a) Purchase of property	Nil
(b) Preliminary expenses and expenses of the Placing and Admission	£375,000
(c) Repayment of any money borrowed by the Company in respect of any of the foregoing matters	Nil
(e) The balance, after payment of the sums described above, in respect of working capital	£3,081,000

15. **Litigation**

The Group is involved in two litigation matters:

(a) *Adams Offshore Limited*

In relation to proceedings commenced in December 2003 by Adams Offshore Limited (“Adams”) against TL Offshore Sdn-Bhd (“TLO”) in the High Court of Malaysia, both EOTR Pte Limited (the former Group Singapore company) and HMSI (the former Group operating company) have been served with third party notices by TLO. The contract to which this case applies took place in the overlapping transitional period of business in early 2003. The potential amount capable of being claimed from the Group is US\$ 310,911.03 plus interest and costs. Currently the third party claims are for procedural reasons in abeyance whilst certain aspects in the proceedings are being contested between Adams and TLO. The Group has a good defence to the third party claims made by TLO and have instructed lawyers in Malaysia to defend the proceedings vigorously.

(b) *Joseph Portelli*

An action has been brought by HMSI/John Giddens jointly against Joseph Portelli in a defamation suit in the High Court of Brunei. The case is in the Pre-Trial Review stage and it is envisioned that the trial will not be concluded until mid 2006 at the earliest. Lawyers for HMSI and John Giddens believe them to have a strong chance of success but that in the event of winning the case it may be difficult to execute the judgment and any award for costs as the Defendant is unlikely to have any funds. Furthermore, if unsuccessful HMSI and John Giddens will be looking at a costs award against them in the region of about B\$150,000 to B\$200,000 which would be borne by the Group.

Save for the foregoing the Group is not engaged in any legal or arbitration proceedings, active or (so far as the Directors are aware) pending or threatened against, or being brought by, the Group or any member of the Group which have had or may have a significant effect of the Group’s financial position.

16. **General**

- (a) The Company’s accounting reference date is 31st December.
- (b) Save as disclosed in this document there has been no significant change in the financial or trading position of the Company nor any significant recent trends concerning the Company’s business since 31st December, 2004, the date to which the latest audited accounts of the Company were prepared.

- (c) Save as disclosed in this document no person (excluding the professional advisers mentioned in this document and trade suppliers) has received, directly or indirectly, from the Company within twelve months preceding the date of this document or entered into contractual arrangements to receive, directly or indirectly, from the Company on or after the date of this document fees totalling £10,000 or more or securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price, or any other benefit with a value of £10,000 or more at the date of this document.
- (d) The total expenses of or incidental to Admission and the Placing (assuming all the Placing Shares are issued) which are payable by the Company (including professional fees, printing, advertising costs and amounts payable under the Placing) are estimated to amount to approximately £375,000 (exclusive of VAT).
- (e) The Placing Price of 64p represents a premium of 63p over the nominal value of 1p for each Placing Share. The premium on the Placing as a whole amounts to £3,402,000.
- (f) There are no amounts to be provided otherwise than from the proceeds of the Placing in respect of the matters specified in paragraphs 21(a)(i) to (iv) of Schedule I of the POS Regulations and paragraph 5 of the Fourth Schedule to the IOM Act.
- (g) For the purposes of paragraph 25 of Part IV of Schedule 1 to the POS Regulations and paragraph 5 of the Fourth Schedule to the IOM Act, the subscription lists for the Placing will open at 8.00a.m. on 20th April, 2005 and may be closed at any time thereafter but not later than 6th May, 2005, further details of which are set out in the placing letters sent to investors in the Placing.
- (h) It is expected that CREST accounts will be credited on 22nd April, 2005 and the certificates in respect of the Ordinary Shares will be despatched on 29th April, 2005.

17. Consents

- (a) Moores Rowland accepts responsibility for its report set out in Part III of this document and has given and not withdrawn its written consent to the inclusion of its report in the form and context in which it appears.
- (b) J M Finn has given and not withdrawn its written consent to the issue of this document with the references to its name in the form and context in which they appear.
- (c) ARMCF has given and not withdrawn its written consent to the issue of this document with the references to its name in the form and context in which they appear.

18. Documents

Copies of the following documents will be available for inspection during any normal business hours on any weekday (public holiday excepted) at the offices of DMH Stallard, 37 Jewry Street, London EC3N 2ER and at the Registered Office of the Company from the date of this document to the date one month following Admission.

- (a) The Memorandum and Articles of Association of the Company.
- (b) The material contracts referred to in paragraph 11 above.
- (c) The service and other agreements referred to in paragraph 6 above.
- (d) The Option Scheme Rules and ancillary documents.
- (e) The written consents referred to in paragraph 17 above.
- (f) The report of Moores Rowland set out in Part III of this document.
- (g) The audited accounts of the Company for the period 6th January, 2003 to 31st December, 2004.

Date 18th April, 2005

Hallin Marine Subsea International Plc
International House
Castle Hill
Victoria Road
Douglas
Isle of Man
IM2 4RB
British Isles

Company Number 107479C