

ANNUAL REPORT 2005

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South East Asia Marine Engineering & Construction Ltd.

A member of the Technip Group

SOUTH EAST ASIA MARINE ENGINEERING & CONSTRUCTION LIMITED

TEN YEAR HIGHLIGHTS

Rs. in millions

DETAILS	96-97	97-98	98-99	99-2000	2000 (9 months)	2001	2002	2003	2004	2005
BALANCE SHEET										
SOURCES OF FUNDS										
SHARE CAPITAL	339.00	339.00	339.00	339.00	339.00	339.00	339.00	339.00	339.00	339.00
RESERVE & SURPLUS	727.43	754.55	806.30	734.74	771.47	644.91	745.07	837.23	1258.28	1,451.51
NET WORTH	948.16	953.33	982.91	951.18	946.88	1106.39	1059.22	1,213.59	1538.70	1,790.51
LOAN FUND										
	721.70	715.06	628.02	486.80	493.77	426.00	339.75	198.06	86.25	-
SOURCES OF FUNDS	1669.86	1668.39	1610.93	1437.98	1440.65	1532.39	1398.97	1,411.65	1624.95	1,790.51
APPLICATION OF FUNDS										
NET FIXED ASSETS	1419.51	1350.21	1253.15	1183.46	1121.01	1025.12	959.27	886.28	785.29	738.47
INVESTMENTS	-	-	0.46	0.46	-	-	-	-	-	-
DEBTORS (NET)	250.64	225.89	216.90	242.17	316.46	185.36	158.56	227.43	148.57	226.77
TOTAL CURRENT ASSETS	553.58	491.07	481.41	396.94	502.11	628.03	571.46	629.36	1033.03	1,138.40
CURRENT LIABILITIES & PROVISION	303.23	172.89	124.09	142.89	182.46	120.77	131.76	103.99	196.74	87.66
NET CURRENT ASSETS	250.35	318.18	357.32	254.06	319.65	507.26	439.70	525.37	836.29	1050.74
APPLICATION OF FUNDS	1669.86	1668.39	1610.93	1437.97	1440.66	1532.38	1398.97	1,411.65	1624.95	1,790.51
PROFIT & LOSS ACCOUNT										
REVENUE	927.67	902.99	990.86	860.64	766.44	891.05	1027.29	918.34	1007.97	872.96
EBITDA	274.37	242.05	286.48	110.03	172.18	263.69	283.15	349.35	358.76	334.53
INTEREST EXPENSES	104.01	103.79	118.99	71.94	47.91	63.01	57.33	39.73	24.21	10.41
PROFIT BEFORE TAX	68.97	30.32	57.88	(71.57)	40.04	80.70	94.43	174.63	208.52	212.10



South East Asia Marine Engineering & Construction Ltd.

A MEMBER OF THE TECHNIP GROUP

Registered Office :

401-404, 4th Floor, The Eagle's Flight, Suren Road,
Off. Andheri Kurla Road,
Andheri (East), Mumbai – 400 093.

NINETEENTH ANNUAL REPORT 2005

BOARD OF DIRECTORS

Cmde. P. C. B. Nair, Indian Navy (Retd.)

Capt. C. J. Rodricks

Mr. Knut Boe

Mr. Ivan Coyard

Mr. D. J. Balaji Rao

Mr. Shardul Thacker

Chairman

Managing Director

Director

Director

Director

Director

CHIEF FINANCIAL OFFICER

Mr. S. Sinha Biswas

CHIEF LEGAL OFFICER & COMPANY SECRETARY

Mr. S. N. Mohanty

AUDITORS

M/s. S. R. Battliboi & Co.

Chartered Accountants

PRINCIPAL BANKER

IDBI Bank Ltd.

REGISTRAR & SHARE TRANSFER AGENTS

C B Management Services (P) Ltd.

P-22, Bondel Road (2nd Floor), Kolkata – 700 019.

Phone : (033) 2280-6692/6693/6694 • Fax : (033) 2247-0263

E-mail : cbmsl1@cal2.vsnl.net.in



LISTING ON THE STOCK EXCHANGES

The Company's shares are listed on :

- 1) The Stock Exchange, Mumbai
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001.

- 2) National Stock Exchange of India Ltd.
“Exchange Plaza”
Bandra Kurla Complex, Bandra (East),
Mumbai – 400 051.



NOTICE TO THE MEMBERS

NOTICE is hereby given that the Nineteenth Annual General Meeting of South East Asia Marine Engineering & Construction Ltd. will be held on Wednesday, 19th April, 2006 at 4.00 p.m. at Navinbhai Thakkar Auditorium, Shree Vile Parle Gujarati Mandal, Shraddhanand Road, Vile Parle (East), Mumbai – 400 057 to transact the following business :-

AS ORDINARY BUSINESS

1. To consider and adopt the Profit & Loss Account of the Company for the year ended on 31st December, 2005 and the Balance Sheet as on that date together with Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Shardul Thacker, who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr. Knut Boe, who retires by rotation and is eligible for re-appointment.
4. To appoint Auditors and to fix their remuneration.

Registered Office :

401-404, The Eagles Flight,
Suren Road, Off. Andheri Kurla Road,
Andheri East, Mumbai - 400 093.

Dated, 14th February, 2006

By order of the Board

S. N. Mohanty

Chief Legal Officer &
Company Secretary

NOTES :

1. A member, entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his/her place and a proxy, so appointed, need not be a member of the Company. A proxy form, duly completed, must be deposited at the Registered Office of the Company at least forty-eight hours before the commencement of the meeting.
2. The Register of Members and Share Transfer Books of the Company will remain closed from 13.04.06 to 19.04.06 (both days inclusive).



3. Members desirous of obtaining any information regarding Accounts and operations of the Company are requested to write to the Company, so that it reaches the Company at least seven days before the meeting, to enable the Company to keep the information ready at the time of the meeting.
4. Any change of address of the members of the Company may be intimated to the Registered Office of the Company or to the Registrars : C B Management Services (P) Ltd., P-22, Bondel Road, 2nd Floor, Kolkata 700 019.
5. Members are requested to bring their copies of the Annual Report and Accounts to the Meeting.
6. Members/Proxies should bring the Attendance Slip duly filled in for attending the meeting.
7. Members are requested to quote the ledger folio or Client ID and DP ID numbers in all communications with the Company.



Details of Directors seeking re-appointment in the 19th Annual General Meeting to be held on Wednesday, 19th April, 2006, pursuant to requirement of Clause 49 of Listing Agreement on Corporate Governance

MR. SHARDUL THACKER

Mr. Shardul Thacker is an eminent Legal Professional having vast experience in the field of law more specifically in Banking Corporate Law, crossborder transactions and project on ship finance etc. He is the Partner of Mulla and Mulla & Craigie Blunt & Caroe, Advocates, Solicitors and Notaries since 1977. He was enrolled as Solicitor, Law Society in 1973 and admitted as Solicitor of Supreme Court of England in 1981 and Supreme Court of Hongkong in 1982. Mr. Thacker is a Director on the Board of following Indian Public Companies viz. Formento Resorts and Hotels Ltd, Ruby Mills Ltd., RPG Enterprises Ltd., and Northern Marine Management (India) Pvt. Ltd. Mr. Thacker is also the Chairman of Shareholders / Investors Grievance & Transfer Committee and member of Audit Committee of your Company's Board. Mr. Thacker does not hold any share in your company.

MR. KNUT BOE

Mr. Knut Boe has been a director of your Company since 06.08.2003. Mr. Boe has vast experience of 22 years in Techno-Commercial Management covering areas from business development to work executive in offshore front. He holds a very senior position of Offshore Management of the 'Technip Group'. He also holds directorship in many of the group companies worldwide. Mr. Boe does not holds any share in your Company.



DIRECTORS' REPORT

TO THE MEMBERS

Your Directors have the pleasure in presenting the Nineteenth Annual Report of the Company and the Audited Accounts for the year ended 31st December, 2005.

1. FINANCIAL HIGHLIGHTS

Audited Financial Results for the year ended 31st December, 2005.

(Figures in Rs. million)

	Year ended 31.12.2005	Year ended 31.12.2004
Net Sales/Income from Operations	823	964
Other Income	50	44
Total Expenditure		
a. Consumables & Spares	113	106
b. Staff Costs (including offshore staff)	184	244
c. Deferred Revenue Expenditure	59	164
d. Other Expenditure	194	251
Earnings before Interest, Depreciation & Tax	322	243
Interest	10	24
Depreciation	112	126
Profit/(Loss) before tax & sale of Land Rig	200	93
Profit on sale of Land Rig	-	115
Prior period Income	12	-
Profit before Tax	212	208
Deferred Tax Liability written back	-	260
Tax Expenses for the year	19	47
Profit/(Loss) after Taxation	193	421
Paid up Equity Share Capital	339	339
Reserves (as per Balance Sheet)	1452	1258
Basic and diluted EPS for the period (Rs.)	5.70	12.42

During the year under review the Company's total revenue was Rs. 873 million as against Rs. 1008 million in the previous year reflecting a reduction in revenue over the previous year. The primary reasons for decrease in turnover are lesser deployment days of vessels SEAMEC I and SEAMEC III as both the vessels went for dry docking. This apart, SEAMEC I and SEAMEC II were in spot market during the year under review.

However, despite the lesser turnover and expensing out dry dock expenses in the year under review pursuant to AS-10 (Accounting for fixed assets) read with Accounting Standard 26 (Accounting for intangible assets), your company earned a profit of Rs. 193 mil. For the year 2004 your company arrived at a profit of Rs. 421 mil which comprised of exceptional revenue of Rs. 115 mil arising out of sale of Land Rig and write back of deferred tax amounting to Rs. 260 mil.

Your Company is a capital intensive industry which requires replacement / upgradation of assets. Your Directors desire to preserve the surplus for further growth of the Company and therefore decided not to recommend dividend distribution for the year under review. From the Assessment Year 2005-06 (relevant accounting year 2004-05) your company has come under Tonnage regime available for shipping companies under Chapter XII-G of Income Tax Act, 1961. Your Directors, therefore recommended transfer of Rs. 4400 thousand from current years surplus to Tonnage Tax Reserve u/s 115 V of Income Tax Act, 1961.

2. OPERATIONS OFFSHORE

Out of the three vessels, SEAMEC I was in spot market for about 133 days till end September 2005. In between she went for dry docking for about 27 days. With effect from 23.09.05, she went on a long term charter with M/s Dolphin Offshore Enterprises Limited for a firm period of two years with a provision for extension for a further period of two years.

SEAMEC II was in spot market throughout the year under review. She made her presence felt internationally having deployed in Middle East and Libya in Mediterranean Sea. She earned acclamation for excellent performance both from Client and Head Client. The third vessel SEAMEC III continues to be deployed in Bombay High fields on long term charter for HAL Offshore Limited, till 28th February 2006.

3. SHIFTING OF REGISTERED OFFICE

Consequent upon receipt of the Order dated 28th April 2005 of Hon'ble Company Law Board, Eastern Region Bench, Kolkata, confirming the shifting of Registered Office from State of West Bengal to State of Maharashtra, your Directors decided to locate your Company's Registered Office at 401-404, The Eagles Flight, Suren Road, Off. Andheri Kurla Road, Andheri East, Mumbai - 400 093 with effect from 1st July 2005.

**4. DIRECTORS AND MANAGEMENT**

Your Company is a subsidiary of Coflexip Stena Offshore (Mauritius) Ltd. (CSOML), which ultimately is owned by Technip S. A. France.

Mr. Georges Michel who was a Director on Company's Board since 16.10.2003, resigned from the Board on 18.10.05. The Board wishes to place on record its sincere appreciation for the valuable services rendered by Mr. Georges Michel during his tenure as a Director of the Company.

Mr. Shardul Thacker and Mr. Knut Boe, retire by rotation at the Annual General Meeting and are eligible for re-appointment.

5. AUDITORS

M/s. S. R. Batliboi & Co. Chartered Accountants, the Statutory Auditors of the Company, retire at the conclusion of the ensuing Annual General Meeting and they are eligible for re-appointment.

6. AUDITORS' REPORT

The observations in the Auditors' Report have been dealt with in the relevant Notes to Accounts, which are self-explanatory.

7. RELATED PARTY TRANSACTIONS

A statement of related party transaction pursuant to accounting standard 18 is given in para 10 of schedule 17 (notes to accounts).

8. "OHSAS 18001" CERTIFICATE

Your Company has been recommended by Det Norske Veritas (DNV) for OHSAS 18001 Certification for the activities at base and operation of Company's vessel SEAMEC III on Occupational Health and Safety. This is in addition to certification of ISO 9001 and ISO 14001 (2004) respectively.

9. CORPORATE GOVERNANCE

Your Directors re-affirm their commitment to the Corporate Governance standards prescribed by Securities and Exchange Board of India (SEBI) codified as Clause 49 of the Listing Agreement with Stock Exchanges. Corporate Governance and Management Discussions and Analysis Report as well as Corporate Governance compliance certificate by Auditors are set out in separate Annexures to this report.

10. INVESTORS SERVICES

As the members are aware, your company's shares are tradeable compulsorily in electronic form with effect from 24.08.2000 and your company has established connectivity with both the