ANNUAL REPORT 2012

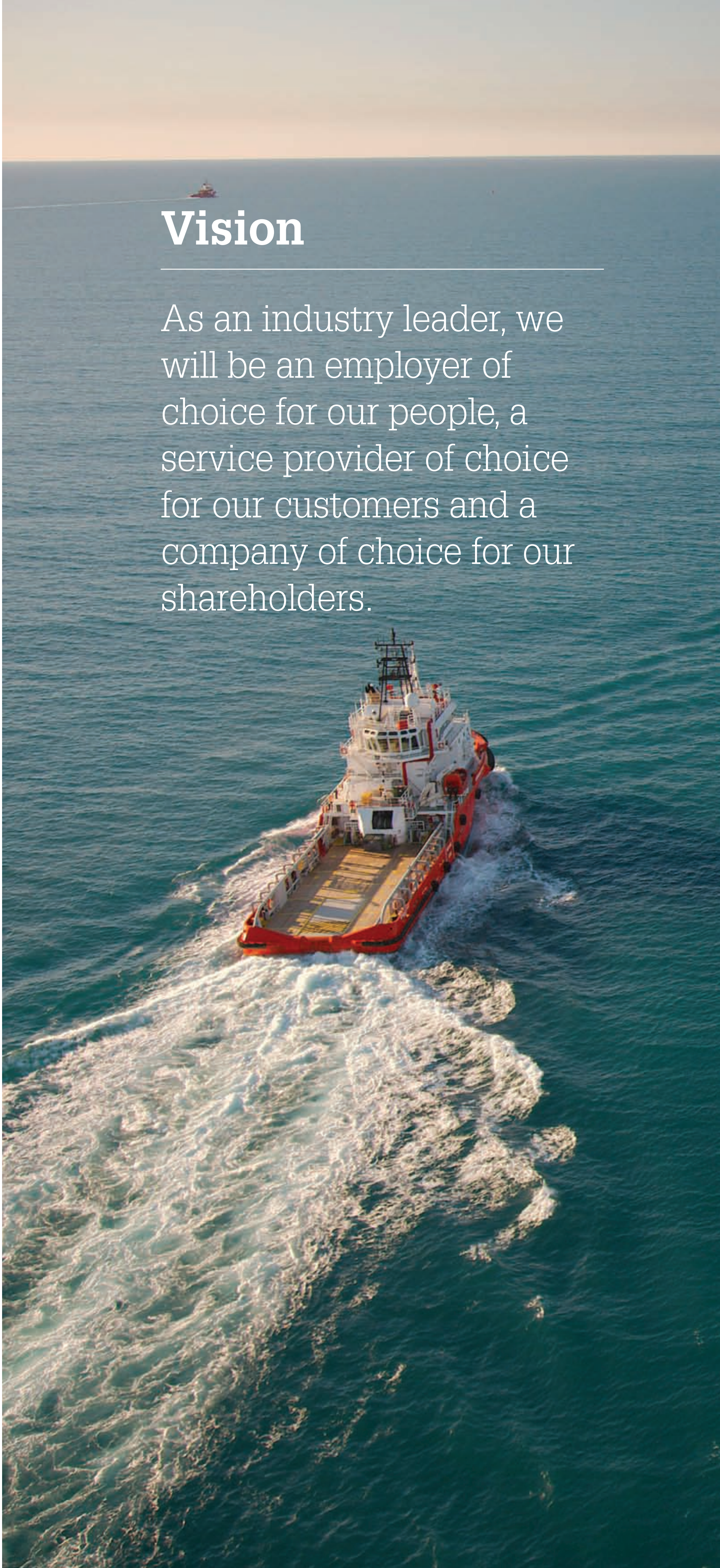
MERMAID MARINE
AUSTRALIA LTD

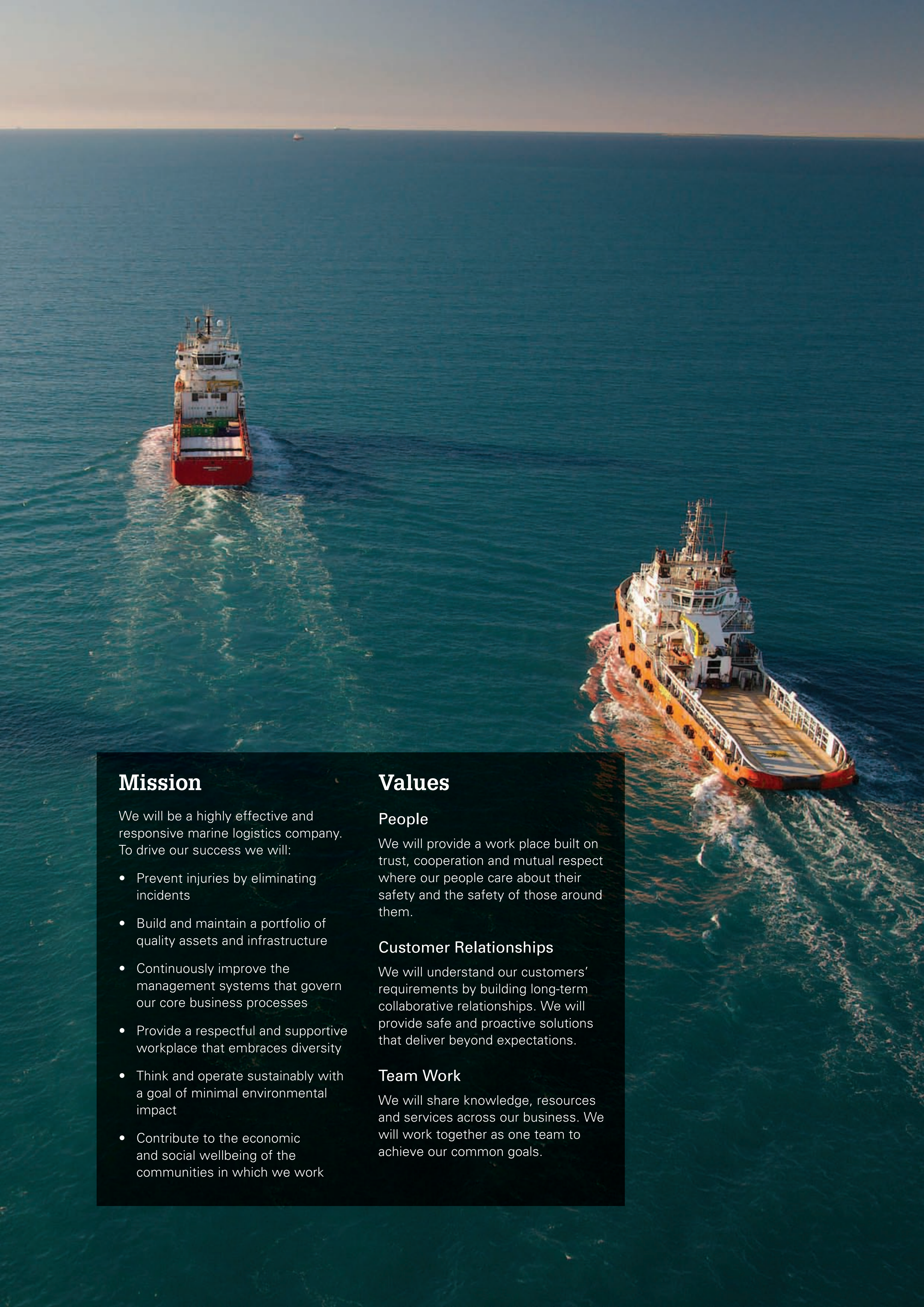
Contents

Cover: The Mermaid Leveque is a 75m multi-purpose Platform Supply Vessel ("PSV"). Purchased July 2011, the Mermaid Leveque has been successfully engaged in supporting Allseas in general cargo requirements and pipe haul duties on the Gorgon Pipe Lay project.

Vision

As an industry leader, we will be an employer of choice for our people, a service provider of choice for our customers and a company of choice for our shareholders.





Mission

We will be a highly effective and responsive marine logistics company. To drive our success we will:

- Prevent injuries by eliminating incidents
- Build and maintain a portfolio of quality assets and infrastructure
- Continuously improve the management systems that govern our core business processes
- Provide a respectful and supportive workplace that embraces diversity
- Think and operate sustainably with a goal of minimal environmental impact
- Contribute to the economic and social wellbeing of the communities in which we work

Values

People

We will provide a work place built on trust, cooperation and mutual respect where our people care about their safety and the safety of those around them.

Customer Relationships

We will understand our customers' requirements by building long-term collaborative relationships. We will provide safe and proactive solutions that deliver beyond expectations.

Team Work

We will share knowledge, resources and services across our business. We will work together as one team to achieve our common goals.

About Us

Mermaid Marine Australia Ltd ("MMA") has grown substantially since listing on the Australian Stock Exchange in 1999 to become Australia's largest marine services provider to the offshore oil and gas industry.

With supply bases in Dampier and Broome and a range of modern offshore vessels, MMA offers its clients marine logistics services throughout all phases of the offshore oil and gas development cycle.

MMA's head office is in Fremantle, Western Australia, with key operations bases in Dampier and Broome and an international office in Singapore.

Over the past 5 years, MMA has invested over $350 million in a vessel and supply base development program ensuring it can meet the emerging requirements in Australia's offshore oil and gas industry.

As a member of the S&P/ASX200 Index, MMA aims to address its clients' current and emerging requirements safely, reliably and with a willingness to explore new possibilities.

Vessel Operations

MMA OWNS AND OPERATES OVER 35 VESSELS THROUGHOUT AUSTRALIA AND INTERNATIONALLY

MMA has a range of vessels available for charter including:

- Anchor handling tugs
- AHTS vessels
- Platform supply vessels
- Multi-purpose survey vessels
- Harbour tugs
- Barges
- Accommodation vessels

MMA has custom built a number of vessels for specialist marine services and is experienced in the provision of marine support across the exploration, construction and production sectors of the oil and gas development cycle.

MMA's international operating entity, Mermaid Marine Asia Pte Ltd (MMAS), is responsible for managing the international vessel fleet. MMAS operates under its own document of compliance and works closely with the MMA Projects and Operations teams to conduct project mobilisations, vessel acquisitions and to source vessels for short term charter to complement the Group's fleet of owned vessels.

Having the flexibility to register vessels under a foreign flag, means that MMA can offer its clients a range of international and Australian based solutions.

Supply Bases

MMA OPERATES STRATEGICALLY LOCATED SUPPLY BASES IN DAMPIER AND BROOME

Spanning 17 hectares, MMA's Dampier Supply Base has a 6 berth wharf facility, open sealed laydown areas, undercover storage and offices capable of servicing the array of vessels engaged in offshore support activities. MMA is in the unique position of being able to offer its clients in the North West Shelf the full range of marine logistics services from vessel support and supply base services, to ship repair and maintenance facilities.

MMA recently expanded its landholding in the area with the acquisition of the Bis Industries Ltd Dampier Supply Base. The Bis facility, now renamed the Mermaid Logistics Base, is located directly adjacent to MMA's Dampier Supply Base and increases our landholding in the area by almost 60%.

MMA's Broome Supply Base operations encompass over 11 hectares of land, strategically located to service exploration, production and construction activities in the Browse Basin. The Broome Supply Base operations, conducted through an incorporated joint venture between MMA and Toll Holdings Ltd, offers clients open laydown and undercover storage, recently built offices, casing storage and washdown facilities.

Slipway

MMA'S DAMPIER SLIPWAY IS STRATEGICALLY LOCATED AT THE DAMPIER SUPPLY BASE AND IS CAPABLE OF DOCKING VESSELS UP TO 3,200 TONNE DISPLACEMENT

The Slipway is a key MMA asset in that it provides timely maintenance and repair of MMA's expanding fleet in the North West and ensures that MMA is capable of servicing its clients' marine requirements safely and with a degree of flexibility that no other operator in the region can provide.

MMA's Slipway is the only ship repair facility in direct proximity to the North West Shelf, with the alternatives requiring significant travel time.

In addition to servicing MMA's own fleet, the Slipway provides services to third party operators including routine and emergency dockings, mobilisations and a wide range of marine repairs and maintenance services.

The Slipway commenced operations in 2001 and has docked over 550 vessels in that time.

Financial Highlights

REVENUE
$380.4m

NET PROFIT AFTER TAX
$51.0m

CASH AT BANK
$55.3m

EARNINGS PER SHARE
23.4c

FULL YEAR DIVIDEND
11cps

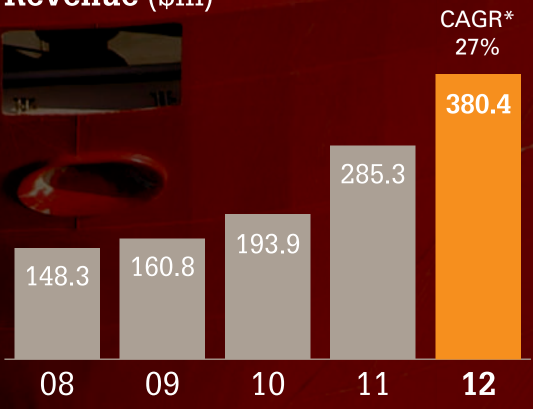
GEARING
32.0%

OPERATING CASHFLOW
$79.6m

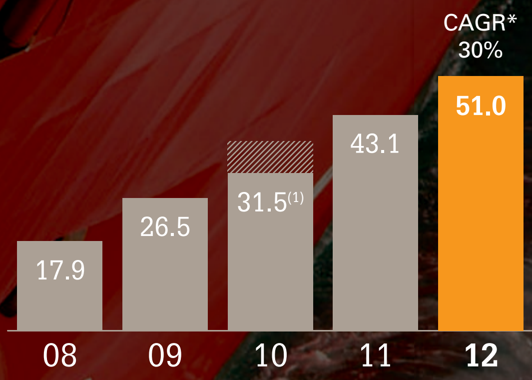
RETURN ON EQUITY
17.3%

CAPITAL EXPENDITURE
$84.1m

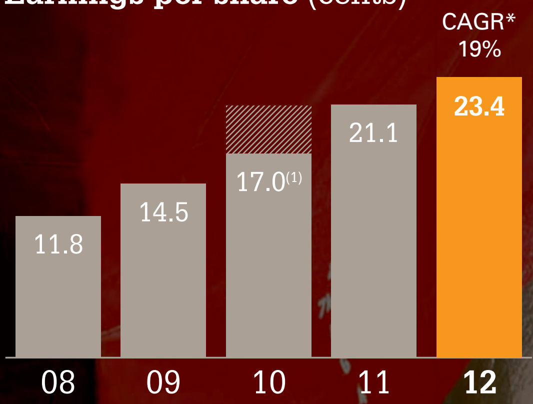
Revenue ($m)



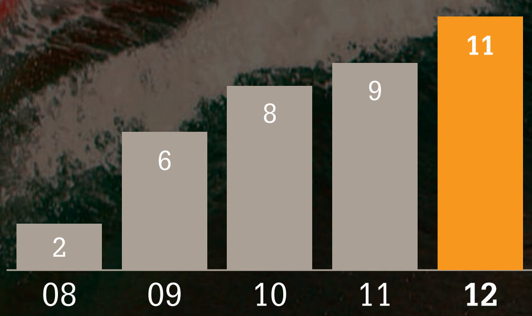
Net profit after tax ($m)



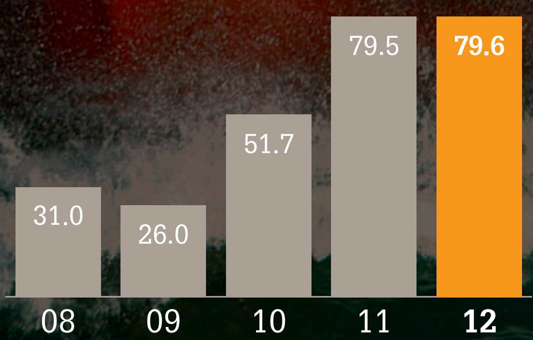
Earnings per share (cents)



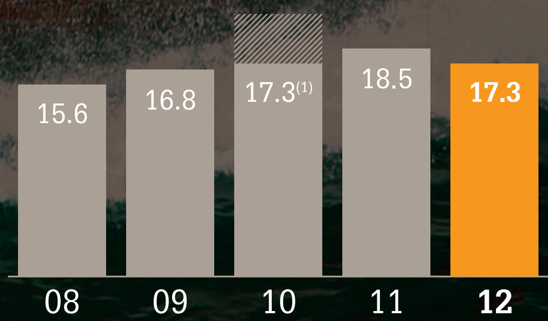
Dividends per share (cents)



Operating cashflow ($m)



Return on equity (%)



(1) Normalised to exclude the one-off tax benefit from the Federal Government Capital Investment Allowance - the shaded area indicates the actual reported results.

*CAGR - compound annual growth rate.

Chairman's Address

In an important strategic move for MMA, the Company's position as the pre-eminent supply base operator in the North West Shelf was strengthened during the year with the acquisition of the Bis Industries Ltd Dampier Supply Base.

I am pleased to present the Annual Report for Mermaid Marine Australia Ltd ("MMA") for the year ended 30 June 2012. Your Company continued to deliver strong earnings growth in 2012 with Net Profit after Tax ("NPAT") for the year increasing by 18% to $51.0 million and Earnings per Share ("EPS") increasing by 11% to 23.4 cents per share.

MMA has again increased its dividend payment to shareholders by declaring a final fully franked dividend of 6 cents per share, bringing total dividends for the year to 11 cents per share, an increase of 22% on last year.

The long term outlook for the Australian oil and gas sector remains positive, notwithstanding the volatility in international share markets. Three major LNG Projects with a combined capital cost of $73 billion have been sanctioned for development in the North West of Australia in the past 14 months. Shell's $12 billion (estimate) Prelude FLNG Project, Chevron's $29 billion Wheatstone LNG Project and INPEX's $32 billion Ichthys LNG Project will all be constructed over the coming years, driving continued strong demand for both supply base and vessel services. Construction of Chevron's $43 billion Gorgon LNG Project will continue through to 2014 and continues to be a major user of MMA's services.

In an important strategic move for MMA, the Company's position as the leading supply base operator in the North West Shelf, was strengthened during the year with the acquisition of the Bis Industries Ltd Dampier Supply Base. This Supply Base, located at King Bay Industrial Estate, is directly adjacent to MMA's existing Supply Base operation and comprises a total area of 11.7 hectares, increasing our total Supply Base land area in Dampier by almost 60%. This acquisition will enable MMA to continue to grow and capitalise on the strong activity in the region. The Company intends to continue to invest in upgrading this property and already a number of new clients have contracted land and services.

MMA's Broome Supply Base, Toll Mermaid Logistics Broome Pty Ltd ("TMLB"), which is operated through a joint venture with Toll Holdings Ltd, is also set to enter an exciting growth phase as activity in the Browse Basin starts to ramp up. The strategic investment in the Broome Supply Base infrastructure over the past few years means we are well positioned to meet the increased demand for services in the region. During the year, TMLB entered into a 5 year contract with Shell to provide supply base services for its Prelude Project.

MMA also continued to invest in its fleet during the year. Following delivery of our second Platform Supply Vessel ("PSV"), Mermaid Leveque, in July 2011, we took delivery of the Mermaid Strait, a 53m Offshore Supply Vessel ("OSV") in April 2012. In addition, the Company commenced construction of another OSV, the 53m DP2, Mermaid Cove and continued its strategy of expanding into the PSV market with commencement of construction of a further medium sized PSV.

Rising costs and productivity issues continue to be major challenges for companies operating in the North West of Australia. Unfortunately, the Company experienced an aggressive and protracted negotiation of the new Enterprise Bargaining Agreement for its Supply Base employees earlier in the year.

On a positive note, investment in housing and infrastructure in the region continued during the year and we are now seeing signs of an easing in the shortage of available housing accommodation, which has occurred in recent years.

This year, I was very pleased to welcome two exceptional additions to the MMA Board. Ms Eve Howell joined the Board in February 2012 and brings to MMA significant experience in the oil and gas industry, having held Senior Executive positions with major international oil and gas companies. Mr Chiang Gnee Heng joined the Board in July 2012, having served as a Director of MMA's Singaporean subsidiary since 2009. Mr Heng has extensive knowledge and experience within the fields of shipping, business, environment and safety as well as an enviable reputation and extensive affiliations in the South East Asian region. I am excited to welcome such high calibre individuals to the Board and I am confident that they will both complement and enhance the effectiveness of the MMA Board.

Once again, I would like to thank Mr Jeff Weber, Managing Director and all staff and management of the Company for their contribution to the MMA business during the year. I would also like to thank the Board of Directors for their support, dedication and counsel during what was a challenging but successful year for the Company.

We look forward to the 2013 financial year as we strive to deliver continued strong earnings growth.

Tony Howarth AO
Chairman

Following delivery of our second Platform Supply Vessel, Mermaid Leveque, in July 2011, we took delivery of the Mermaid Strait, a 53m Offshore Supply Vessel in April 2012.

Managing Director's Review of Operations

Mermaid Marine Australia Ltd ("MMA") produced another year of strong profit growth in 2012 with each of the business units making a solid contribution to the overall result.

NET PROFIT AFTER TAX

$51.0m

CASH AT BANK

$55.3m

Strong growth in revenue, which increased by 33% to $380.4 million, flowed through to an 18% increase in Net Profit after Tax ("NPAT") for the year of $51.0 million.

Earnings per Share ("EPS") increased by 11% during the year to 23.4 cents per share, which enabled the Company to continue to increase dividend payments to shareholders. The final fully franked dividend of 6 cents per share brings the total dividend for the year to 11 cents per share, fully franked. This is a 22% increase on the total dividend for the previous year of 9 cents per share. We have also maintained the Dividend Reinvestment Plan, providing shareholders with an opportunity to reinvest their dividends in the Company at a discount of 2.5%.

The Company generated a strong Return on Assets for the year of 15%, consistent with previous years. Return on Equity was 17%, slightly lower than last year but in line with our historical average.

MMA's balance sheet remains strong with gearing of 32% and Cash at Bank of $55.3 million, which places the Company in a good position to fund future capital expenditure and take advantage of growth opportunities when they arise.

Operating Highlights

The year highlighted the advantage of providing a broad range of services, with the different business units of vessels, supply bases and slipway combining to deliver the overall growth in earnings. This is despite each of the business units experiencing some volatility over the course of the year.

Vessel Operations

The vessel business delivered strong growth in earnings with an exceptional first half performance offsetting lower activity in the second half.

Earnings in the first half were boosted by short term contracts as well as generally high utilisation across the fleet. Second half earnings were lower, with utilisation rates falling in the first few months before returning to normal averages towards the end of the year. The average utilisation for the fleet across the year was 77% and we expect 2013 to improve from this level.

Revenue from vessel operations was up 30% to $275.5 million, with EBIT also up significantly to $52.5 million, an increase of 23% on the previous year and representing approximately 66% of group EBIT in FY2012.

MMA completed two large one-off projects during the first half. The Mermaid Vision was fitted out as an offshore desalination plant and engaged for five months by the Gorgon Project. The Company also completed a large seismic project with Geokinetics for Woodside in the Browse Basin. The latter project involved chartering in a specialised vessel for approximately four months.

Construction of the Gorgon Project is ongoing and MMA continues to provide a range of vessels to support the Project under its fuel and cargo transportation contracts, which have recently been extended in terms of both scope and duration. The Platform Supply Vessel ("PSV"), Mermaid Leveque, is currently contracted to Allseas supporting the Gorgon Pipe Lay Contract. MMA also recently commenced a contract with Sapura Clough providing a range of vessels to support the Gorgon Domestic Gas Export Pipeline installation. The installation of the subsea structures and tie-ins is scheduled for FY2013/14 and will be managed by Subsea 7.

During the year, MMA also had two vessels contracted to support the construction of PTTEP's Montara Project and the Company has recently commenced a contract with McDermott for the provision of six vessels to support the construction of BHP Billiton's Macedon Project.

Offshore construction activity in the region is expected to remain buoyant over the coming years, with three major projects sanctioned for development in the past 14 months. Shell's $12 billion (estimate) Floating LNG Project, Chevron's $29 billion Wheatstone LNG Project and INPEX's $32 billion Ichthys LNG Project will all require significant offshore vessel support with demand for vessels expected to ramp up in FY2014.

MMA continued its fleet expansion strategy with two new vessels delivered and commencement of construction of a further two vessels during the financial year. The Mermaid Leveque, the second PSV for the fleet, was delivered in July 2011 and worked on the construction of the gas pipeline for the Gorgon Project during the year. The Mermaid Strait, a 53m DP1 Offshore Supply Vessel ("OSV"), was delivered in April 2012 and went immediately into an FPSO Offtake Support contract with Woodside. A second 53m DP2 OSV, the Mermaid Cove, is currently under construction and is scheduled for delivery in January 2013. MMA also continued its strategy to expand into the medium sized PSV market, with an STX Design PSV currently under construction in Singapore and due for delivery in October 2013. This will be the third PSV in our fleet. Demand for this type of vessel is expected to be strong and MMA has secured an option to build a further PSV at the same shipyard.

MMA's Marine Projects Department continued to design and deliver unique marine solutions to meet the specific and often complex needs of our clients. With competition in the Australian market increasing, the Marine Projects Department is a key differentiator of the Company going forward.

The Platform Supply Vessel, Mermaid Leveque, is currently contracted to Allseas supporting the Gorgon Pipe Lay Contract.

International operations contributed approximately $13 million in revenue during the 2012 financial year, down from $24 million the previous financial year.

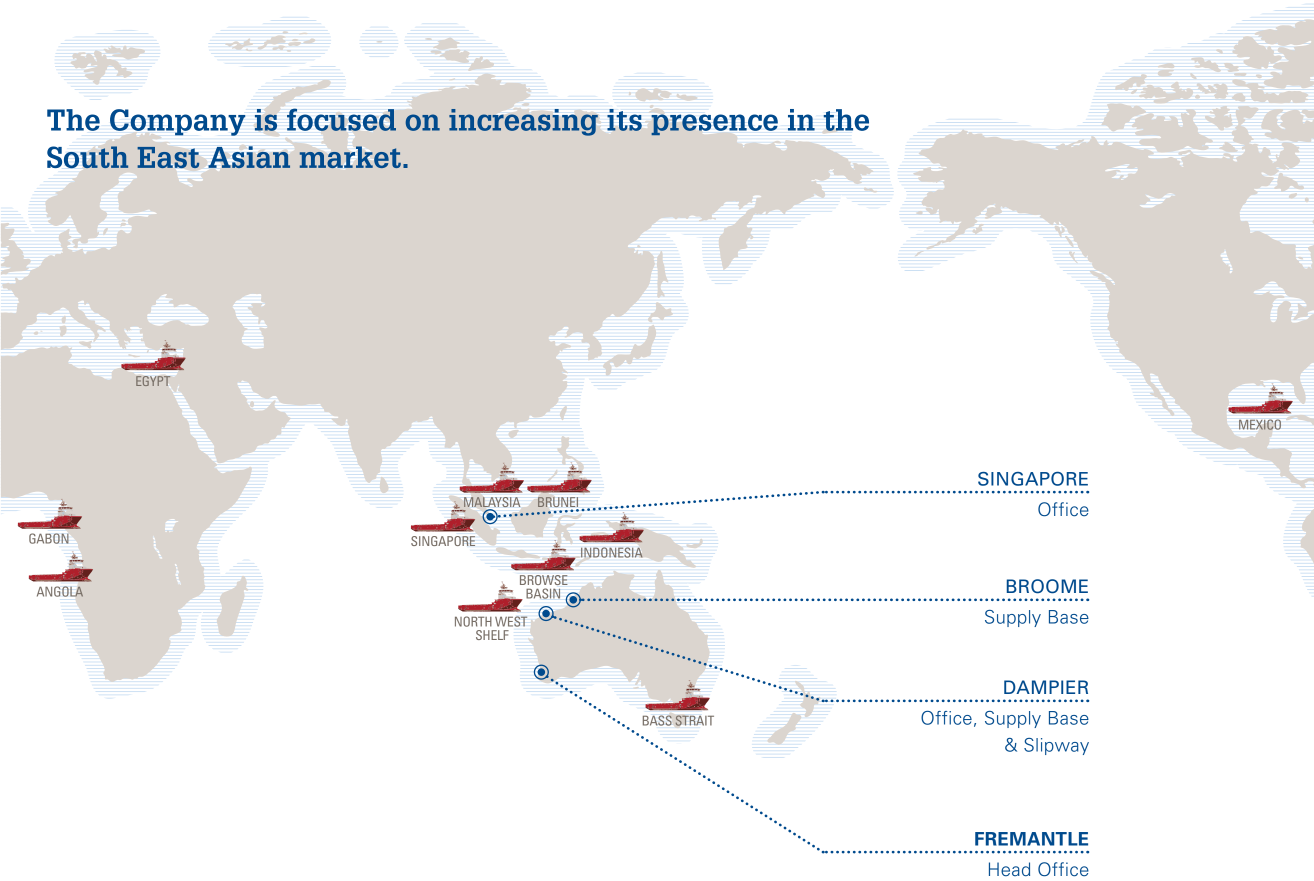
Internationally, the vessel market continues to be challenging but there are signs of improvement. Utilisation levels in South East Asia have increased but rates have been slow to improve. The Mermaid Vigilance is currently working in Mexico supporting a large seismic project for Geokinetics. The Mermaid Discovery and Mermaid Vanquish completed seismic projects in Brunei for Geokinetics during the first half and these vessels are now redeployed. The Mermaid Achiever has also been moved to Singapore and is working in the South East Asian spot market.

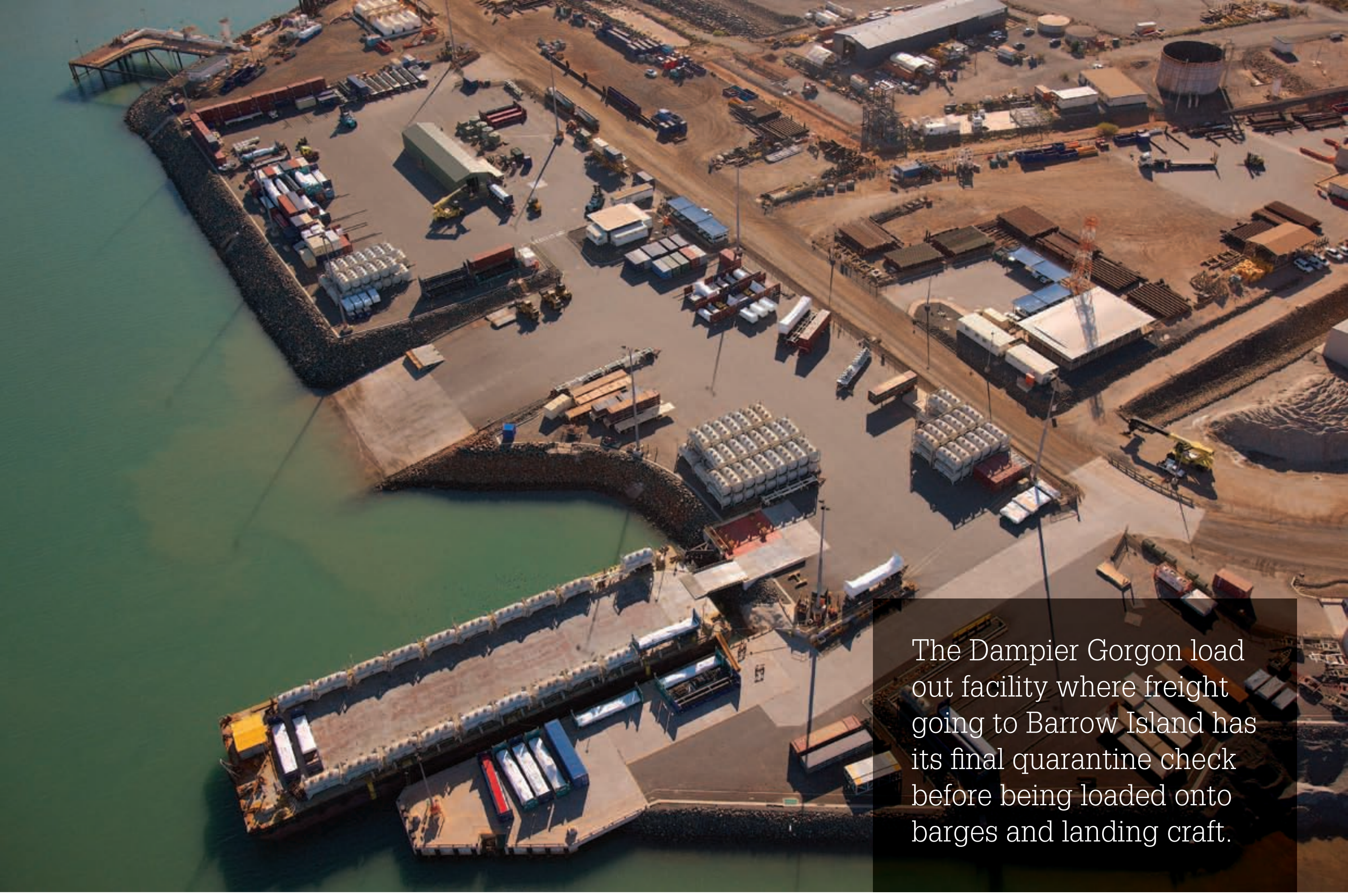
The Company is focused on increasing its presence in the South East Asian market. The Singapore Office was expanded during FY2012, with the addition of some key personnel including a Commercial Manager with significant contacts and experience in the region. This has enabled MMA to broaden its international client base, completing short term projects for a number of new clients during the year. MMA now has 11 Singapore flagged vessels valued at $132 million capable of working in Australia and internationally.

MMA is pleased to advise that all but one of the claims in relation to the "Hurricane Nate/Gulf of Mexico" incident have now been settled. MMA can confirm that the settlement of each of the nine claims included a release of MMA from all liability and in relation to each of those nine claims, neither MMA nor its insurers have been required to contribute any payments towards those settlements.

As a consequence of the above settlements, MMA has obtained orders dismissing the exoneration and limitation proceedings and the P&I Club Letter of Undertaking in the sum of USD21,085,000 has been returned. MMA understands that an in-principal settlement has been reached with the final claimant, however this settlement is still undergoing formal court approval. Again, neither MMA nor its insurers will be required to contribute any payment towards this final settlement.

The Company is focused on increasing its presence in the South East Asian market.





The Dampier Gorgon load out facility where freight going to Barrow Island has its final quarantine check before being loaded onto barges and landing craft.

Dampier Supply Base

The Dampier Supply Base also delivered strong growth in earnings during the year, with a difficult first half impacted by industrial action and low drilling activity. Activity and earnings improved significantly in the second half of the year.

Revenue was up 51% to $92.6 million and EBIT increased by 21% to $36.7 million for the year.

Margins were impacted in the first half by lower activity across the wharf, industrial action and rising costs of labour, land rentals and outgoings.

The situation improved in the second half as the industrial action was settled and drilling resumed in the region, improving wharf utilisation. The Company was able to improve on the first half margins, however overall, margins were lower than the previous financial year. This was also due to a different mix of activity across the supply base business over the course of the year.

MMA secured a major extension to its Gorgon related contracts in the second half of the year, which resulted in an increase in the number of dedicated Gorgon personnel. In addition, MMA secured a contract to operate Woodside's Burrup Materials Facility as another dedicated Gorgon facility, which will be utilised to increase the Project's freight throughput. The contract is for an initial 12 month term, with options to extend.

MMA also secured an extension of its current Stevedoring Services Agreement with the Gorgon Project to utilise the Broome Supply Base to facilitate additional freight deliveries to Barrow Island.

An exciting development during the year was the acquisition of the Bis Industries Ltd Dampier Supply Base in December 2011. The Bis facility is located directly adjacent to our Dampier Supply Base and increases our landholding in the area by almost 60%. With the existing Supply Base close to capacity, the acquisition allows us to continue to grow and meet the needs of new and existing clients in the region. The facility has been renamed "Mermaid Logistics Base ("MLB")" and initial demand for the new facility has been strong, with a number of new clients moving on to the MLB during the second half.

Drilling activity was subdued during the first half but the second half saw drilling campaigns ramp up. Chevron, Apache, Santos, Hess and BHP Billiton all carried out drilling campaigns during the second half. Drilling activity is expected to remain strong throughout FY2013.

The Supply Base business faced a number of major challenges during the year. The negotiations around the new Enterprise Bargaining Agreement were difficult and protracted. This resulted in the shutdown of the Supply Base for 14 days due to strike action. With the new terms agreed, MMA is now focused on working with our people to optimise productivity and meet our clients' ongoing requirements.

Notwithstanding the challenges, the outlook for the Dampier Supply Base is very positive, with offshore exploration, construction and production activity in the region expected to remain strong, driving continued demand for MMA's service offering.

The Dampier Slipway remains a key strategic asset for MMA, enabling timely and cost effective maintenance and repair of MMA's own fleet of vessels

Dampier Slipway

The Slipway delivered a solid financial performance generating EBIT of $2.1 million, albeit down from EBIT of $2.9 million the previous financial year.

Over the course of the year, a total of 54 vessels were docked at the Slipway.

The Dampier Slipway remains a key strategic asset for MMA, enabling timely and cost effective maintenance and repair of MMA's own fleet of vessels, with demand from third parties also contributing to earnings.

Broome Supply Base

The Broome Supply Base is operated through a joint venture with Toll Holdings Ltd, trading as Toll Mermaid Logistics Broome Pty Ltd ("TMLB").

TMLB reported a small profit for the year with MMA's 50% share totalling $0.4 million. However, activity in the Browse Basin region has started to increase and TMLB, having strategically invested in infrastructure development over the past few years, is very well positioned to service the increased activity with its modern and well located Supply Base facilities.

Shell's $12 billion (estimate) Prelude Floating LNG Project was approved for development in May 2011 and project activity has already commenced. During the year, TMLB signed a five year Supply Base Services contract with Shell to support the Prelude Project. Development drilling is due to commence during FY2013 and offshore construction activity is expected to commence in FY2014. The Prelude development will utilise Shell's Floating LNG technology, which will liquefy the gas and export it from an offshore facility. The facility will remain moored on location for 25 years and is expected to produce 3.6 million tonnes of LNG per annum. This will drive strong activity through the Broome Supply Base over the coming years.

INPEX sanctioned its $32 billion Ichthys Project in January 2012. The Ichthys field is estimated to contain 12.8 trillion cubic feet of gas and 527 million barrels of condensate and is expected to have an operational life of more than 40 years. The gas plant will be constructed in Darwin connected by an 885 km pipeline to the field. Field development will consist of a Central Processing Facility and a Floating Production, Storage and Offtake vessel (FPSO) for production and export of condensate.

As mentioned above, TMLB also commenced a contract supporting the Gorgon Project in the second half of FY2012 to facilitate additional freight deliveries to Barrow Island.

In addition, Conoco Phillips commenced their drilling campaign in the second half, which will continue during FY2013. A number of other drilling programs are also planned for FY2013.

With the increased activity, a number of new personnel have been employed by TMLB with further personnel expected to be recruited during the coming year to support the increased demand.

The outlook for TMLB is positive, with the drilling programs planned for FY2013 and construction of Prelude and Ichthys set to drive increased demand for services in the future.

Outlook

Demand for MMA's services is expected to remain strong as construction activity on the North West Shelf and in the Browse Basin and Timor Sea remains buoyant. MMA's client base continued to grow in FY2012, with several new clients seeking both supply base and vessel services throughout the year. The Bis acquisition is integral to the Company's ability to meet increasing demand on the Burrup Peninsula.

Construction of the $43 billion Gorgon Project is expected to continue through to FY2014, with major components of the downstream scope still under construction and the major upstream construction phase about to begin.

BHP Billiton's Macedon Project, which recently commenced construction, will continue during the first half of FY2013.

Shell's Prelude FLNG Project, Chevron's Wheatstone LNG Project and INPEX's Ichthys Project will drive demand for supply base services from FY2013, with vessel demand increasing from FY2014.

MMA, with its modern fleet of vessels and strategically located supply bases, is well placed to take advantage of continued strong activity in the oil and gas sector and looks forward to continued earnings growth in FY2013.

People

MMA's continued success is testament to the commitment and dedication of its people.

I am fortunate to have the support of a stable and highly focused Executive Management Team who, through their efforts, has enabled MMA to achieve outstanding growth over the past five years.

I would like to sincerely thank the Executive Management Team and all MMA staff for their dedication and hard work which has contributed to another successful year for MMA.

I would also like to add my welcome to the new Board members and acknowledge all of MMA's Directors for their valuable counsel and strategic guidance during the year. The diverse set of skills across the Board will continue to enhance the future development of the Company.

Jeffrey Weber
Managing Director

Corporate Social Responsibility Statement - Health & Safety, Environment and Community

Health & Safety

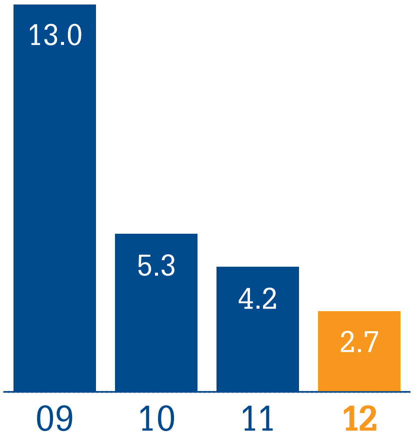
The safety of MMA's employees and contractors is core to the way we do business. MMA's safety strategy is to be injury free by eliminating all incidents in the workplace.

This is reflected in our comprehensive suite of safety policies and procedures that guide activity across the Company. It is also highlighted in our "Stop Work Obligation Program", which empowers all employees to identify and call a stop to any potentially unsafe operations. This year has seen an increase in the number of employees willing to exercise this right as there has been more confidence in the application of the program and a greater understanding of management support for the program.

During the 2012 financial year, MMA continued to implement its Behavioural Based Safety Observations system, "My Approach to Everyone's Safety" ("MATES") across the Company. The system is designed to encourage employees and contractors to monitor each other's safety, promoting a culture of open learning and continuous improvement and ultimately a reduction in unsafe behaviours and incidents occurring in the workplace. The MATES system has now been rolled out across each of the operating units; vessels, supply base and slipway and continues to gain traction as an important tool in reinforcing safe behaviours.

During the 2012 Financial Year, MMA's Total Recordable Case Frequency reduced from 4.2 to 2.7 across the overall organisation and from 3.1 to 1.5 across our vessel operations, an improvement of 35% and 51% respectively.

Total Recordable Case Frequency (per million hours worked)



In addition to our overall Behavioural Based Safety System, MMA has a range of specific initiatives which are focused on continually improving our safety performance including:

- A Hazard Identification Program;
- A Safety Passport System providing employees with a toolkit of critical safety tools to carry with them at all times;
- An increased presence of MMA's HSEQ Department within the operating business units;
- A program to measure Lead Indicators and report on the trends and shortfalls;
- A program to track and communicate lessons learned from Event Reports;
- The alignment of the internal vessel auditing program with the Offshore Vessel Inspection Database requirements leading to an overall improvement of results at regulatory and client audits;
- Ongoing training programs for asset managers in risk management and personnel management;
- The continued application of the onshore Verification of Competency program introduced last year;
- A streamlined Permit to Work Management System;
- Online HSE Induction Packages enabling inductions to be conducted both remotely and on site.

MMA is also in the process of rolling out an extensive training and communications program across the Company. The aim of this program is to communicate MMA's safety objective of being injury free by being incident free throughout all levels of the Company and to promote a culture that encourages employees to care about their own safety and the safety of others. An important outcome of this strategy is that employees believe that a goal of zero incidents is possible and that everyone in the organisation works together to achieve this goal. This new initiative is called "Target 365 – A Perfect Day Everyday"; with the aim being for each business unit to achieve a Perfect Day (a day without recordable incident) every day of the year. It is an ambitious undertaking and one that will require a coordinated effort across the Company but the prize for success is significant.

Environment

MMA recognises that its operations can impact on the environment and is committed to achieving a high standard of environmental performance across all its business activities, with the aim of minimising potential impacts. This commitment is demonstrated within MMA's policies, management plans and procedures, including the promotion of the efficient use of materials and resources (including energy and water); waste management including waste minimisation through source reduction, material re-use and recycling wherever practicable; chemical management and spill response; and operational environmental management. The Company's Environmental Management System ("EMS") is integrated into the Integrated Business Management System and MMA is committed to promoting environmental awareness and accountability among its employees and contractors.

To demonstrate compliance with the implementation conditions and environmental management commitments for its Supply Base (Ministerial Statement No. 535) and its licence for boat building and maintenance activities at the Slipway, MMA undertakes a program of environmental monitoring. This includes monitoring of marine water quality and stormwater discharges, monitoring of sediment quality, the deployment of biosentinel oysters and the monitoring of mangroves in King Bay. The results from the environmental monitoring are reported on annually to the relevant regulatory authorities. In addition, MMA undertakes internal environmental compliance audits, as well as being regularly audited and inspected by clients and regulatory authorities.

MMA reports on its progress annually, with implementing water saving actions and initiatives identified in its Water Efficiency Management Plan. Water use reduction options have been implemented at its Supply Base where practicable, including hard sealing to reduce dust suppression water usage, and investigations into the use of alternative or non-scheme water sources (e.g. desalination) are ongoing.

MMA also reports annually on its greenhouse gas emissions and energy use under the National Greenhouse and Energy Reporting Act 2007 (Commonwealth); and since 2011 has been involved in the Australian Government's Energy Efficiency Opportunities program (as set out in the Energy Efficiency Opportunities Act 2006). The first stage of MMA's Energy Efficiency Opportunities assessment has involved the comprehensive analysis of energy use within the Fremantle corporate office and the use of that analysis to identify and evaluate opportunities to potentially improve energy performance and reduce costs through the more efficient use of energy. The assessment included an Energy Efficiency Idea Identification workshop which brought together a cross-section of MMA personnel working in the Fremantle office. MMA has also been collaborating with technical experts and suppliers to evaluate a range of ideas that present both short-term and long-term energy efficiency.

In addition to our overall Behavioural Based Safety System, MMA has a range of specific initiatives which are focused on continually improving our safety performance.

MMA supports and encourages the ongoing education, training and professional development of its employees throughout all operating units and at all levels of the Company.

People and Community

MMA recognises that the Company's success is founded on the commitment and endeavours of its people and partners.

MMA has a strong company culture that is founded on performance excellence, teamwork, respect, trust, commitment and initiative.

MMA is committed to being an employer of choice in its industry and offers a supportive environment, where opportunity for advancement is possible. MMA supports and encourages the ongoing education, training and professional development of its employees throughout all operating units and at all levels of the Company.

MMA is an equal opportunity employer. During the financial year, the Company developed and implemented a new recruitment procedure to create a more effective, transparent recruitment process.

MMA is committed to promoting and maintaining diversity within the Company. Last year MMA issued a Diversity Policy endorsed by the Board of Directors to formalise its commitment to promoting diversity within the Company. A Diversity Committee has been established comprising the Managing Director, General Manager Human Resources and female managers within the Company. With regard to gender diversity, MMA has set a range of specific targets for the number of females to be employed at various levels across the Company, including in Senior Executive and Senior Management positions and on the Board of Directors. MMA will work on a range of initiatives to meet these targets by 2016. Further details on the Company's Diversity Objectives are set out in the Corporate Governance Statement in this Annual Report.

During the financial year, a new Maternity Leave Policy was approved by the Board and implemented by the Company to provide better support for female employees commencing and returning from maternity leave. Flexible working initiatives are supported by management and, where appropriate, made available to employees to achieve improved business outcomes and support work/life balance. During the last three years, 90% of women returned to work for the Company after maternity leave.

MMA is active in supporting the communities in which it operates, particularly in the regional areas of Dampier, Karratha and Broome where our main operations are located. MMA has a regional sponsorship committee, which reviews sponsorship applications and allocates funds to a range of community events, charities and sporting groups in these regions. A highlight of the year was the Slipway personnel donating their $15,000 safety bonus to the Cancer Council of Australia's lung cancer research program and MMA was pleased to match this payment. It is a very worthy cause and the generosity of the Slipway team highlights, in a visible way, the commitment of the Company's employees to the community. MMA continues to explore ways in which we can have a positive impact on the communities in which we live and work.

Corporate Governance Statement

1. Introduction

1.1 Corporate Governance

The Board of Directors ("Board") of Mermaid Marine Australia Ltd ("Company") is responsible for the corporate governance of the consolidated entity. The Board is a strong advocate of good corporate governance as evidenced by the policies and practices outlined below. The Board regularly reviews and updates the Company's governance policies and practices by reference to corporate governance developments and best practice.

This corporate governance statement outlines the Company's corporate governance policies and practices for the year ended 30 June 2012, and at the date of this report.

1.2 Compliance with Australian Corporate Governance Standards

In accordance with disclosure requirements of the ASX Listing Rules, the Board believes that the policies and practices adopted by the Company for the year ended 30 June 2012 follow the Corporate Governance Principles and Recommendations (2nd Edition, with 2010 Amendments) ("ASX Principles") set out by the ASX Corporate Governance Council.

1.3 Access to Policies/Documents

The Corporate Governance documentation and policies referred to in this statement can be found on the Company's website at *www.mma.com.au/company*

2. Roles and Responsibilities of the Board and Management

2.1 Functions of the Board

The Board of the Company is responsible for the overall management of the Company and for directing the strategic goals, with the aim of increasing shareholder value by maximising the Company's performance.

The Company has a Board Charter which clearly establishes the relationship between the Board and Senior Executives and describes their separate functions and responsibilities. A copy of the Board Charter can be found on the Company's website at *www.mma.com.au/company*. The key functions and responsibilities of the Board are set out in the table under section 2.3 below.

2.2 Functions of Management

The Board has delegated to the Managing Director and his Senior Executives, authority over the day to day management of the Company and its operations.

Despite this delegation of authority, the Board maintains ultimate responsibility for strategy and control of the Company and its businesses. The key functions and responsibilities of the Managing Director and his Senior Executives are set out in the table under section 2.3 below.

2.3 Functions and Responsibilities of the Board and Senior Executives

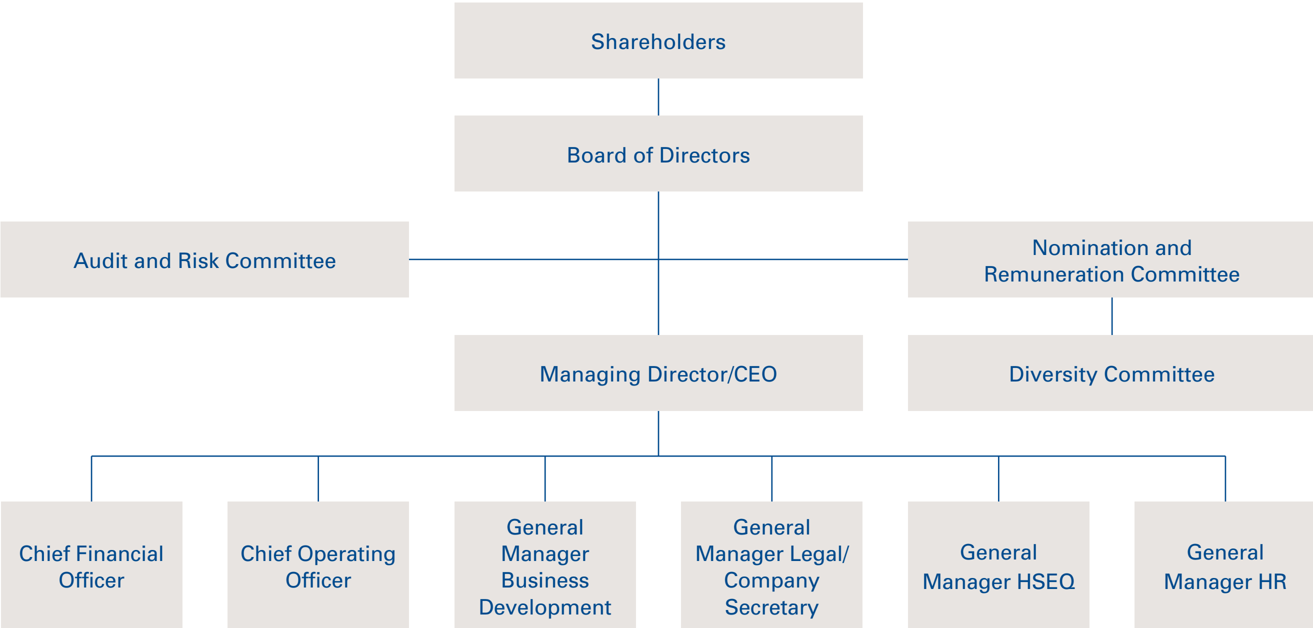
The Board will regularly review the separation of functions and responsibilities between Senior Executives and the Board to ensure that they are appropriate to meet the Company's needs and to develop best practice standards by reference to the ASX Principles.

The roles and responsibilities of the Company's Board and Senior Executives are consistent with those set out in ASX Principle 1 and are summarised below:

Functions/Responsibilities of the Board
Providing strategic direction and deciding upon the Company's business strategies and objectives;
Monitoring the operational and financial position and performance of the Company and Senior Executives' performance and implementation of strategy;
Ensuring that appropriate resources are available to Senior Executives;
Identifying the principal risks faced by the Company and ensuring that appropriate control and monitoring systems are in place to manage the impact of these risks;
Ensuring that the Company's financial and other reporting mechanisms result in adequate, accurate and timely information being provided to the Board;
Ensuring that shareholders and the market are fully informed of all material developments;
Overseeing and evaluating the performance of the Chief Executive Officer (CEO) or equivalent and other Senior Executives in the context of the Company's strategies and objectives;
Appointing and, where appropriate, removing the CEO and the Company Secretary, approving the appointment (or removal) of Senior Executives, and planning for Senior Executive succession;
Reviewing and approving the remuneration of the CEO (or equivalent) and Senior Executives;
Approving the Company's budgets and business plans and monitoring the progress of major capital expenditures, capital management and acquisitions and divestments;
Ensuring that financial results are appropriately and accurately reported on a timely basis;
Reviewing, approving and monitoring the Company's systems of risk management, internal compliance and control systems (including a review of the effectiveness and implementation of the Company's risk management and internal control systems), codes of conduct and compliance with all laws, governmental regulations and accounting standards;
Ensuring that the business is conducted openly and ethically; and
Actively monitor the health, safety and environmental performance of the Company.

Functions/Responsibilities of Senior Executives
Developing business plans, budgets and strategies for consideration by the Board and, to the extent approved by the Board, implementing these plans, budgets and strategies;
Operating the Company's business within the parameters set by the Board from time to time and keeping the Board informed of material developments in the business;
Where proposed transactions, commitments or arrangements exceed the parameters set by the Board from time to time, referring the matter to the Board for its consideration and approval;
Identifying, assessing, monitoring and managing material business risks associated with the Company's business activities and designing and implementing the risk management policies and internal control systems to best manage these material business risks for consideration by the Board;
Managing the Company's current financial and other reporting mechanisms and control and monitoring systems to ensure that these mechanisms and systems capture all relevant material information on a timely basis and are functioning effectively;
Ensuring that the Board is provided with sufficient information on a timely basis in regard to the Company's business, and in particular with respect to the Company's performance, financial condition, operating results and prospects, to position the Board to fulfil its governance responsibilities;
Ensuring that the Company's employees understand and embrace the Company's health, safety and the environment management systems through awareness campaigns and training; and
Implementing the policies, processes and codes of conduct approved by the Board.

2.4 The Board and Senior Executive Management Model



3. Structure and Composition of the Board

3.1 Structure and Composition

The Board is currently comprised of 7 Directors, with 5 Non-Executive Directors (including the Chairman) and 2 Executive Directors.

Details of each Director and the period of office held by each Director in office at the date of this Annual Report are as follows:

Name	Director Status	Year of Appointment	Period in Office
Mr J Carver	Executive Director	1998	14 years
Mr M Bradley	Non-Executive Director	2000	12 years
Mr A Howarth	Non-Executive Director (Chairman)	2001	11 years
Mr J Weber	Managing Director/CEO	2002	10 years
Mr A Edwards	Non-Executive Director	2009	2 years
Ms E Howell	Non-Executive Director	2012	<1 year
Mr CG Heng	Non-Executive Director	2012	<1 year

A description of the skills, experience and expertise of each Director in office at the date of this Annual Report is included in the Directors' Report.

A description of the procedure for the selection and appointment of new Directors and the re-election of incumbent Directors and the Board's policy for the nomination and appointment of Directors is set out in the Nomination and Remuneration Committee Charter, which is to be found under Appendix C of the Board Charter.

The Board is of the view that its current Directors possess an appropriate mix of skills, experience, expertise and diversity to enable the Board to discharge its responsibilities and deliver the Company's corporate objectives.

3.2 Board Independence

ASX Principle 2.1 requires a majority of the Board to be independent Directors. In addition, ASX Principle 2.2 requires the Chairperson of the Company to be independent.

3.2.1 Independence of the Chairman

The Chairman is elected from the independent Non-Executive Directors. Mr Tony Howarth is the present serving Chairman and is considered by the Board to be independent (having regard to the relationships affecting independent status described in Box 2.1 of the ASX Principles and other facts, information and circumstances that the Board considers relevant). Further information about the Chairman, Mr Howarth, is included in the Directors' Report of this Annual Report.

The division of responsibilities between the Chairman and the Managing Director/CEO (as agreed by the Board) are detailed in the Board Charter and are summarised below:

Responsibilities of the Chairman
In consultation with the Managing Director/CEO and Company Secretary: - setting the agenda for the matters to be considered by the Board; - seeking to ensure that the information provided to the Board is accurate, timely and sufficient to keep the Board properly informed of the performance of the Company and of any developments that may have a significant impact on that performance; - seeking to ensure that communications with shareholders are accurate and effective;
Managing the conduct, frequency and length of Board meetings so as to ensure that the Board maintains an in depth understanding of the Company's financial position and performance and the opportunities and challenges facing the Company;
Facilitating open and constructive communications between Board members and encouraging their contribution to Board deliberations;
Liaising with the CEO (or equivalent) and acting as the primary interface between the Board and the CEO (or equivalent); and
Liaising with and counselling, as appropriate, Board members.

Responsibilities of the Managing Director/CEO
Developing business plans, budgets and strategies for consideration by the Board and, to the extent approved by the Board, implementing these plans, budgets and strategies;
Operating the Company's business within the parameters set by the Board from time to time and keeping the Board informed of material developments in the business;
Where proposed transactions, commitments or arrangements exceed the parameters set by the Board from time to time, referring the matter to the Board for its consideration and approval;
Identifying, assessing, monitoring and managing material business risks associated with the Company's business activities and designing and implementing the risk management policies and internal control systems to best manage these material business risks for consideration by the Board;
Managing the Company's current financial and other reporting mechanisms and control and monitoring systems to ensure that these mechanisms and systems capture all relevant material information on a timely basis and are functioning effectively;
Ensuring that the Board is provided with sufficient information on a timely basis in regard to the Company's business, and in particular with respect to the Company's performance, financial condition, operating results and prospects, to position the Board to fulfil its governance responsibilities;
Ensuring that the Company's employees understand and embrace the Company's health, safety and the environment management systems through awareness campaigns and training; and
Implementing the policies, processes and codes of conduct approved by the Board.

3.2.2 Director Independence

As defined by the Corporate Governance Council, Directors of the Company are considered to be independent when they are Non-Executive Directors who are independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement.

The Board regularly reviews the independence of each Non-Executive Director in light of the relevant information disclosed to the Board. The Board assesses the independence of new Directors upon appointment and reviews their independence, and the independence of the other Directors, annually and as appropriate.

The test of whether a relationship could, or could be perceived to, materially interfere with the independent exercise of a Director's judgement is based on the nature of the relationship and the circumstances of that Director. Materiality is considered from the perspective of the Company, the Director, and the person or entity with which the Director has a relationship.

Of the 7 current Board members, the following 5 Directors are considered by the Board to be independent (having regard to the relationships affecting independent status described in Box 2.1 of the ASX Principles and other facts, information and circumstances that the Board considers relevant):

Mr A Howarth

Chairman, Non-Executive Director

Mr M Bradley

Non-Executive Director

Mr A Edwards

Non-Executive Director

Ms E Howell

Non-Executive Director

Mr CG Heng

Non-Executive Director

The Board has considered the independence of Mr Bradley who has previously been employed in an executive capacity by the Company. The Board considers Mr Bradley to be independent as there has been a period of over 9 years since Mr Bradley was employed in an executive capacity – which the Board considers is sufficient for Mr Bradley to be independent.

Of the 7 current Board members, the following 2 Directors are not considered by the Board to be independent (having regard to the relationships affecting independent status described in Box 2.1 of the ASX Principles and other facts, information and circumstances that the Board considers relevant):

Mr J Weber

Managing Director

Mr J Carver

Executive Director

Therefore, the majority of the Board are considered to be independent. Further, the Chairperson of the Company is an independent Director.

The Board considers that the length of time that Mr Carver (the founding Director), Mr Bradley and Mr Howarth have been on the Board does not have an adverse impact on each Director's ability to bring an independent judgment to bear in decision-making. The Board considers that having some Directors who have served on the Board for longer periods helps to ensure continuity of corporate knowledge and experience.

To foster director independence, at the outset of every Board meeting the Directors of the Company meet without management present. The discussions at these meetings are facilitated by the Chairman.

3.2.3 Conflicts of Interest

Directors are required to avoid conflicts of interest and immediately inform the Board should a conflict of interest arise. Directors are also required to advise of any relevant interest that may result in a conflict.

3.2.4 Access to Information and Independent Advice

All Directors have unrestricted access to employees of the Company and, subject to the law, access to all Company records and information held by the Company and its external advisers. Each Director, the Board and the Board Committees may obtain independent professional advice at the Company's expense, as considered reasonable and necessary, subject to prior approval of the Chairman. Directors are entitled to reimbursement of all reasonable costs in obtaining such independent professional advice which has been approved by the Chairman. In the case of a request made by the Chairman, approval is required from the Chairman of the Audit and Risk Committee.

3.2.5 Induction and Education

New Directors are provided with a formal letter of appointment which sets out the key terms and conditions of their appointment, including their duties, rights and responsibilities, the time commitment envisaged, expectations regarding involvement with committee work and their responsibilities with respect to acting in a capacity other than as a Director of the Company. The Company's Director induction program covers the Company's financial, strategic, operational and risk management position, and includes a meeting with key executives of the Company to gain an insight into the values and culture of the Company. The induction program also includes site visits to all of the Company's key operational centres. On an ongoing basis, Directors are provided with papers, presentations and briefings on matters which may affect the business or operations of the Company. To assist the Directors in maintaining an appropriate level of knowledge of the operations of the Company, Directors undertake site visits to the Company's operational centres each year.

4. Committees of the Board

The Board has established a Nomination and Remuneration Committee and an Audit and Risk Committee as standing committees to assist the Board in the discharge of its responsibilities.

These committees review matters on behalf of the Board and (subject to the terms of the relevant committee's Charter) refer matters to the Board for decision, with a recommendation from the relevant committee.

Details of the membership, composition and responsibilities of each committee are detailed in sections 4.1 and 4.2 of this Corporate Governance Statement below.

4.1 Nomination and Remuneration Committee

4.1.1 Composition and Responsibilities

The Nomination and Remuneration Committee comprised the following members throughout the year or for part of the year where indicated:

Mr M Bradley (Chairman)
Independent, Non-Executive Director
Mr A Howarth
Independent, Non-Executive Director
Mr A Edwards
Independent, Non-Executive Director
Ms E Howell
Independent, Non-Executive Director (appointed 28 March 2012)

At the date of this Report, the Nomination and Remuneration Committee is comprised solely of Non-Executive Directors all of whom are independent and the Chair of the Nomination and Remuneration Committee is an independent Non-Executive Director who is not Chair of the Board.

The specific responsibilities of the Nomination and Remuneration Committee are set out in the Committee's Charter, which is to be found under Appendix C of the Board Charter and are consistent with the requirements of the ASX Principles.

Details of the qualifications of each of the above members of the Nomination and Remuneration Committee, the number of meetings of the Nomination and Remuneration Committee held during the year and the attendance at those meetings are set out in the Directors' Report.

4.1.2 Performance Evaluation and Remuneration

Senior Executive Performance Evaluation and Remuneration

The Nomination and Remuneration Committee is responsible for reviewing and making recommendations to the Board on remuneration policies, including, in particular, Senior Executive remuneration.

The objective of the Company's remuneration policy is to enhance both corporate and individual performance by taking into account all factors which it deems necessary to ensure that members of the Senior Executive of the Company are motivated to pursue the long-term growth and success of the Company within an appropriate control framework and to ensure there is a clear relationship between Senior Executive performance, Company performance and remuneration.

The performance of Senior Executives is reviewed on an annual basis. The Senior Executives of the Company are remunerated by way of a fixed remuneration component and a short-term and long-term "at-risk" remuneration component. This remuneration structure is designed to remunerate Senior Executives for increasing shareholder value and for achieving financial targets and business strategies.

Senior executives who have an incentive or "at risk" component to their total remuneration packages, have defined performance conditions which are set at the start of the financial year (in the case of the annual short-term incentive plans) or at the commencement of the plan (in the case of the long-term incentive plans).

Short-term incentives are based on the achievement of annual performance conditions, heavily weighted to Company earnings and shareholder return measures and also include non-financial goals which seek to achieve corporate objectives. For the short-term incentive plan, incentive awards are determined by the Board at the end of the financial year based on a review of overall performance of the Company and the performance of the individual against both the prescribed financial and non-financial measures set by the Board.

Long-term incentives for the 2012 financial year comprised the grant of performance rights with a three year performance hurdle based on normalised earnings per share growth and total shareholder returns. Shareholder approval is obtained for the grant of performance rights to the Managing Director. Other Executive Director(s) do not receive performance rights as part of their remuneration packages.

The Board exercises its discretion to grant options/rights commensurate with the overall performance of the Company and the performance of the individual during the period. Further details of the performance review process for Senior Executives are set out in the Remuneration Report of this Annual Report.

A performance evaluation for Senior Executives has taken place in the relevant reporting period in accordance with the process described above and as detailed in the Remuneration Report.

Remuneration of Senior Executives, Executive Directors and Non-Executive Directors

Details of:

- the remuneration and all monetary and non-monetary components for each of the Company's Senior Executives during the year and for each of the Directors during the year; and
- the difference in the structure of remuneration of Non-Executive Directors from that of Executive Directors and Senior Executives and the relationship between remuneration and Company performance,

are set out in the Directors' Report.

There is no scheme to provide retirement benefits, other than statutory superannuation, to Non-Executive Directors.

4.1.3 Board Performance Evaluation

A performance evaluation for the Board, its Committees and Directors has taken place during the reporting period in accordance with section 12 and Appendix J of the Board Charter. This evaluation was carried out by the Nomination and Remuneration Committee with the assistance of an independent corporate governance consultant, Effective Governance, and involved a review of the performance of the Board, its Committees and each Director against measurable and qualitative benchmarks as determined by the Board having regard to accepted, sound corporate governance standards.

4.2 Audit and Risk Committee

4.2.1 Composition and Responsibilities

The Audit and Risk Committee comprised the following members throughout the year or since the end of the financial year (where indicated):

Mr A Edwards (Chairman)
Independent, Non-Executive Director
Mr A Howarth
Independent, Non-Executive Director
Mr M Bradley
Independent, Non-Executive Director
Ms E Howell
Independent, Non-Executive Director (appointed 22 August 2012)

At the date of this Report, the Audit and Risk Committee is comprised solely of Non-Executive Directors all of whom are independent and the Chair of the Audit and Risk Committee is an independent Non-Executive Director who is not Chair of the Board.

Details of the qualifications of each of the above members of the Audit and Risk Committee, the number of meetings of the Audit and Risk Committee held during the year and the attendance at those meetings are set out in the Directors' Report.

The Audit and Risk Committee operates under a formal charter approved by the Board (a copy of which is to be found under Appendix B of the Board Charter). It is the Board's responsibility to regularly review and approve the Company's risk management and oversight policies (including a review of the effectiveness of the implementation of that system) to satisfy itself that management has developed and implemented a sound system of risk management and internal control. Whilst retaining ultimate responsibility, the Board has delegated its responsibility for risk oversight, risk management and internal control to the Audit and Risk Committee. This includes monitoring the integrity of the financial statements of the Company, reviewing external reporting procedures, reviewing the performance of the Company's external audit function to ensure that independence is maintained, assessing the propriety of all related party transactions, monitoring, assessing and making recommendations to the Board in relation to the Company's business policies and procedures, internal control systems, compliance with applicable laws and regulations, the Company's risk management framework and the effectiveness of the Company's management of its material business risks.

The Audit and Risk Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports.

4.2.2 Appointment, Rotation and Independence of the External Auditor

The Company's external auditor is Deloitte Touche Tohmatsu ("Deloitte"). The effectiveness, performance and independence of the external auditor is reviewed annually by the Audit and Risk Committee. The lead audit partner is required to rotate after a maximum of five years. Mr Ross Jerrard is currently the lead audit partner for Deloitte and was appointed on 16 April 2012. The procedure for the selection and appointment of the external auditor and the rotation of the external audit engagement partners is to be found under Appendix I of the Board Charter. Deloitte has provided the required independence declaration to the Board for the financial year ended 30 June 2012. This independence declaration forms part of the Directors' Report of this Annual Report.

During the year, the Company conducted vessel operations in a number of countries. The Company consequently incurred and paid taxation consulting and compliance fees to Deloitte and their network firms during the year in gaining a full understanding of and meeting the Company's taxation obligations in each of those countries. Details of the fees paid to the external auditor for audit and non-audit services during the year are set out in Note 30.

The Board considered that it was prudent and cost effective to engage the external auditor, Deloitte, to provide the required tax consulting and compliance services during the year because of their detailed knowledge of the Company's affairs, including its corporate tax structure. In addition, Deloitte was able to utilise the services of their network firms in the countries the Company operated in during the year to provide the necessary advice regarding the Company's tax obligations and compliance with these tax obligations within each of those countries.

Following a detailed review by the Audit and Risk Committee of the nature of the non-audit services provided by the external auditor during the year, the Board has determined that the services provided, and the amount paid for those services, are compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 (Cth) and that the auditor's independence has not been compromised.

5. Governance Policies

5.1 Governance Policies and Procedures

Details of the Company's Governance Policies and Procedures are contained in the Board Charter and can be located on the Company's website at *www.mma.com.au/company*. The location of the relevant Policy/Procedure is as follows:

No.	Policy/Procedure	Board Charter
A	Director's Code of Conduct and Corporate Code of Conduct	Section 7 and Appendix D and G
B	Share Trading Policy	Appendix E
C	Communications Policy and Disclosure Policy	Sections 9, 10, 11 and Appendix F
D	Risk Management Policy (Summary)	Section 13 and Appendix H
E	Procedures for the Selection, Appointment and Rotation of the External Auditor	Appendix I
F	Procedures for the Evaluation of the Board and its Committees	Section 12 and Appendix J
G	Diversity Policy	Section 14 and Appendix K

5.2 Diversity

5.2.1 Diversity Policy

In accordance with Recommendation 3.2 of the ASX Principles, the Company has established a Diversity Policy, which is included under Appendix K of the Board Charter. In line with its objective to increase the overall proportion of women at all levels within the Company, within Senior Management positions and on the Board, the Company has established a Diversity Committee and appointed a Diversity Manager responsible for:

- Assisting the Board with diversity issues;
- Establishing and monitoring strategies on gender diversity;
- Implementing the measurable objectives set by the Board; and
- Reviewing achievements and progress against gender diversity objectives.

5.2.2 Measurable Objectives

In line with its obligations under its Diversity Policy and its obligations under Principle 3.2 of the ASX Principles, the Company has set the following objectives (including measurable objectives) for achieving greater diversity throughout the Company and on the Board for a 5 year period commencing 1 July 2011 and ending on 30 June 2016. Whilst the Company is committed to fostering diversity at all levels of the Company, the fostering of gender diversity is a clear intention of the Board and Senior Management of the Company.

Item	Measurable Objective	Progress
1	Amend the Board Charter and the Charter of the Nomination and Remuneration Committee to formalise its responsibility for diversity and for the Nomination and Remuneration Committee to review remuneration by gender across the Company.	The Board Charter and the Charter of the Nomination and Remuneration Committee have been so amended.
2	Appoint a Diversity Manager and establish a Diversity Committee.	The General Manager Human Resources has been appointed as the Company's Diversity Manager to oversee the implementation of the Diversity Policy and to ensure that diversity is at the forefront of any recruitment initiatives. A Diversity Committee has been established comprising the Managing Director, Diversity Manager and female managers within the Company. The Managing Director is Chairman of the Diversity Committee and reports directly to the Nomination and Remuneration Committee in relation to diversity matters.
3	Increase the representation of women in Senior Executive positions by 2016 to represent at least 10%.	By implementing the initiatives detailed in this Schedule and by complying with the Diversity Policy, the Company aims to achieve this representation of women by 2016.
4	Increase the representation of women in Senior Management levels by 2016 to represent at least 30%.	By implementing the initiatives detailed in this Schedule and by complying with the Diversity Policy, the Company aims to achieve this representation of women by 2016.
5	Appoint at least 2 female Directors to the Board.	Ms Eve Howell was appointed as a Director to the Board on 27 February 2012. The search for a suitable second female Director for the Company is continuing.

Item	Measurable Objective	Progress
6	Improve support for pregnancy and maternity leave and provide flexible working arrangements.	During the financial year, a new Maternity Leave Policy was approved by the Board and implemented by the Company to provide better support for pregnant women in the workplace and for women commencing and returning from maternity leave. During the last 3 years, 90% of women returned to work for the Company after maternity leave. The Diversity Committee monitors progress annually. Flexible working initiatives are supported by management and where appropriate made available to employees to achieve improved business outcomes and support work/life balance. Annual review of all part-time work arrangements are conducted by the Diversity Committee to ensure that they are appropriate to maintain career development.
7	Foster an equal opportunity culture.	During the financial year, the Company developed and implemented a new recruitment procedure to create a more effective, transparent recruitment process which is based both on merit and the aims of the Company in achieving greater diversity. During the financial year, the Company conducted a company-wide Diversity Survey and has developed initiatives, policies and procedures to address the issues identified in that survey. The Company will conduct an annual Diversity Survey to measure its progress and the findings from these surveys will be reported to the Nomination and Remuneration Committee and to the Board.
8	Improve talent management – high potential women within the Company are identified and developed for career progression.	During the financial year, the Company paid for a number of employees to undertake further study. Over 50% of those employees who undertook further study were women. Annual review of career development plans to ensure their continued appropriateness in developing and retaining the Company's female talent.

The Board will assess these diversity objectives annually as well as the Company's progress towards achieving them.

5.2.3 Diversity Profile

At the date of this Annual Report, the proportion of women employees within the Company is as follows:

- on the Board:- 14%;
- in Senior Executive positions:- 0%;
- in Senior Management positions:- 25% and
- within the whole Company:- 12%.

The proportion of women within the whole Company is comparable with other vessel operators within the industry as seafaring is not generally a profession that women choose to participate in.

5.3 Risk Management

The Company recognises that risk is an accepted part of doing business and that effective management of risk is vital to delivering on its objectives, success and continued growth. The Company is committed to the identification, monitoring and management of material business risks associated with its business activities to create long-term shareholder value.

5.3.1 Risk Management Policy

The Company's Risk Management Policy was approved by the Board and describes the manner in which the Company:

- identifies, assesses, monitors and manages business risk;
- identifies material changes to the Company's risk profile; and
- designs, implements and monitors the effectiveness of the internal compliance and control system.

A copy of the Company's Risk Management Policy is to be found under Appendix H of the Board Charter, which is published on the Company's website at *www.mma.com.au/company*.

The Company's Risk Management Policy is reviewed at least annually or as often as required.

5.3.2 Risk Management Oversight and Responsibility

The Board is responsible for reviewing and approving the Company's risk management strategy, policy and key risk parameters. The Board is also responsible for satisfying itself that management has developed and implemented a sound system of risk management and internal control. The Board has delegated oversight of the Risk Management Policy, including review of the effectiveness of the Company's internal control system and risk management process, to the Audit and Risk Committee. Management is responsible for designing, implementing, reviewing and providing assurance as to the effectiveness of the Risk Management Policy. This responsibility includes conducting business risk identification, implementing appropriate risk treatments, strategies and controls, monitoring effectiveness of controls and reporting on risk management performance.

In 2012, both the Audit and Risk Committee and the Board reviewed the overall risk profile for the Company and received reports from management on the effectiveness of the Company's management of its material business risks. The Company's internal audit function is responsible for providing an independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control system.

5.3.3 Risk Certification

In accordance with ASX Principle 7.2, management has reported to the Board that the Company's material business risks are being effectively managed in line with the risk management and internal control systems designed and implemented by management and approved by the Board.

In accordance with ASX Principle 7.3, the Board has received the written assurances from the Managing Director and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

6. Checklist

6.1 ASX Corporate Governance Council Recommendations Checklist

ASX Listing Rule 4.10.3 requires companies to disclose the extent to which they have complied with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (2nd Edition as amended on 30 June 2010) ("ASX Principles"). Where recommendations have not been followed, the Company must identify the recommendations which have not been followed and give reasons for not following them. The Company's corporate governance practices for the year ended 30 June 2012 are outlined in the Corporate Governance Statement above. The following table lists each of the ASX Principles and the Company's assessment of its compliance with the ASX Principles:

ASX Corporate Governance Council Recommendations

	Principle 1: Lay solid foundations for management and oversight	**Reference**	**Comply**
1.1	Companies should establish the functions reserved to the Board and those delegated to Senior Executives and disclose those functions.	2.1, 2.2 and 2.3	✓
1.2	Companies should disclose the process for evaluating the performance of Senior Executives.	4.2.2	✓
1.3	Companies should provide the information indicated in the *Guide to reporting on Principle 1*.	As above	✓

	Principle 2: Structure the Board to add value	**Reference**	**Comply**
2.1	A majority of the Board should be independent Directors.	3.2.2	✓
2.2	The Chair should be an independent Director.	3.2.1	✓
2.3	The roles of Chair and Chief Executive Officer should not be exercised by the same individual.	3.1 and 3.2.1.	✓
2.4	The Board should establish a Nomination Committee.	4.1	✓
2.5	Companies should disclose the process for evaluating the performance of the Board, its Committees and individual Directors.	4.1.3 and 5.1F	✓
2.6	Companies should provide the information indicated in the *Guide to reporting on Principle 2*.	As above and 2.1, 3.1, 3.2.2 and 3.2.4	✓

	Principle 3: Promote ethical and responsible decision-making	**Reference**	**Comply**
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the Company's integrity • the practices necessary to take into account their legal obligations and reasonable expectations of their stakeholders; and • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	5.1A	✓
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them.	5.2.1 and 5.1G	✓
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	5.2.2	✓
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in Senior Executive positions and women on the Board.	5.2.3	✓
3.5	Companies should provide the information indicated in the *Guide to reporting on Principle 3*.	As above	✓

Principle 4: Safeguard integrity in financial reporting		Reference	Comply
4.1	The Board should establish an Audit Committee.	4.2	✓
4.2	The Audit Committee should be structured so that it: • consists only of Non-Executive Directors; • consists of a majority of independent Directors; • is chaired by an independent Chair, who is not Chair of the Board; and • has at least three members.	4.2.1	✓
4.3	The Audit Committee should have a formal charter.	4.2.1	✓
4.4	Companies should provide the information indicated in the *Guide to reporting on Principle 4.*	As above, 4.2.2 and 5.1E.	✓

Principle 5: Make timely and balanced disclosure		Reference	Comply
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a Senior Executive level for that compliance and disclose those policies or a summary of those policies.	5.1C	✓
5.2	Companies should provide the information indicated in the *Guide to reporting on Principle 5.*	As above	✓

Principle 6: Respect the rights of shareholders		Reference	Comply
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	5.1C	✓
6.2	Companies should provide the information indicated in the *Guide to reporting on Principle 6.*	As above	✓

Principle 7: Recognise and manage risk		Reference	Comply
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	5.3.1 and 5.1D	✓
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	5.3.2 and 5.3.3	✓
7.3	The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with s.295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	5.3.3	✓
7.4	Companies should provide the information indicated in the *Guide to reporting on Principle 7.*	As above	✓

Principle 8: Remunerate fairly and responsibly		Reference	Comply
8.1	The Board should establish a Remuneration Committee.	4.1	✓
8.2	The Remuneration Committee should be structured so that it: • consists of a majority of independent Directors • is chaired by an independent Chair; and • has at least three members.	4.1.1	✓
8.3	Companies should clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executive Directors and Senior Executives.	4.1.2	✓
8.4	Companies should provide the information indicated in the *Guide to reporting on Principle 5.*	As above	✓

Directors' Report

The Directors of Mermaid Marine Australia Ltd ("Company") submit herewith the annual financial report of the Company for the financial year ended 30 June 2012. In order to comply with the provisions of the Corporations Act 2001 (Cth), the Directors report as follows:

Directors The names and particulars of the Directors of the Company during or since the end of the financial year are:

Mr Anthony John Howarth AO

Chairman

Appointed 5 July 2001

Tony was appointed as Chairman of the Company on 1 August 2006. Tony is also currently a Non-Executive Director of Wesfarmers Ltd and Alinta Holdings. Tony worked in the banking and finance industry for over 30 years. His work has involved a number of overseas appointments. He has previously held the positions of Managing Director of Challenge Bank Ltd, CEO of Hartleys Ltd, Chairman of Alinta Ltd, Deputy Chairman of the Bank of Queensland Ltd, a Non-Executive Director of AWB Ltd and Chairman of Home Building Society Ltd. Tony is also Chairman of St John of God Health Care Inc. He is also Adjunct Professor (Financial Management) at the University of Western Australia Business School. Tony is also involved in a number of community and business organisations including the Senate of the University of Western Australia, Chairman of the Committee for Perth Ltd, a member of the Rio Tinto WA Future Fund and the University of Western Australia Business School Advisory Board, Chairman of the International Chamber of Commerce Australia Ltd, the Chamber of Commerce and Industry of Western Australia (Inc) and West Australian Rugby Union Inc. Tony is a member of the Company's Nomination and Remuneration Committee and the Audit and Risk Committee.

Mr Jeffrey Andrew Weber

Managing Director

Appointed 31 December 2002

Jeff began his career as a Marine Engineer with BHP Transport. He went on to complete a degree in this field in 1993 and in 1994 graduated with a Master's in Engineering and Technology Management from the University of Queensland. During his 19 years with BHP, Jeff gained comprehensive project management experience and helped develop new business for BHP Transport in Australia and South-East Asia. He also managed a major initiative with BHP's steel division, reviewing its logistics arrangements and developing processes to improve services and reduce costs. In 1998, Jeff joined Riverside Marine in Queensland and helped expand its operations Australia-wide. This included forming a joint venture company with Wijsmuller International Towage BV, RiverWijs and negotiating with Woodside Petroleum to take over that company's harbour towage operation in Dampier, Western Australia. Jeff is also a Non-Executive Director of Maritime Super Pty Ltd, a superannuation fund dedicated to employees in the Maritime Industry. As Managing Director of Mermaid Marine Australia Ltd, Jeff is responsible for the financial and operational performance of all of the Company's business lines.

Mr Mark Francis Bradley

Non-Executive Director

Appointed 22 September 2000

A Civil Engineer with a track record in senior offshore engineering management, Mark joined the J Ray McDermott company in 1977 for service on Esso's Tuna/Mackerel project in Bass Strait. During the 14 years of technically challenging work that followed, Mark held senior positions with the company in Indonesia, Singapore, Malaysia, Dubai and Saudi Arabia. Still with McDermott, but returning to Australia, he then worked on new projects in Bass Strait and, finally, the Woodside North Rankin A and Goodwyn A platforms on the North West Shelf in Western Australia. In 1991, Mark joined Clough Offshore as Project Manager of a number of North West Shelf projects. Duties in Thailand, China and Indonesia followed, and by 1993 he was Operations/Project Manager for BHP's Griffin project. In 1994, Mark became Managing Director of Clough Offshore. A highly talented manager, he then presided over that company's fivefold growth, which was to make it one of the most well-equipped, professional and competitive groups in the offshore contracting business. In 1997, Mark joined the Board of Clough Engineering as an Executive Director, retiring and becoming a shareholder and Director of Mermaid Marine in 2000. Mark is the Chairman of the Company's Nomination and Remuneration Committee and a member of the Audit and Risk Committee.

Mr James Henry Carver

Executive Director

Appointed 29 June 1998

Captain James Carver is a Ships' Master with over 30 years' direct experience in the marine industry. As Woodside Petroleum's first Ships' Master, he carried out marine operations in LNG development. Captain Carver, who has been involved in exploration, construction and production for most of the oil and gas projects on the North West Shelf, has an in-depth knowledge of the industry, its needs and its future. He established Mermaid Marine in 1982 and pursued a 'can do' attitude at sea and ashore. Under his direction, the fleet grew from one to 15 vessels and the Supply Base at Dampier was secured for its present expansion.

Mr Hugh Andrew Jon Edwards

Non-Executive Director

Appointed 18 December 2009

Andrew is a former Managing Partner of PriceWaterhouseCoopers, Perth Office (PWC), a former national Vice President of the Securities Institute of Australia (now the Financial Services Institute of Australasia) and a former President of the Western Australian division of that Institute. He is a Fellow of the Australian Institute of Company Directors, a Fellow of the Institute of Chartered Accountants in Australia and has served as State Chairman of the local Education Committee of that Institute and was a former member of its National Education Committee. Andrew currently serves as a Non-Executive Director of Nido Petroleum Ltd and its subsidiaries and Aspire Mining Ltd. Andrew is Non-Executive Chairman of MACA Ltd and is President of Activ Foundation Inc. Andrew graduated from the University of Western Australia with a Bachelor of Commerce degree. He is the Chairman of the Company's Audit and Risk Committee and a member of the Company's Nomination and Remuneration Committee

Ms Eva Alexandra Howell

Non-Executive Director

Appointed 27 February 2012

Eve has over 40 years of experience in the oil and gas industry in a number of technical and managerial roles. Eve was most recently Executive Vice President for Health, Safety & Security at Woodside Energy Ltd and previously served as Executive Vice President of North West Shelf at Woodside and Managing Director at Apache Energy Ltd. Eve is currently Executive Chairman of Tangiers Petroleum Ltd, a Director of Downer EDI Ltd, the West Australian Ballet, the Ngarluma & Yindjibarndi Foundation and Chairman and CEO of EMR Resources Pty Ltd. Eve also currently holds a senior advisor role with Miro Advisors Pty Ltd, an independent business focused on corporate advisory opportunities in the natural resources sector. She has previously served on a number of Boards, including the Fremantle Port Authority, the Australian Petroleum Production & Exploration Association and was a Board Member and President of the Australian Mines and Metals Association. Eve holds a Bachelor of Science (with Honours in Geology and Mathematics) from the University of London and an MBA from Edinburgh Business School. Eve was appointed as a member of the Company's Nomination and Remuneration Committee on 28 March 2012 and as a member of the Company's Audit and Risk Committee on 22 August 2012.

Mr Chiang Gnee Heng

Non-Executive Director

Appointed 5 July 2012

Chiang Gnee graduated as a Marine Engineer in July 1977 from the University of Newcastle Upon Tyne (UK) and spent almost 30 years working in Singapore government-linked companies and in various industries including shipyards, ordnance equipment manufacturing, aircraft engine component manufacturing, amusement and lifestyle businesses and environment management. In June 1989, Chiang Gnee attended the Sloan School of Management at MIT (USA) and graduated with a Masters in Management in July 1990. He was formerly the CEO of Sembawang Shipyard for 10 years and CEO of Sembcorp Environment Management Pte Ltd for 2 years until August 2007. Chiang Gnee is currently the Executive Director of Singapore Maritime Institute (SMI) which focuses on the development of the Singapore maritime industry - with special focus on training and education, research and development, and policy formulation. He also sits on the local Boards of foreign owned companies having operations in Singapore. Chiang Gnee is also engaged in workplace health and safety management and in vocational technical education. He is Deputy Chairman of the Singapore Workplace Safety and Health Council and Deputy Chairman of the Institute of Technical Education (ITE) Board of Governors. Chiang Gnee is currently a Non-Executive Director of Mermaid Marine Asia Pte Ltd (Singapore) - having been appointed to this position on 24th September 2009.

The above named Directors held office during the whole of the financial year and since the end of the financial year, except for:

- Ms Eve Howell – appointed 27 February 2012; and
- Mr Chiang Gnee Heng – appointed 5 July 2012.

Directorships of Other Listed Companies

Directorships of other listed companies held by the Directors in the three years immediately before and since the end of the financial year are as follows:

Name	Company	Period of Directorship
Mr A Howarth	Wesfarmers Ltd	Since July 2007
Mr A Howarth	Bank of Queensland Ltd	December 2007 - July 2010
Mr A Howarth	AWB Ltd	March 2005 – December 2010
Mr A Edwards	Nido Petroleum Ltd	Since December 2009
Mr A Edwards	MACA Ltd	Since October 2010
Mr A Edwards	Aspire Mining Ltd	Since July 2011
Ms E Howell	Downer EDI Ltd	Since January 2012
Ms E Howell	Tangiers Petroleum Ltd	Since September 2012

Directors' Shareholdings

The following table sets out each Director's relevant interest in shares and rights or options in shares of the Company as at the date of this report:

Name	Fully paid ordinary shares direct	Fully paid ordinary shares indirect	Share options/rights direct
Mr A Howarth	448,099	215,060	-
Mr J Weber	1,527,193	320,000	3,363,433
Mr M Bradley	573,819	-	-
Mr J Carver	40,000	1,835,671	-
Mr A Edwards	-	10,235	-
Ms E Howell	-	-	-
Mr CG Heng	-	-	-

The Directors do not have any interests in shares, options or rights of any related body corporate of the Company.

Remuneration of Key Management Personnel

Information about the remuneration of key management personnel is set out in the Remuneration Report of this Directors' Report on pages 39 to 51. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, either directly or indirectly, including any Director (whether executive or otherwise) of the consolidated entity.

Share Rights Granted to Directors and Senior Management

During and since the end of the financial year an aggregate of 828,950 performance rights were granted to the following Director and to the six highest remunerated officers of the Company as part of their remuneration:

Name	Number of rights granted	Issuing entity	Number of ordinary shares under rights
Mr J Weber	331,142	Mermaid Marine Australia Ltd	331,142
Mr D Ross	162,325	Mermaid Marine Australia Ltd	162,325
Mr P Raynor	162,325	Mermaid Marine Australia Ltd	162,325
Mr D Lofthouse	51,360	Mermaid Marine Australia Ltd	51,360
Mr D Darbyshire-Roberts	42,556	Mermaid Marine Australia Ltd	42,556
Mr M Gillett	42,556	Mermaid Marine Australia Ltd	42,556
Mr J Rogers	36,686	Mermaid Marine Australia Ltd	36,686

Company Secretary

Mr Dylan Darbyshire-Roberts

Appointed 19 August 2008

Dylan held the position of Company Secretary of Mermaid Marine Australia Ltd at the end of the financial year. He joined the Company in May 2007 in the role of Commercial Manager. Previously, he was a Senior Associate with the law firm DLA Piper Australia where he practised in the areas of insurance, corporate and marine law. After obtaining a Bachelor of Commerce degree (1995) and a LLB degree (1997) at the University of Natal (PMB), Dylan qualified as a Solicitor in South Africa, New South Wales and Western Australia. Dylan has worked in a legal capacity in all of these jurisdictions as well as the UK over the past 12 years. Dylan is an Associate of the Institute of Chartered Secretaries and Administrators and Chartered Secretaries Australia.

Principal Activities

The consolidated entity's principal activities during the course of the financial year were the provision of marine logistics and supply base services throughout all phases of the oil and gas development cycle.

There were no significant changes in the nature of the activities of the consolidated entity during the financial year.

Review of Operations

A review of, and information about the operations of the consolidated entity for the financial year and the results of those operations are set out in the Chairman's Address and the Managing Director's Review of Operations in this Annual Report.

Changes in State of Affairs

During the financial year there were no significant changes in the state of affairs of the consolidated entity other than those referred to in the financial statements or the notes thereto.

Subsequent Events

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Future Developments

The Chairman's Address and the Managing Director's Review of Operations give an indication, in general terms, of likely developments in the Company's operations in future financial years, and the expected results of those operations.

Environmental Regulations

The Company continues to conduct its operations within the parameters of the Department of Environmental and Conservation Licence and Ministerial requirements. There were no breaches of licence conditions for the year ended 30 June 2012.

Dividends

In respect of the financial year ended 30 June 2011, as detailed in the Directors' Report for that financial year, a final dividend of 5 cents per share franked to 100% at 30% corporate income tax rate was paid to holders of fully paid ordinary shares on 23 September 2011.

In respect of the financial year ended 30 June 2012, an interim dividend of 5 cents per share franked to 100% at 30% corporate income tax rate was paid to holders of fully paid ordinary shares on 23 March 2012.

Further, in respect of the financial year ended 30 June 2012, the Directors are satisfied that the requirements under section 254T of the Corporations Act 2001 (Cth) have been met and have declared a final dividend of 6 cents per share franked to 100% at 30% corporate income tax rate to be paid on the 28 September 2012 to holders of fully paid ordinary shares in the Company on the record date of 7 September 2012.

Shares under Option/Rights and Issued on Exercise of Options/Rights

Details of unissued shares under option/rights at the date of this Report are:

Issuing entity	Number of shares under option/rights	Class of shares	Exercise price of options/rights $	Expiry date of options/rights
Mermaid Marine Australia Ltd	152,872	Ordinary	1.83(a)	11 October 2012
Mermaid Marine Australia Ltd	94,293	Ordinary	1.83(a)	24 January 2013
Mermaid Marine Australia Ltd	632,716	Ordinary	1.60(b)	23 September 2013
Mermaid Marine Australia Ltd	1,277,584	Ordinary	1.60(b)	23 September 2013
Mermaid Marine Australia Ltd	407,182	Ordinary	0.00(c)	18 September 2014
Mermaid Marine Australia Ltd	2,888,794	Ordinary	3.05(d)	18 September 2014
Mermaid Marine Australia Ltd	1,488,356	Ordinary	3.05(d)	18 September 2014
Mermaid Marine Australia Ltd	745,268	Ordinary	0.00(e)	1 July 2013
Mermaid Marine Australia Ltd	266,351	Ordinary	0.00(e)	1 July 2013
Mermaid Marine Australia Ltd	1,173,513	Ordinary	0.00(f)	1 July 2014
Mermaid Marine Australia Ltd	331,142	Ordinary	0.00(f)	1 July 2014

a) 15% of these share options vested 36 months after their issue date. The remaining 85% of these share options could only be exercised during their exercise period subject to the Company achieving certain performance criteria, which have been achieved, as detailed in note 27.

b) These share options vested on 23 September 2011 and could only be exercised during their exercise period subject to the Company achieving certain performance criteria, which have been achieved, as detailed in note 27.

c) These share options vested on 18 September 2012 and could only be exercised during their exercise period subject to the Company achieving certain performance criteria, which have been achieved, as detailed in note 27.

d) These share options vested on 18 September 2012 and could only be exercised during their exercise period subject to the Company achieving certain performance criteria, which have been achieved, as detailed in note 27.

e) These performance rights vest on 1 July 2013 subject to the Company achieving certain performance criteria as detailed in note 27.

f) These performance rights vest on 1 July 2014 subject to the Company achieving certain performance criteria as detailed in note 27.

The holders of these options/rights do not have the right, by virtue of the option/right, to participate in any share issue of the Company.

Details of shares issued during or since the end of the financial year as a result of exercise of an option are:

Issuing entity	Number of shares issued	Class of shares	Amount paid for shares $	Amount unpaid on shares $
Mermaid Marine Australia Ltd	2,616,100	Ordinary	1.83	Nil
Mermaid Marine Australia Ltd	187,194	Ordinary	1.83	Nil
Mermaid Marine Australia Ltd	578,500	Ordinary	1.60	Nil

Indemnification of Officers and Auditors

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company (as named above), the Company Secretary and all Executive Officers of the Company and of any related body corporate against any liability incurred in acting in their capacity as a Director, Company Secretary or Executive Officer of the Company to the extent permitted by the Corporations Act 2001 (Cth). The relevant contract of insurance prohibits disclosure of the nature of any liability and the amount of the premium.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against any liability incurred in acting in their capacity as an officer or auditor of the Company.

Directors' Meetings

The following table sets out the number of Directors' meetings (including meetings of Committees of Directors) held during the financial year and the number of meetings attended by each Director (while they were a Director or Committee member). During the financial year, 6 Board Meetings, 5 Audit and Risk Committee meetings and 3 Nomination and Remuneration Committee meetings were held.

Name	Board of Directors		Audit and Risk Committee		Nomination and Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended
Mr A Howarth	6	6	5	5	3	3
Mr J Weber	6	6	n/a	n/a	n/a	n/a
Mr M Bradley	6	6	5	5	3	3
Mr J Carver	6	5	n/a	n/a	n/a	n/a
Mr A Edwards	6	6	5	5	3	3
Ms E Howell	2	2	n/a	n/a	2	2
Mr CG Heng	n/a	n/a	n/a	n/a	n/a	n/a

Proceedings on Behalf of the Company

No persons applied for leave under s.237 of the Corporations Act 2001 (Cth) to bring, or intervene in, proceedings on behalf of the Company during the financial year.

Non-Audit Services

During the year, the Company conducted vessel operations in various countries. The Company consequently incurred and paid taxation consulting and compliance fees to the external auditor, Deloitte Touche Tohmatsu ("Deloitte") and their network firms, during the year in gaining a full understanding of and meeting the Company's taxation obligations in each of those countries. Details of the amounts paid or payable to the auditor for non-audit services provided during the year are outlined in note 30 to the Financial Statements.

The Board considers that it was prudent and cost effective to engage the external auditor, Deloitte, to provide the required tax consulting and compliance services during the year because of their detailed knowledge of the Company's affairs, including its corporate tax structure. Deloitte were able to utilise the services of their network firms in the countries the Company operated in during the year to provide the necessary advice regarding the Company's tax obligations and compliance with these tax obligations within each of those countries.

In addition, the Directors are satisfied that the provision of non-audit services during the year by the auditor (or another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 (Cth).

In view of the above, the Directors are of the opinion that the services as disclosed in note 30 to the Financial Statements, do not compromise the external auditors' independence, based on advice received from the Audit and Risk Committee, for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 'Code of Ethics for Professional Accountants' issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing economic risks and rewards.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 52 of this Annual Report.

Rounding Off of Amounts

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order, amounts in the Directors' Report and Financial Statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Remuneration Report

This Remuneration Report, which forms part of the Directors' Report, sets out information about the remuneration of the Company's key management personnel for the financial year ended 30 June 2012. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, either directly or indirectly, including any Director (whether executive or otherwise) of the consolidated entity. The prescribed details for each person covered by this report are detailed below under the following headings:

- Key Management Personnel;
- Remuneration Policy;
- Relationship between the Remuneration Policy and Company Performance;
- Remuneration of Key Management Personnel;
- Bonus and share based payments granted as compensation for the current financial year; and
- Key Terms of Employment Contracts.

Key Management Personnel

The Directors and other key management personnel of the Company during and since the end of the financial year were:

Directors

Mr A Howarth (Chairman) (Non-Executive Director)

Mr J Weber (Managing Director)

Mr J Carver (Executive Director)

Mr M Bradley (Non-Executive Director)

Mr A Edwards (Non-Executive Director)

Ms E Howell (Non-Executive Director) – Appointed 27 February 2012

Mr CG Heng (Non-Executive Director) – Appointed 5 July 2012

Other Key Management Personnel

Mr D Ross (Chief Operating Officer)

Mr P Raynor (Chief Financial Officer)

Mr D Lofthouse (General Manager Business Development)

Mr D Darbyshire-Roberts (General Manager Legal/Company Secretary)

Mr M Gillett (General Manager Human Resources)

Mr J Rogers (General Manager HSEQ)

Mr D Verboon (Slipway General Manager)

Mr S Lee (Supply Base General Manager)

Mr R Furlong (Vessel Operations General Manager) - promoted 1 October 2011

Mr E Graham (General Manager Corporate Development) – Retired 11 October 2011

Except as noted, the above named persons held their current position for the whole of the financial year and since the end of the financial year.

Remuneration Policy

The Nomination and Remuneration Committee reviews the remuneration packages of all Directors and key management personnel on an annual basis and makes recommendations to the Board. Remuneration packages are reviewed and determined with due regard to current market rates and are benchmarked against comparable industry salaries, and are adjusted by a performance factor to reflect changes in the performance of the Company.

In carrying out its review of the remuneration packages of the Managing Director and non-director key management personnel for the 2012 financial year, the Nomination and Remuneration Committee engaged the services of an independent remuneration consultant, Godfrey Remuneration Group Pty Ltd, to provide current market rates and industry benchmarking. Godfrey Remuneration Group Pty Ltd were engaged directly by the Chairman of the Nomination and Remuneration Committee and were paid the sum of $16,632 in consideration for providing their remuneration recommendations.

As the independent remuneration consultant was engaged directly by and provided their advice directly to the Chairman of the Nomination and Remuneration Committee (without management involvement), the Board is satisfied that the remuneration recommendations made were free from undue influence by any member of the key management personnel to whom the recommendations relate.

Key Management Personnel Remuneration

Non-Executive Directors' Fees

Non-Executive Directors' fees are determined within an aggregate Directors' fee pool which is periodically recommended for approval by shareholders. The maximum fees payable to Non-Executive Directors are currently $750,000 per annum in aggregate (approved by shareholders at the Company's AGM on 25 November 2010).

Fees paid to Non-Executive Directors are set at levels which reflect both the responsibilities of, and time commitments required from each Non-Executive Director to discharge their duties. Non-Executive Directors' fees are reviewed annually by the Board to ensure they are appropriate for the duties performed, including Board committee duties, and are in line with the market. Other than statutory superannuation, Directors are not entitled to retirement allowances.

Other Key Management Personnel

Remuneration of the Managing Director and Senior Management comprises both a fixed component and an at-risk component, which is designed to remunerate key management personnel for increasing shareholder value and for achieving financial targets and business strategies. It is also designed to attract and retain high calibre executives.

The remuneration of the Managing Director and Senior Management has the following three components:

- Fixed annual remuneration comprising base salary and superannuation;
- Short-term incentive (STI) – an annual "at-risk" cash component designed to reward performance against key performance indicators (KPIs). These KPIs are designed to measure the achievement of strategic, financial and operating objectives of the Company. The STI KPIs during the financial year were allocated as follows: Financial targets (40%); Growth targets (35%); Business Improvement targets (10%); and Employee's health/safety and attraction and retention of staff targets (15%); and
- Long-term incentive (LTI) – the Company grants options or rights over its ordinary shares under the LTI. Performance rights were granted to the Managing Director and Senior Management during the financial year. The relevant performance criteria targets for these performance rights were set by the Board with due regard to the Company's long-term strategy.

The table below sets out the relevant performance criteria for the performance rights granted to the Managing Director, Chief Operating Officer and Chief Financial Officer during the financial year:

Performance criteria	Performance Period	Percentage of LTI subject to performance criteria	Performance criteria targets	Percentage of Performance Rights which vest if target met
Normalised Earnings per Share (EPS) growth[1]	Beginning 1 July 2011 and ending 30 June 2014	25%	Less than 6%	Nil
			Equal to 6%	50%
			Between 6% and 12.5%	50% to 100% (pro-rata)
			Equal to 12.5%	100%
Company's Total Shareholder Return (TSR)[2] percentile ranking over the Performance Period relative to a selected Peer Group[3]	Beginning 1 July 2011 and ending 30 June 2014	75%	Below the 50th percentile	Nil
			At the 50th percentile	50%
			Between the 50th percentile and the 90th percentile	50% to 100% (pro-rata)
			At the 90th percentile	100%

The table below sets out the relevant performance criteria for the performance rights granted to other Senior Management (ie excluding the Managing Director, Chief Operating Officer and Chief Financial Officer) during the financial year:

Performance criteria	Performance Period	Percentage of LTI subject to performance criteria	Performance criteria targets	Percentage of Performance Rights which vest if target met
Normalised Earnings per Share (EPS) growth(1)	Beginning 1 July 2011 and ending 30 June 2014	25%	Below 6%	0%
			Between 6% and 10%	50% to 100% (on a straight line basis)
			Above 10%	100%
Company's Total Shareholder Return (TSR)(2) percentile ranking over the Performance Period relative to a selected Peer Group(3)	Beginning 1 July 2011 and ending 30 June 2014	75%	Below the 50th percentile	0%
			Between the 50th percentile and the 75th percentile	50% to 100% (on a straight line basis)
			Above the 75th percentile	100%

(1) **Normalised Earnings per Share (EPS) growth** means the growth in earnings per share of the Company, annualised over the Performance Period, to be determined in a manner decided by the Board in its absolute discretion (including any determination that the impact of one-off or non-recurring items should be excluded for the purposes of the calculation).

(2) **Total Shareholder Return (TSR)** means, broadly, the increase in the share price plus dividends paid (calculated in Australian dollars), excluding franking credits and taxation, over the Performance Period, to be determined in a manner decided by the Board in its absolute discretion.

(3) **Peer Group** means the peer group comprising the following ASX-listed companies, the composition of which may be changed by the Board in its absolute discretion:

- Ausenco Ltd (ASX: AAX)
- Asciano Ltd (ASX:AIO)
- Clough Ltd (ASX:CLO)
- Fleetwood Corporation Ltd (ASX:FWD)
- Imdex Ltd (ASX:IMD)
- Macmahon Holdings Ltd (ASX:MAH)
- Miclyn Express Offshore Ltd (ASX:MIO)
- Monadelphous Group Ltd (ASX:MND)
- Programmed Maintenance Services Ltd (ASX:PRG)
- QUBE Logistics Holdings Ltd (ASX:QUB)
- Skilled Group Ltd (ASX:SKE)
- Toll Holdings Ltd (ASX: TOL)
- Tox Free Solutions Ltd (ASX:TOX)
- Worley Parsons Ltd (ASX:WOR)

Relationship between the Remuneration Policy and Company Performance

The salary and fees and non-monetary components are reviewed and determined annually by the Nomination and Remuneration Committee.

In relation to the payment of bonuses and the grant of options/rights, discretion is exercised by the Board by having regard to the overall performance of the Company and the performance of the individual during the period.

Having regard to the overall performance of the Company during the 2012 financial year, the Board has exercised its discretion to pay bonuses and grant performance rights to the Managing Director and Senior Management of the Company.

The tables below set out summary information about the Company's earnings and movements in shareholder wealth for the five years to 30 June 2012:

	30 June 2012 $'000	30 June 2011 $'000	30 June 2010 $'000	30 June 2009 $'000	30 June 2008 $'000
Revenue	380,358	285,268	193,922	160,799	148,263
Net profit before tax	71,602	58,160	41,826	33,555	25,400
Net profit after tax	51,036	43,150	37,889	26,524	17,897
Share price at start of the year	$3.19	$2.54	$1.83	$1.55	$1.90
Share price at end of the year	$2.82	$3.19	$2.54	$1.83	$1.55
Interim dividend (1)	5cps	4cps	3cps	2cps	Nil
Final dividend (1)	6cps	5cps	5cps	4cps	2cps
Basic earnings per share	23.44cps	21.09cps	20.40cps	14.50cps	11.82cps
Diluted earnings per share	22.93cps	20.72cps	20.00cps	14.36cps	11.63cps
3 year compound annual TSR (2)	19%	30%	12%	46%	65%

(1) Franked to 100% at 30% corporate income tax rate.

(2) 3 year compound annual TSR equals the annual Total Shareholder Return (TSR) over the preceding 3 year period. TSR comprises share price growth and dividends.

Remuneration of Key Management Personnel

The following tables disclose the remuneration of the Directors and other key management personnel of the consolidated entity for the financial year to which the report relates and to the previous financial year:

2012	Short term employee benefits			Post-Employment benefits	Share based payment	
	Salary & fees	Bonus	Non-monetary(1)	Superannuation	Options & rights	Total
	$	$	$	$	$	$
Directors						
Mr A Howarth	220,000	-	1,504	19,800	-	241,304
Mr J Weber	800,000	435,625	1,930	50,000	560,015	1,847,570
Mr M Bradley	90,000	-	-	8,100	-	98,100
Mr J Carver	220,000	-	3,332	-	-	223,332
Mr A Edwards	100,000	-	-	9,000	-	109,000
Ms E Howell(2)	28,385	-	-	2,555	-	30,940
Senior Management						
Mr D Ross	475,000	205,000	14,241	25,000	239,572	958,813
Mr P Raynor	475,000	205,000	2,950	25,000	239,572	947,522
Mr D Lofthouse	334,225	71,750	3,843	21,445	75,784	507,047
Mr D Darbyshire-Roberts	274,225	59,450	2,937	20,022	54,883	411,517
Mr M Gillett	274,225	59,450	-	20,022	47,182	400,879
Mr J Rogers	234,225	51,250	-	20,022	64,280	369,777
Mr S Lee	209,306	33,762	121,478	18,607	32,623	415,776
Mr D Verboon	196,975	31,913	4,794	19,105	29,467	282,254
Mr R Furlong(3)	206,972	34,500	-	18,531	19,837	279,840
Mr E Graham(4)	50,059	-	-	17,708	(21,666)(4)	46,101
Total	**4,188,597**	**1,187,700**	**157,009**	**294,917**	**1,341,549**	**7,169,772**

2011	Short term employee benefits			Post-Employment benefits	Share based payment	
	Salary & fees	Bonus	Non-monetary[1]	Superannuation/ Termination	Options & rights	Total
	$	$	$	$	$	$
Directors						
Mr A Howarth	220,000	-	1,595	19,800	-	241,395
Mr J Weber	775,000	475,000	1,885	25,000	514,556	1,791,441
Mr M Bradley	90,000	-	-	8,100	-	98,100
Mr J Carver	220,000	-	8,411	-	-	228,411
Mr A Edwards	100,000	-	-	9,000	-	109,000
Senior Management						
Mr D Ross	445,000	223,250	931	25,000	270,579	964,760
Mr P Raynor	445,000	223,250	2,585	25,000	270,579	966,414
Mr D Lofthouse	249,808	63,000	3,804	15,192	77,441	409,245
Mr D Darbyshire-Roberts	220,743	47,187	1,226	17,345	38,427	324,928
Mr M Gillett	154,520	47,187	50,937	15,192	16,766	284,602
Mr J Rogers	220,743	47,187	-	15,192	38,333	321,455
Mr S Lee	194,808	31,500	125,517	17,318	31,743	400,886
Mr D Verboon	169,725	37,000	64,723	17,351	30,095	318,894
Mr E Graham	187,858	47,187	2,402	48,077	91,534	377,058
Ms T Vivian[5]	125,704	-	748	56,900[6]	(16,407)	166,945
Total	**3,818,909**	**1,241,748**	**264,764**	**314,467**	**1,363,646**	**7,003,534**

(1) These non-monetary benefits comprise the provision of housing, motor vehicle, relocation assistance, travel and other benefits, as applicable.

(2) Appointed 27 February 2012.

(3) Promoted 1 October 2011.

(4) Retired 11 October 2011. Unvested rights and options have lapsed on a pro-rata basis in accordance with the terms of the respective plans.

(5) Resigned 31 January 2011. Unvested rights and options have lapsed in accordance with the terms of the respective plans.

(6) Includes a termination payment of $41,285.

No key management personnel appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

Bonus and share based payments granted as compensation for the current financial year

Bonuses (STI)

Having regard to the overall performance of the Company during the respective financial years, the Managing Director and Senior Management personnel were granted cash bonuses for the 2012 and 2011 financial years as noted above. The respective amounts under the STI were subject to a number of specified key performance targets being achieved. The STI performance targets for the 2012 financial year relate to the following areas of the business:

(i) Financial (40%) - embracing a combination of EBITDA, PBT and EPS growth;

(ii) Business Growth (35%) – based on identified business growth targets, including growth of the Supply Base, the Company's international operations and penetration of new markets;

(iii) Business Improvement (10%) - based on identified business improvement targets, including identified cost reduction/efficiency targets and environmental waste management improvements; and

(iv) Employees (15%) - based on specified health/safety targets for each business unit and the Company as a whole and identified staff turnover targets.

The bonuses were granted on 30 June each year.

Subject to the STI performance targets being met, the Managing Director is eligible for a cash bonus of 50% of his base salary and superannuation with an uplift to a maximum of 67.5% for over-performance. The actual performance against the STI performance targets for the 2012 financial year resulted in the Managing Director, Mr J Weber, receiving a cash bonus of 51% of his base salary, non-monetary benefit and superannuation (2011: 59%).

Subject to the STI performance targets being met, the other key management personnel are eligible for a cash bonus of up to 40% of their base salary and superannuation with an uplift to a maximum of 54% for over-performance. Based on the actual performance against the STI performance targets for the 2012 financial year, other key management personnel received a cash bonus component of up to 41% of their base salary, non-monetary benefit and superannuation (2011: 47%).

Employee share options and rights plans (LTI)

Under its long-term incentive remuneration component, the Company operates share option and rights schemes for the Managing Director, Senior Management and other employees. Each share option or right converts into one ordinary share of Mermaid Marine Australia Ltd on exercise or vesting. No amounts are paid or payable by the recipient on receipt of the options or rights. The options or rights carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. Please refer to the table on page 40 for details of the performance criteria for the rights granted during the year.

During the financial year, the following share option and rights schemes were in existence:

Series	Number issued	Grant date	Expiry date	Exercise Price $	Fair value at grant date $	Vesting date
(1) 22 Nov 2007 (a)	970,040	22 Nov 2007	11 Oct 2012	1.83	0.39	11 Oct 2010
(2) 23 Oct 2007 (b)	2,576,788	23 Oct 2007	11 Oct 2012	1.83	0.45	11 Oct 2010
(3) 24 Jan 2008 (b)	487,714	24 Jan 2008	24 Jan 2013	1.83	0.45	24 Jan 2011
(4) 23 Sep 2008 (c)	1,385,432	23 Sep 2008	23 Sep 2013	1.60	0.26	23 Sep 2011
(5) 27 Nov 2008 (d)	1,277,584	27 Nov 2008	23 Sep 2013	1.60	0.08	23 Sep 2011
(6) 22 Sep 2009 (e)	475,705	22 Sep 2009	18 Sep 2014	0.00	1.43	18 Sep 2012
(7) 22 Sep 2009 (f)	3,112,049	22 Sep 2009	18 Sep 2014	3.05	0.46	18 Sep 2012
(8) 1 Dec 2009 (g)	1,488,356	1 Dec 2009	18 Sep 2014	3.05	0.47	18 Sep 2012
(9) 20 Oct 2010 (h)	780,082	20 Oct 2010	1 Jul 2013	0.00	1.62	1 Jul 2013
(10) 25 Nov 2010 (h)	266,351	25 Nov 2010	1 Jul 2013	0.00	1.62	1 Jul 2013
(11) 18 Oct 2011 (i)	848,863	18 Oct 2011	1 Jul 2014	0.00	2.06	1 Jul 2014
(12) 18 Oct 2011 (i)	324,650	18 Oct 2011	1 Jul 2014	0.00	1.89	1 Jul 2014
(13) 24 Nov 2011 (i)	331,142	24 Nov 2011	1 Jul 2014	0.00	1.69	1 Jul 2014

(a) In accordance with the terms of the Managing Director's Share Option Plan – October 2007, 970,040 share options vested on 11 October 2010 subject to the performance hurdle that the Company's Total Shareholder Return must exceed the performance of the ASX Small Ordinaries index over a minimum period of three years commencing on 11 October 2007 and ending on 11 October 2010 and a maximum period of five years commencing on 11 October 2007 and ending on 11 October 2012. This performance hurdle has been met.

(b) 15% of the options issued on 23 October 2007 and 24 January 2008 vested 36 months after their issue date. The remaining 85% may be exercised subject to the performance hurdle that the Company's Total Shareholder Return must exceed the performance of the ASX Small Ordinaries index over a minimum period of three years from issue date and a maximum period of five years from issue date. This performance hurdle has been met.

(c) In accordance with the terms of the Senior Executive Share Option Plans, 1,385,432 share options vested on 23 September 2011 subject to the performance hurdle that the Company's Total Shareholder Return must exceed the performance of the ASX Small Ordinaries index over a minimum period of three years commencing on 23 September 2008 and ending on 23 September 2011 and a maximum period of five years commencing on 23 September 2008 and ending on 23 September 2013. This performance hurdle has been met.

(d) In accordance with the terms of the Managing Director's Share Option Plan – 2008, 1,277,584 share options vested on 23 September 2011 subject to the performance hurdle that the Company's Total Shareholder Return must exceed the performance of the ASX Small Ordinaries index over a minimum period of three years commencing on 23 September 2008 and ending on 23 September 2011 and a maximum period of five years commencing on 23 September 2008 and ending on 23 September 2013. This performance hurdle has been met.

(e) In accordance with the terms of the Mermaid Marine Share Option Plan (amended September 2009), the share options issued to employees vest on 18 September 2012 subject to the performance hurdle that the Company's Total Shareholder Return must exceed the performance of the ASX Small Ordinaries index over a minimum period of three years commencing on 18 September 2009 and ending on 18 September 2012 and a maximum period of five years commencing on 18 September 2009 and ending on 18 September 2014. This performance hurdle has been met.

(f) In accordance with the terms of the Senior Executive Share Option Plan (amended September 2009), 3,112,049 share options vest on 18 September 2012 subject to the performance hurdle that the Company's Total Shareholder Return must exceed the performance of the ASX Small Ordinaries index over a minimum period of three years commencing on 18 September 2009 and ending on 18 September 2012 and a maximum period of five years commencing on 18 September 2009 and ending on 18 September 2014. This performance hurdle has been met.

(g) In accordance with the terms of the Managing Director's Share Option Plan - 2009, 1,488,356 share options vest on 18 September 2012 subject to the performance hurdle that the Company's Total Shareholder Return must exceed the performance of the ASX Small Ordinaries index over a minimum period of three years commencing on 18 September 2009 and ending on 18 September 2012 and a maximum period of five years commencing on 18 September 2009 and ending on 18 September 2014. This performance hurdle has been met.

(h) In accordance with the terms of the Mermaid Marine Australia Ltd Performance Rights Plan – 2010 (granted on 20 October 2010) and the Mermaid Marine Australia Ltd Managing Director's Performance Rights Plan – 2010 (as approved by shareholders at the Company's AGM on 25th November 2010), the number of performance rights which vest will depend on the growth in the Earnings per Share of Mermaid Marine Australia Ltd and the total shareholder return of the Company relative to a selected peer group of companies as disclosed in last year's remuneration report.

(i) In accordance with the terms of the Mermaid Marine Australia Ltd Performance Rights Plan – 2011 (granted on 18th October 2011) and the Mermaid Marine Australia Ltd Managing Director's Performance Rights Plan – 2011 (as approved by shareholders at the Company's AGM on 24th November 2011), the number of performance rights which vest will depend on the growth in the Earnings per Share of Mermaid Marine Australia Ltd and the total shareholder return of the Company relative to a selected peer group of companies in accordance with the table on page 41.

The following grants of share based payment compensation to the Managing Director and Senior Management relate to the current financial year:

Name	Number issued	During the financial year				
		Number granted	Number vested	% of grant vested	% of grant forfeited	% of compensation for the year consisting of share based payments
Mr J Weber	Issued 24 November 2011	331,142	-	-	-	30.3%
Mr D Ross	Issued 18 October 2011	162,325	-	-	-	25.3%
Mr P Raynor	Issued 18 October 2011	162,325	-	-	-	25.3%
Mr D Lofthouse	Issued 18 October 2011	51,360	-	-	-	14.9%
Mr D Roberts	Issued 18 October 2011	42,556	-	-	-	13.3%
Mr M Gillett	Issued 18 October 2011	42,556		-	-	11.8%
Mr J Rogers	Issued 18 October 2011	36,686	-	-	-	17.4%
Mr S Lee	Issued 18 October 2011	16,515	-	-	-	7.8%
Mr D Verboon	Issued 18 October 2011	15,610	-	-	-	10.4%
Mr R Furlong	Issued 18 October 2011	16,876	-	-	-	7.1%

During the financial year, the following key management personnel exercised options that were granted to them as part of their compensation. Each option converts into one ordinary share of Mermaid Marine Australia Ltd.

Name	Number of options and rights exercised	Number of ordinary shares of Mermaid Marine Australia Ltd	Amount paid	Amount unpaid
			$	$
Mr P Raynor	395,704	395,704	724,138	Nil
Mr D Lofthouse	64,347	64,347	117,755	Nil
Mr D Verboon	68,295	68,295	124,980	Nil
Mr R Furlong	56,795	56,795	103,935	Nil
Mr E Graham	100,000	100,000	183,000	Nil

The following table summarises the value of options and rights in relation to key management personnel which were granted, exercised or lapsed during the financial year.

Name	Value of rights granted at grant date	Value of options/rights exercised at exercise date	Value of options/rights lapsed at lapse date
	$	$	$
Mr J Weber	559,630	-	-
Mr D Ross	306,794	-	-
Mr P Raynor	306,794	1,222,725	-
Mr D Lofthouse	105,802	198,832	-
Mr D Roberts	87,665	-	-
Mr M Gillett	87,665	-	-
Mr J Rogers	75,573	-	-
Mr S Lee	34,021	-	-
Mr D Verboon	32,157	216,495	-
Mr R Furlong	34,765	176,065	
Mr E Graham(1)	-	309,000	321,926

(1) Retired 11 October 2011 – the number of unvested options and rights held at this date by Mr Graham have lapsed on a pro-rata basis in accordance with the relevant Plan Rules.

The Board has adopted a Share Trading Policy that, among other things, prohibits executives from entering into transactions that limit the economic risk of participating in unvested employee entitlements. The policy also requires executives proposing to enter into arrangements that limit the economic risk of a vested holding in the Company's securities to first obtain approval from the Chairman of the Board (or, in the case of the Chairman, prior approval of the Chairman of the Audit and Risk Committee) and subsequently provide details of the dealing within five business days of the dealing taking place. Any breach of the Share Trading Policy is taken very seriously by the Company and is subject to disciplinary action, including possible termination of a person's employment or appointment. A copy of the Company's Share Trading Policy is set out in section 8 and Appendix E of the Board Charter.

Key Terms of Employment Contracts

As at the date of this report, the following Executives and Senior Management are employed by the Company under an employment contract, none of which are of fixed-term duration.

All contracts with Senior Executives may be terminated by either party giving the required notice and subject to termination payments as detailed below:

Jeff Weber – Managing Director

- The Remuneration Package consists of an annual base salary and a short-term incentive component and a long-term incentive component at the discretion of the Nomination and Remuneration Committee and the Board.
- The Company and the employee are required to provide six months' notice of termination.
- If the employee is made redundant as a result of a material diminution in the nature and level of responsibilities or functions of the employee's position as a publicly listed company located in Perth, Western Australia, including without limitation through a change in control of the Company, the employee will be entitled to a payment of 1.5 times the Fixed Annual Remuneration in the relevant year.

David Ross – Chief Operating Officer

- The Remuneration Package consists of an annual base salary and a short-term incentive component and a long-term incentive component at the discretion of the Nomination and Remuneration Committee and the Board.
- The Company and the employee are required to provide six months' notice of termination.
- If the employee is made redundant as a result of a material diminution in the nature and level of responsibilities or functions of the employee's position as a publicly listed company located in Perth, Western Australia, including without limitation through a change in control of the Company, the employee will be entitled to a payment of 1.5 times the Fixed Annual Remuneration in the relevant year.

Peter Raynor – Chief Financial Officer

- The Remuneration Package consists of an annual base salary and a short-term incentive component and a long-term incentive component at the discretion of the Nomination and Remuneration Committee and the Board.
- The Company and the employee are required to provide six months' notice of termination.
- If the employee is made redundant as a result of a material diminution in the nature and level of responsibilities or functions of the employee's position as a publicly listed company located in Perth, Western Australia, including without limitation through a change in control of the Company, the employee will be entitled to a payment of 1.5 times the Fixed Annual Remuneration in the relevant year.

David Lofthouse – General Manager Business Development

- Remuneration consists of an annual base salary and statutory superannuation contributions.
- The employee may participate in the Company's incentive scheme at the discretion of the Company.
- The Company and employee are required to provide 6 weeks' notice of termination.
- No termination benefits are payable.

Dylan Roberts – General Manager Legal/Company Secretary

- Remuneration consists of an annual base salary and statutory superannuation contributions.
- The employee may participate in the Company's incentive scheme at the discretion of the Company.
- The Company and employee are required to provide 6 weeks' notice of termination.
- No termination benefits are payable.

Michael Gillett – General Manager Human Resources

- Remuneration consists of an annual base salary and statutory superannuation contributions.
- The employee may participate in the Company's incentive scheme at the discretion of the Company.
- The Company and employee are required to provide 8 weeks' notice of termination.
- No termination benefits are payable.

Jeff Rogers – General Manager HSEQ

- Remuneration consists of an annual base salary and statutory superannuation contributions.
- The employee may participate in the Company's incentive scheme at the discretion of the Company.
- The Company and employee are required to provide 6 weeks' notice of termination.
- No termination benefits are payable.

Shaun Lee – Supply Base General Manager

- Remuneration consists of an annual base salary and statutory superannuation contributions.
- The employee may participate in the Company's incentive scheme at the discretion of the Company.

- The Company and employee are required to provide 30 days' notice of termination.
- No termination benefits are payable.

Dirk Verboon – Slipway General Manager

- Remuneration consists of an annual base salary and statutory superannuation contributions.
- The employee may participate in the Company's incentive scheme at the discretion of the Company.
- The Company and employee are required to provide 30 days' notice of termination.
- No termination benefits are payable.

Richard Furlong – Vessel Operations General Manager

- Remuneration consists of an annual base salary and statutory superannuation contributions.
- The employee may participate in the Company's incentive scheme at the discretion of the Company.
- The Company and employee are required to provide 8 weeks' notice of termination.
- No termination benefits are payable.

This Directors' Report is signed in accordance with a resolution of Directors made pursuant to s.298(2) of the Corporations Act 2001 (Cth).

On behalf of the Directors

Tony Howarth AO
Chairman

Fremantle, 20 September 2012

Auditor's Independence Declaration

Deloitte Touche Tohmatsu
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The Board of Directors
Mermaid Marine Australia Limited
Endeavour Shed
1 Mews Road
Fremantle WA 6160

20 September 2012

Dear Directors

Auditors Independence Declaration to Mermaid Marine Australia Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Mermaid Marine Australia Limited.

As lead audit partner for the audit of the financial statements of Mermaid Marine Australia Limited for the financial year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Ross Jerrard
Partner
Chartered Accountants

Audit Report

Deloitte Touche Tohmatsu
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Independent Auditor's Report to the members of Mermaid Marine Australia Limited

Report on the Financial Report

We have audited the accompanying financial report of Mermaid Marine Australia Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 55 to 107.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Mermaid Marine Australia Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Mermaid Marine Australia Pty Limited is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 39 to 51 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Mermaid Marine Australia Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Ross Jerrard
Partner
Chartered Accountants
Perth, 20 September 2012

Directors' Declaration

The Directors declare that:

a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001 (Cth), including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity;

c) in the Directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 3.1 to the financial statements; and

d) the Directors have been given the declarations required by s.295A of the Corporations Act 2001 (Cth).

At the date of this declaration, the Company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company, which is party to the deed, guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the Directors' opinion, there are reasonable grounds to believe that the Company and the companies to which the ASIC Class Order applies, as detailed in note 32 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the Directors made pursuant to S.295(5) of the Corporations Act 2001 (Cth).

On behalf of the Directors,

Tony Howarth AO
Chairman

Fremantle, 20 September 2012

Financial Statements 2012

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2012

	Note	2012 $'000	2011 $'000
Revenue	4(a)	380,358	285,268
Interest Income		1,962	2,567
Other gains/(losses)	4(b)	(345)	932
Share of profits/(losses) of jointly controlled entity	12	362	(59)
Vessel expenses		(222,965)	(168,840)
Supply Base expenses		(53,015)	(27,958)
Slipway expenses		(12,612)	(12,321)
Administration expenses		(12,013)	(9,751)
Finance costs	4(c)	(10,130)	(11,678)
Profit before tax		71,602	58,160
Income tax expense	5	(20,566)	(15,010)
PROFIT FOR THE YEAR		**51,036**	**43,150**
Other Comprehensive Income			
Exchange differences on translation of foreign operations	22	7,136	(24,901)
Loss on cashflow hedges	22	(921)	(2,760)
Transfer of cashflow hedge loss to initial carrying amount of fixed asset	22	1,768	1,148
Other comprehensive income for the year, net of tax		7,983	(26,513)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**59,019**	**16,637**
Profit attributable to owners of the Company		51,036	43,150
Total comprehensive income attributable to owners of the Company		59,019	16,637
Earnings per share			
– Basic (cents per share)	7	23.44	21.09
– Diluted (cents per share)	7	22.93	20.72

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

as at 30 June 2012

	Note	2012 $'000	2011 $'000
Current Assets			
Cash and cash equivalents	24(a)	55,283	55,090
Trade and other receivables	9	83,441	64,396
Inventories	10	1,555	2,153
Other	11	12,195	5,278
Total Current Assets		**152,474**	**126,917**
Non-Current Assets			
Investments accounted for using the equity method	12	5,022	4,659
Other financial assets	13	2,000	750
Property, plant and equipment	14	377,679	334,684
Goodwill	15	20,710	–
Total Non-Current Assets		**405,411**	**340,093**
Total Assets		**557,885**	**467,010**
Current Liabilities			
Trade and other payables	16	41,614	23,275
Unearned revenue	17	4,023	7,708
Borrowings	18	21,762	30,260
Other financial liabilities	19	765	1,612
Provisions	20	5,961	4,216
Current tax liabilities	5(c)	7,426	10,958
Total Current Liabilities		**81,551**	**78,029**
Non-Current Liabilities			
Unearned revenue	17	2,748	5,262
Borrowings	18	136,363	104,085
Provisions	20	1,204	942
Deferred tax liabilities	5(d)	14,240	8,966
Total Non-Current Liabilities		**154,555**	**119,255**
Total Liabilities		**236,106**	**197,284**
Net Assets		**321,779**	**269,726**
Equity			
Issued capital	21	197,694	186,416
Reserves	22	(15,745)	(27,159)
Retained earnings	23	139,830	110,469
Total Equity		**321,779**	**269,726**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2012

	Issued Capital	Employee equity settled benefits reserve	Hedging reserve	Foreign currency translation reserve	Retained earnings	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2010	**112,954**	**1,676**	**–**	**(2,811)**	**85,234**	**197,053**
Profit for the year	–	–	–	–	43,150	43,150
Other comprehensive income for the year	–	–	(1,612)	(24,901)	–	(26,513)
Total comprehensive income for the year	**–**	**–**	**(1,612)**	**(24,901)**	**43,150**	**16,637**
Payment of dividends	–	–	–	–	(17,915)	(17,915)
Issue of shares under dividend reinvestment plan	7,077	–	–	–	–	7,077
Issue of shares under employee option plans	1,290	–	–	–	–	1,290
Issue of shares under share placement	35,000	–	–	–	–	35,000
Issue of shares under share purchase plan	29,237	–	–	–	–	29,237
Share issue costs	(1,147)	–	–	–	–	(1,147)
Related income tax benefit	350	–	–	–	–	350
Transfer to share capital	1,655	(1,655)	–	–	–	–
Recognition of share based payments	–	2,144	–	–	–	2,144
Balance at 30 June 2011	**186,416**	**2,165**	**(1,612)**	**(27,712)**	**110,469**	**269,726**
Profit for the year	–	–	–	–	51,036	51,036
Other comprehensive income for the year	–	–	847	7,136	–	7,983
Total comprehensive income for the year	**–**	**–**	**847**	**7,136**	**51,036**	**59,019**
Payment of dividends	–	–	–	–	(21,675)	(21,675)
Issue of shares under dividend reinvestment plan	8,660	–	–	–	–	8,660
Issue of shares under employee option plans	2,208	–	–	–	–	2,208
Related income tax benefit	–	1,718	–	–	–	1,718
Transfer to share capital	410	(410)	–	–	–	–
Recognition of share based payments	–	2,123	–	–	–	2,123
Balance at 30 June 2012	**197,694**	**5,596**	**(765)**	**(20,576)**	**139,830**	**321,779**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

for the year ended 30 June 2012

	Note	2012 $'000	2011 $'000
Cash flows from Operating Activities			
Receipts from customers		395,041	307,746
Interest received		1,650	2,489
Payments to suppliers and employees		(289,248)	(216,996)
Income tax paid		(17,719)	(2,501)
Interest and other costs of finance paid		(10,130)	(11,237)
Net cash provided by Operating Activities	24(c)	79,594	79,501
Cash flows from Investing Activities			
Payments for property, plant and equipment		(66,573)	(78,225)
Proceeds from sale of property, plant and equipment		100	63
Net cash outflow on purchase of business	31(d)	(11,950)	-
Amounts advanced to jointly controlled entity		(1,250)	-
Net cash used in Investing Activities		(79,673)	(78,162)
Cash flows from Financing Activities			
Proceeds from issue of shares		2,208	64,602
Payment for share issue costs		-	(141)
Proceeds from borrowings		129,717	800
Repayment of borrowings		(118,448)	(26,047)
Dividends paid		(13,042)	(10,838)
Net cash provided by Financing Activities		435	28,376
Net increase in cash and cash equivalents		356	29,715
Cash and cash equivalents at the beginning of the financial year		55,090	26,789
Effects of exchange rate changes on the balance of cash held in foreign currencies		(163)	(1,414)
Cash and cash equivalents at the end of the financial year		**55,283**	**55,090**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes

Notes to the Financial Statements

for the year ended 30 June 2012

1. Adoption of New and Revised Accounting Standards

1.1 Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but that have had no effect on the amounts reported are set out in section 1.2 below

Standards affecting presentation and disclosure	
Amendments to AASB 7 "Financial Instruments: Disclosure"	The amendments (part of AASB 2010-4 "Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project") clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans.
AASB 1054 "Australian Additional Disclosures" and AASB 2011-1 "Amendments to Australian Accounting Standards arising from Trans-Tasman Convergence Project".	AASB 1054 sets out the Australian specific disclosures for entities that have adopted Australian Accounting Standards. This Standard contains disclosure requirements that are in addition to IFRSs in areas such as compliance with Australian Accounting Standards, the nature of financial statements (general purpose or special purpose), audit fees, imputation (franking) credits and the reconciliation of net operating cash flow to profit (loss). AASB 2011-1 makes amendments to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to IFRSs and harmonisation between Australian and New Zealand Standards. The Standard deletes various Australian-specific guidance and disclosures from other Standards (Australian-specific disclosures retained are now contained in AASB 1054), and aligns the wording used to that adopted in IFRSs. The application of AASB 1054 and AASB 2011-1 in the current year has resulted in the simplification of disclosures in regards to audit fees, franking credits and capital and other expenditure commitments as well as an additional disclosure on whether the Group is a for-profit or not-for-profit entity.
AASB 124 " Related Party Disclosures" (revised December 2009)	AASB 124 (revised December 2009) has been revised on the following aspects: (a) AASB 124 (revised December 2009) has changed the definition of a related party (b) AASB 124 (revised December 2009) introduces partial exemption from the disclosure requirements for government-related entities and (c) AASB 124 (revised December 2009) introduces inclusion of explicit requirement to disclose commitments including related parties.

Standards and Interpretations affecting the reported results or financial position

There are no new and revised Standards and Interpretations adopted in these financial statements affecting the reporting results or financial position.

1.2 Standards and Interpretations adopted with no effect on financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

1. Adoption of New and Revised Accounting Standards (continued)

AASB 2010-5 "Amendments to Australian Accounting Standards"	The Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations. The application of AASB 2010-5 has not had any material effect on amounts reported in the Group's consolidated financial statements.
AASB 2010-6 "Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets"	The application of AASB 2010-6 makes amendments to AASB 7 "Financial Instruments – Disclosures" to introduce additional requirements for transactions involving transfer of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred and derecognised but the transferor retains some level of continuing exposure in the asset. To date the Group has not entered into any transfer arrangements of financial assets that are derecognised but with some level of continuing exposure in the asset. Therefore, the application of the amendments has not had an material effect on the disclosures made in the consolidated financial statements.

1.3 Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective:-

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 "Financial Instruments", AASB 2009-11 "Amendments to Australian Accounting Standards arising from AASB 9" and AASB 2010-7 "Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)"	1 January 2013	30 June 2014
AASB 10 "Consolidated Financial Statements"	1 January 2013	30 June 2014
AASB 11 "Joint Arrangements"	1 January 2013	30 June 2014
AASB 12 "Disclosure of Interests in Other Entities"	1 January 2013	30 June 2014
AASB 127 " Separate Financial Statements" (2011)	1 January 2013	30 June 2014
AASB 128 "Investments in Associates and Joint Ventures" (2011)	1 January 2013	30 June 2014
AASB 13 "Fair Value Measurement" and AASB 2011-8 "Amendments to Australian Accounting Standards arising from AASB 13"	1 January 2013	30 June 2014
AASB 119 "Employee Benefits" (2011) and AASB 2011-10 "Amendments to Australian Accounting Standards arising from AASB 119" (2011)	1 January 2013	30 June 2014
AASB 2010-8 "Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets"	1 January 2012	30 June 2013
AASB 2011-4 "Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements"	1 July 2013	30 June 2014
AASB 2011-7 "Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement Standards"	1 January 2013	30 June 2014
AASB 2011-9 "Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income"	1 July 2012	30 June 2013
AASB 2012-5 "Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 cycle"	1 January 2013	30 June 2014

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

1. Adoption of New and Revised Accounting Standards (continued)

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)	1 January 2014	30 June 2015
Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)	1 January 2013	30 June 2014
Mandatory Effective Date of IFRS 9 and Transition Disclosures (Amendments to IFRS 9 and IFRS 7)	1 January 2015	30 June 2016

2. Significant Accounting Policies

Statement of Compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001 (Cth), Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Company and its subsidiaries ("the Group"). For the purposes of preparing the consolidated financial statements, the Company is a for profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with the Australian Accounting Standards ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the Directors on 20 September 2012.

Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for financial instruments that are measured at fair values as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order, amounts in the Financial Report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

a. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expense of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

b. Business combinations

Acquisitions of business are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group and liabilities incurred by the Group to the former owners of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:-

(i) deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 "Income Taxes" and AASB 119 "Employee Benefits" respectively.

Goodwill is measured as the excess of the sum of the consideration transferred over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

The policy described above is applied to all business combinations that take place on or after 1 July 2009.

c. Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business (see note 2(b) above) less accumulated impairment losses, if any.

2. Significant Accounting Policies (continued)

For the purpose of impairment testing, goodwill is allocated to the Group's cash-generating unit that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent period.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

d. Interests in jointly controlled entity

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using the equity method of accounting. Under the equity method, investments are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entity, less any impairment in the value of the individual investments.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

e. Foreign currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purposes of the consolidated financial statements, the results and financial position of each group entity are expressed in Australian Dollars ($), which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the exchange rate prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (note 2(q)).
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in a foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Australian Dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised through other comprehensive income and recognised in equity.

On the disposal of the foreign operation (ie a disposal of the Group's entire interest in a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss.

f. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined progressively at contractual rates as services are delivered and direct expenses incurred.

Rental income

Rental income from operating leases is recognised in accordance with the Group's accounting policy outlined in note 2(g).

2. Significant Accounting Policies (continued)

Dividend and interest income

Dividend income from investments is recognised when the Group's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding at the effective interest rate applicable.

g. Leasing

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Group as lessor

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Refer to note 2(h).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

h. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

i. Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long-term employee benefits are measured at the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

j. Share based payments

Equity settled share based payments to employees and others providing similar services are measured at fair value of the equity instrument at grant date. Details regarding the determination of fair value of equity settled share based transactions are set out in note 27.

The fair value determined at the grant date of the equity settled share based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with corresponding adjustment to the equity settled employee benefits reserve.

2. Significant Accounting Policies (continued)

The policy described above is applied to all equity settled share based payments that were granted after 7 November 2002 and vested after 1 January 2005. No amount has been recognised in the financial statements in respect of other equity settled share based payments.

k. Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date.

Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period(s) in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for business combination.

l. Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

m. Property, plant and equipment

Leasehold buildings and improvements, plant and equipment and equipment under finance lease are stated at cost less, where applicable, accumulated depreciation and impairment losses. Construction in progress is stated at cost. Cost includes expenditure that is directly attributed to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives using straight line basis. Leasehold buildings and improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method.

2. Significant Accounting Policies (continued)

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit and loss.

The following rates are used in the calculation of depreciation:

Leasehold buildings and improvements	2.38% – 50% straight line
Vessels	4% straight line/4% diminishing value
Vessel refits	20% straight line/10% diminishing value
Plant and equipment	1% – 100% straight line

n. Impairment of tangible assets

At each reporting date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

o. Financial assets

All financial assets are initially measured at fair value.

Financial assets are classified into the following specified category; loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest rate method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. They are recorded at amortised cost less impairment.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been affected.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

2. Significant Accounting Policies (continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

p. Financial liabilities and equity instruments issued by the Group

All financial liabilities are initially measured at fair value.

Classification as debt or equity

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue cost.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at fair value through profit or loss, are subsequently measured at the higher of:

(i) The amount of the obligation under the contract, as determined under AASB 137 'Provisions, Contingent Liabilities and Contingent Assets'; and

(ii) The amount initially recognised less, where appropriate, cumulative amortisation in accordance with the revenue recognition policies described in note 2(f).

Financial liabilities

Financial liabilities are classified as other financial liabilities.

Other financial liabilities

Other financial liabilities including borrowings are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the profit and loss.

q. Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate and interest rate risk. Further details of derivative financial instruments are disclosed in note 34 to the Financial Statements.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit and loss immediately unless the derivative is designated and effective as a hedging instrument in which event, the timing of the recognition in profit and loss depends on the nature of the hedge relationship.

Hedge accounting

Hedges of foreign exchange risk on firm commitments and interest rate risk are accounted for as cash flow hedges.

At the inception of the hedge relationship the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item. Note 34 contains details of the fair values of the derivative instruments used for hedging purposes.

Cash flow Hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in the "other gains and losses" line item.

2. Significant Accounting Policies (continued)

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the consolidated statement of comprehensive income as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

r. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

s. Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

(i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

(ii) for receivables and payables which are recognised inclusive of GST.

The gross amount of GST recoverable from, and payable to, the taxation authority are included as part of receivables and payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as investing and operating cash flows respectively.

3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives of property, plant and equipment

As described in note 2(m), the Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. At the end of this reporting period, the Directors have determined that there was no adjustment required to the Group's property, plant and equipment's useful lives.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. At the end of the reporting period, the Directors have determined that there was no adjustment required to the Group's carrying amount of goodwill.

They carrying amount of goodwill at 30 June 2012 was $20.7 million (2011:Nil). No impairment was recognised during the year. Details of goodwill are set out in note 15.

4. Profit from Operations

	2012 $'000	2011 $'000
a) Revenue from continuing operations consisted of the following items:		
Rendering of services	340,745	259,455
Rental revenue	39,613	25,813
	380,358	**285,268**
b) Other gains/(losses)		
Net foreign exchange gains/(losses)	(197)	1,290
Loss on disposal of:		
Property, plant and equipment	(148)	(358)
	(345)	**932**
c) Finance costs		
Interest expense – other entities	7,979	8,788
Finance charges – lease finance charges	2,151	2,890
	10,130	**11,678**
d) Profit for the year		
Profit for the year before income tax has been arrived at after charging the following:		
(i) Depreciation		
Leasehold buildings and improvements	3,969	3,221
Vessels	18,469	12,097
Vessels – hire purchase	1,911	3,022
Plant and equipment	1,807	1,329
Plant and equipment – hire purchase	684	687
	26,840	**20,356**
(ii) Impairment losses		
Impairment loss recognised on trade receivables	92	141
Reversal of impairment losses recognised on trade receivables	(139)	(15)
(iii) Employee benefits		
Post employment benefits:		
Defined contribution plans	5,873	4,258
Share based payments:		
Equity settled share based payments	2,123	2,144
Termination benefits	-	41
Other employee benefits	141,405	109,835
	149,401	**116,278**

5. Income Taxes

	2012 $'000	2011 $'000
(a) Income tax recognised in profit or loss		
Tax expense comprises:		
Current tax expense in respect of the current year	14,088	15,661
Deferred tax expense relating to origination and reversal of temporary differences	6,471	(528)
Adjustment recognised in the current year in relation to the current tax of prior years	7	(123)
Total tax expense	**20,566**	**15,010**

The income tax expense for the year can be reconciled to accounting profit as follows:

	2012 $'000	2011 $'000
Profit from operations	**71,602**	**58,160**
Income tax expense calculated at 30%	21,480	17,448
Effect of revenue that is exempt from taxation	(624)	(2,922)
Effect of expenses that are not deductible in determining taxable profit	456	644
Effect of tax deductible items not included in accounting profit	(564)	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	(189)	(37)
	20,559	15,133
Adjustment recognised in the current year in relation to the current tax of prior years	7	(123)
	20,566	**15,010**

During the financial year, the Group was subject to taxes in Australia, Singapore, Brunei and Mexico. The tax rate used in the above reconciliation for operations in Australia on taxable profits under Australian tax law is the corporate tax rate of 30%. The tax rates payable under other jurisdictions are:

- Singapore 17%
- Brunei 20%
- Mexico 30%

	2012 $'000	2011 $'000
b) Income tax recognised directly in equity		
Current tax		
Share issue costs	–	(350)
Employee share trust	(1,718)	–
	(1,718)	**(350)**
c) Current tax liabilities		
Income tax payable	(7,426)	(10,958)
	(7,426)	**(10,958)**
d) Deferred tax balances		
Deferred tax assets	7,199	7,032
Deferred tax liabilities	(21,439)	(15,998)
	(14,240)	**(8,966)**

5. Income Taxes (continued)

Deferred tax assets/(liabilities) arise from the following:

	Opening balance	Recognised in profit or loss	Recognised in equity/other comprehensive income	Acquisitions	Closing balance
	$'000	$'000	$'000	$'000	$'000
2012					
Gross deferred tax liabilities:					
Property, plant and equipment	(15,348)	(4,063)	–	(520)	(19,931)
Inventory	(560)	169	–	–	(391)
Receivables	(53)	(896)	–	–	(949)
Other	(37)	(130)	–	–	(168)
	(15,998)	(4,920)	–	(520)	(21,439)
Gross deferred tax assets:					
Provisions	1,663	569	–	–	2,232
Share issue costs	384	(166)	–	–	218
Employee share trust	–	921	1,718	–	2,639
Unearned revenue	3,891	(1,995)	–	–	1,896
Unused tax losses	978	(978)	–	–	–
Other	116	98	–	–	214
	7,032	(1,551)	1,718	–	7,199
	(8,966)	**(6,471)**	**1,718**	**(520)**	**(14,240)**
2011					
Gross deferred tax liabilities:					
Property, plant and equipment	(12,600)	(2,748)	–	–	(15,348)
Inventory	(579)	19	–	–	(560)
Receivables	(45)	(8)	–	–	(53)
Other	(44)	7	–	–	(37)
	(13,268)	(2,730)	–	–	(15,998)
Gross deferred tax assets:				–	
Provisions	941	722	–	–	1,663
Share issue costs	220	(186)	350	–	384
Unearned revenue	–	3,891	–	–	3,891
Unused tax losses	2,176	(1,198)	–	–	978
Other	87	29	–	–	116
	3,424	3,258	350	–	7,032
	(9,844)	**528**	**350**	**–**	**(8,966)**

5. Income Taxes (continued)

Tax consolidation

Relevance of tax consolidation to the Group

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Mermaid Marine Australia Ltd. The members of the tax-consolidated group are identified at note 32.

Nature of tax funding arrangements and tax sharing agreements

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, Mermaid Marine Australia Ltd and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group.

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if any entity should leave the tax consolidated group. The effect of the tax sharing agreement is that each member's liability for tax payable by the tax consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

6. Segment Information

6.1 Products and services from which reportable segments derive their revenues

Information reported to the chief operating decision maker (The Board of Directors) for the purposes of resource allocation and assessment of segment performance focuses on the types of services provided. The Group's reportable segments under AASB 8 are therefore as follows:

- Vessels
- Supply Base
- Slipway

Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the Group's accounting policies.

6.2 Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment.

	Revenue from external customers		Inter-segment Revenue		Total Segment Revenue	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Segment Revenues						
Vessels	275,483	211,528	1	139	275,484	211,667
Supply Base	89,743	58,386	2,824	3,045	92,567	61,431
Slipway	15,132	15,354	9,692	8,415	24,824	23,769
Total	380,358	285,268	12,517	11,599	392,875	296,867
Eliminations					(12,517)	(11,599)
Total consolidated revenue					**380,358**	**285,268**

Inter-segment services are provided for amounts equal to competitive market prices charged to external customers for similar services.

6. Segment Information (continued)

	2012 $'000	2011 $'000
Segment Profit		
Vessels	52,518	42,689
Supply Base	36,729	30,427
Slipway	2,061	2,901
Eliminations	458	132
Total for continuing operations	91,766	76,149
Investment Revenue	1,962	2,567
Other gains/(losses)	(345)	932
Central administration costs	(12,013)	(9,751)
Share of profit/(losses) of jointly controlled entity	362	(59)
Unallocated finance costs	(10,130)	(11,678)
Profit before income tax	**71,602**	**58,160**

Segment profit represents the profit earned by each segment without allocation of investment revenue, other gains and losses, central administration costs, share of profits of jointly controlled entity, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

The comparatives have been adjusted to reflect finance costs and investment revenue no longer being allocated to the operating segments from this reporting period. This is the revised measure reported to the chief operating decision maker from 1 July 2011. The change in method is a result of drawing down the new group debt facility and reflects this being an overall group facility in contrast to the previous asset specific debt facilities.

6.3 Segment Assets

The following is an analysis of the Group's assets by reportable operating segment:

	2012 $'000	2011 $'000
Vessels	313,995	277,247
Supply Base	163,295	111,199
Slipway	13,723	13,890
Unallocated	66,872	64,674
Total	**557,885**	**467,010**

For the purposes of monitoring segment performance and allocating resources between segments, all assets are allocated to reportable segments other than investments in associates, tax assets and central administration assets.

6. Segment Information (continued)

6.4 Other segment information

	Depreciation and amortisation		Additions to non-current assets		Carrying value of equity accounted investments	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Vessels	20,519	15,275	49,850	57,673	–	–
Supply Base	4,970	4,215	32,662	9,713	–	–
Slipway	607	549	607	1,799	–	–
Unallocated	744	317	970	2,596	5,022	4,659
Total	**26,840**	**20,356**	**84,089**	**71,781**	**5,022**	**4,659**

6.5 Revenue from major services

The following is an analysis of the Group's revenue from its major services

	2012 $'000	2011 $'000
Vessel services	273,994	210,659
Property and equipment rental	39,613	25,813
Supply Base services	50,035	32,508
Slipway services	15,131	15,354
Others	1,585	934
Total	**380,358**	**285,268**

6.6 Geographical information

The Group is based in two principal geographical areas – Australia (country of domicile) and Singapore.

During the year the Group operated vessels in a number of countries outside of Australia. The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets* by location of assets are detailed in the following table.

	Revenue from external customers		Non-current assets*	
	2012 $ '000	2011 $ '000	2012 $ '000	2011 $ '000
Australia	367,350	260,464	349,579	288,363
Other	13,008	24,804	48,810	46,321
Total	**380,358**	**285,268**	**398,389**	**334,684**

* Non-current assets excluding investments accounted for using the equity method and other financial assets.

6.7 Information about major customers

Included in revenues arising from vessel and supply base services are revenues of approximately $142.2 million (2011: $57.3 million) which arose from sales to the Group's largest customer, revenues of approximately $61.6 million (2011: $47.0 million) which arose from sales to the Group's second largest customer and revenues of approximately $45.5 million (2011: $27.0 million) which arose from sales to the Group's third largest customer.

7. Earnings Per Share

	2012 Cents per Share	2011 Cents per Share
Basic earnings per share	23.44	21.09
Diluted earnings per share	22.93	20.72

Basic Earnings Per Share:

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2012 $'000	2011 $'000
Net Profit	51,036	43,150

	2012 No.'000	2011 No.'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	217,717	204,614

Diluted Earnings Per Share:

The earnings and weighted average number of ordinary and potential ordinary shares used in the calculation of diluted earnings per share are as follows:

	2012 $'000	2011 $'000
Net Profit	51,036	43,150

	2012 No.'000	2011 No.'000
Weighted average number of ordinary shares used in the calculation of basic earnings per share	217,717	204,614
Shares deemed to be issued for no consideration in respect of:		
Employee options and rights	4,859	3,682
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	222,576	208,296

The following potential ordinary shares are non-dilutive and are therefore excluded from the weighted average number of ordinary shares used in the calculation of diluted earnings per share.

	2012 No.'000	2011 No.'000
Employee options	–	4,600

8. Dividends Provided for or Paid

	2012 $'000	2011 $'000
Adjusted franking account balance	22,913	18,585
Impact on franking account balance of dividends not recognised	(5,643)	(4,629)

	2012		2011	
	Cents Per Share	Total $'000	Cents Per Share	Total $'000
Recognised Amounts				
Fully paid ordinary shares				
Interim dividend:				
Fully franked at a 30% tax rate	5	10,901	4	8,551
Final dividend:				
Fully franked at a 30% tax rate	5	10,774	5	9,364
Unrecognised Amounts				
Fully paid ordinary shares				
Final dividend:				
Fully franked at a 30% tax rate	6	13,167	5	10,801

On 23 August 2012, the Directors declared a fully franked final dividend of six cents per share in respect of the financial year ended 30 June 2012 to the holders of fully paid ordinary shares, to be paid on 28 September 2012. The dividend will be paid to all shareholders on the register of members on 7 September 2012. This dividend has not been included as a liability in these financial statements.

9. Trade and Other Receivables

	2012 $'000	2011 $'000
Trade receivables	79,827	61,943
Allowance for doubtful debts	(106)	(171)
Other receivables	2,270	1,507
Goods and services tax recoverable	1,450	1,117
	83,441	**64,396**

The average credit period on rendering of services is 30 days. An allowance has been made for estimated irrecoverable trade receivable amounts arising from the past rendering of services, determined by reference to past default experience. The Group has provided for certain receivables over 150 days because historical experience is such that receivables that are past due beyond 150 days are generally not recoverable. Trade receivables between 120 days and 150 days are provided for based on estimated irrecoverable amount from the rendering of services, determined by reference to past default experience.

Of the trade receivables balance at the end of the year, $33.8 million (30 June 2011: $19.0 million) is outstanding from the Group's largest debtor and $12.8 million (30 June 2011: $8.9 million) from the Group's second largest debtor.

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period but against which the Group has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

9. Trade and Other Receivables (continued)

	2012 $'000	2011 $'000
Ageing of past due but not impaired		
31-60 days	24,103	11,139
61-90 days	4,409	4,666
91-120 days	1,789	2,452
121-150 days	3,278	4,962
Over 150 days	3	12
Total	**33,582**	**23,231**

Movement in the allowance for doubtful debts		
Balance at the beginning of the year	171	47
Impairment losses recognised on receivables	92	141
Amounts written off as uncollectible	(18)	(2)
Amounts recovered during the year	(139)	(15)
Balance at the end of the year	**106**	**171**

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

10. Inventories

	2012 $'000	2011 $'000
Fuel – at cost	1,426	1,867
Work in progress	129	286
	1,555	**2,153**

11. Other Current Assets

Prepayments	**12,195**	**5,278**

12. Investments Accounted For Using The Equity Method

Name of Entity	Principal Activity	Country of Incorporation	Ownership Interest 2012 %	Ownership Interest 2011 %	Consolidated Carrying Amount 2012 $'000	Consolidated Carrying Amount 2011 $'000
Associates						
Toll Mermaid Logistics Broome Pty Ltd	Supply base services in Broome for the offshore oil and gas industry.	Australia	50	50	5,022	4,659
Total					**5,022**	**4,659**

(i) The reporting date of Toll Mermaid Logistics Broome Pty Ltd (TMLB) is 30 June. The Company acquired a 50% ownership interest in TMLB in October 2006. Pursuant to a shareholder agreement the Company has the right to cast 50% of the votes at TMLB shareholder meetings.

Summarised financial information in respect of the Group's jointly controlled entity is set out below:

	2012 $'000	2011 $'000
Financial position:		
Total assets	15,082	11,179
Total liabilities	(5,039)	(1,861)
Net assets	10,043	9,318
Group's share of jointly controlled entity net assets	5,022	4,659
Financial performance:		
Total revenue	12,925	9,479
Total profit/(loss) before tax for the year	1,034	(148)
Group's share of jointly controlled entity profit/(loss) before tax	517	(74)
Group's share of jointly controlled entity income tax benefit/(expense)	(155)	15
Group's share of jointly controlled entity profit/(loss)	**362**	**(59)**

Contingent Liabilities and Capital Commitments

The Company's share of the contingent liabilities, capital commitments and other expenditure commitments of the jointly controlled entity is nil (2011: nil).

13. Other Financial Assets Non-Current

	2012 $'000	2011 $'000
Loans and receivables		
Loans to jointly controlled entity	**2,000**	**750**

The Group has provided a jointly controlled entity with a loan at rates comparable to the average commercial rate of interest.

14. Property, Plant and Equipment

	Leasehold Buildings and improvements at cost	Vessels at cost	Vessels – hire purchase at cost	Plant and Equipment at cost	Plant and Equipment – hire purchase at cost	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000
Gross carrying amount:						
Balance at 1 July 2010	100,586	168,242	61,659	11,887	7,548	349,922
Additions	6,876	57,653	–	5,708	1,544	71,781
Disposals	(12)	(30)	–	(2,132)	(82)	(2,256)
Transfers	–	(602)	602	–	–	–
Net currency exchange differences	–	(21,406)	–	(32)	–	(21,438)
Balance at 1 July 2011	107,450	203,857	62,261	15,431	9,010	398,009
Additions	7,284	49,815	157	1,675	488	59,419
Acquisitions through Business Combinations	3,611	–	–	349	–	3,960
Disposals	–	(130)	–	(260)	(110)	(500)
Transfers	–	36,132	(36,129)	(3)	–	–
Net currency exchange differences	–	7,202	–	3	–	7,205
Balance at 30 June 2012	**118,345**	**296,876**	**26,289**	**17,195**	**9,388**	**468,093**
Accumulated depreciation:						
Balance at 1 July 2010	(10,691)	(21,525)	(8,767)	(4,440)	(856)	(46,279)
Disposals	13	30	–	1,783	9	1,835
Transfers	–	502	(502)	–	–	–
Depreciation expense	(3,221)	(12,097)	(3,022)	(1,329)	(687)	(20,356)
Depreciation capitalised in assets	–	–	–	(5)	–	(5)
Net currency exchange differences	–	1,472	–	8	–	1,480
Balance at 1 July 2011	(13,899)	(31,618)	(12,291)	(3,983)	(1,534)	(63,325)
Disposals	–	–	–	196	56	252
Transfers	–	(9,280)	9,279	1	–	–
Depreciation expense	(3,969)	(18,469)	(1,911)	(1,807)	(684)	(26,840)
Depreciation capitalised in assets	–	–	–	–	(4)	(4)
Net currency exchange differences	–	(495)	–	(2)	–	(497)
Balance at 30 June 2012	**(17,868)**	**(59,862)**	**(4,923)**	**(5,595)**	**(2,166)**	**(90,414)**
Net book value:						
As at 30 June 2011	93,551	172,239	49,970	11,448	7,476	334,684
As at 30 June 2012	**100,477**	**237,014**	**21,366**	**11,600**	**7,222**	**377,679**

Assets Pledged as Security

In accordance with the security arrangements of liabilities, as disclosed in note 18 to the financial statements, all non-current assets of the Group have been pledged as security, except deferred tax assets.

15. Goodwill

	2012 $'000	2011 $'000
Cost (note 31(c))	20,710	–
Accumulated impairment losses	–	–
	20,710	**–**

Cost		
Balance at beginning of year	–	–
Amount recognised from business combination occurring during the year	20,710	–
Balance at end of year	**20,710**	–

Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to the Supply Base cash-generating unit.

The recoverable amount of this cash-generating unit is determined based on a value in use calculation, which uses cash flow projections based on financial budgets approved by the Directors covering a five year period, and a discount rate of 12% per annum.

Cash flow projections during the budget period are based on management's best estimates of cash flows and known contractual arrangements. The cash flows beyond that five year period have been extrapolated using a 0% per annum growth rate. The Directors believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

16. Trade and Other Payables

The average credit period on purchases of all goods is 30 days. The Group monitors payments to ensure that all payables are paid within the credit time frame.

	2012 $'000	2011 $'000
Trade payables	10,204	6,071
Other payables and accruals	28,523	15,368
Goods and services tax payable	2,887	1,836
	41,614	**23,275**

17. Unearned Revenue

Current	4,023	7,708
Non-current	2,748	5,262
	6,771	**12,970**

Unearned revenue represents revenue received in advance to be recognised over the life of the service contract.

18. Borrowings

Secured – at amortised cost

Current	**2012 $'000**	**2011 $'000**
Hire purchase liability (i)	6,392	12,014
Bank loans (ii)	15,370	18,246
	21,762	**30,260**
Non-Current		
Hire purchase liability (i)	12,350	18,313
Bank loans (ii)	124,013	85,772
	136,363	**104,085**

Summary of borrowing arrangements:

(i) Secured by hire purchase assets, the borrowings are a mix of variable and fixed interest rate debt with repayment periods not exceeding 5 years. The current weighted average effective interest rate on the hire purchase liabilities is 7.45% (2011: 7.83%) – refer note 34.

(ii) Prior to August 2011, the bank loans were secured by mortgage debentures over the assets and undertakings of certain controlled entities, registered ships mortgages over the vessels owned by certain controlled entities and a registered mortgage by way of sub-demise of the Dampier Supply Base lease. The borrowings were variable interest rate debt with repayment periods not exceeding 9 years. Please refer below for details of the new debt facility put in place in August 2011. The current weighted average effective interest rate on the bank loans is 6.24% (2011: 7.72%) – refer note 34.

New Debt Facility

In August 2011, the Group restructured the bank loans whereby a number of individual loans with varying maturity dates were consolidated into a single loan facility for a term of 5 years. The single loan facility is under a club structure whereby the assets are mortgaged by a security trustee who holds these mortgages on trust for various creditor beneficiaries (currently The NAB and ANZ). The new loan facility continues to be fully secured by fixed and floating charges given by certain controlled entities within the Group, registered ship mortgages over a number of vessels owned by certain controlled entities, real property mortgages, and a mortgage by way of sub-demise over the Dampier Supply Base lease. The current weighted average effective interest rate on the bank loans is 6.24% (2011: 7.72%) – refer note 34.

19. Other Financial Liabilities

	2012 $'000	**2011 $'000**
Derivatives		
Foreign currency forward contracts	73	1,612
Interest rate swaps	692	–
	765	**1,612**

20. Provisions

Current		
Employee benefits – annual leave	**5,961**	**4,216**
Non-current		
Employee benefits – long service leave	**1,204**	**942**

The current provision represents annual leave entitlements accrued and the non-current provision represents vested long service leave entitlements accrued.

21. Issued Capital

	2012 $'000	2011 $'000
219,453,350 fully paid ordinary shares (2011: 215,376,756)	**197,694**	**186,416**

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

	2012 No.'000	2012 $'000	2011 No.'000	2011 $'000
Fully Paid Ordinary Shares				
Balance at beginning of financial year	215,377	186,416	186,844	112,954
Issue of shares under share option incentive plan (note 27)	1,217	2,208	1,416	1,290
Issue of shares under share purchase plan	–	–	11,202	29,237
Issue of shares under dividend reinvestment plan	2,859	8,660	2,505	7,077
Issue of shares under share placement	–	–	13,410	35,000
Share issue costs	–	–	–	(1,147)
Related income tax	–	–	–	350
Transfer from employee equity settled benefits reserve	–	410	–	1,655
Balance at end of financial year	**219,453**	**197,694**	**215,377**	**186,416**

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Share Options & Rights

As at 30 June 2012, executives and employees held options and rights over 11,622,754 ordinary shares (2011: 11,947,274) in aggregate. Please refer to note 27.5 for details of these options and rights.

Share options and rights granted under the employee share option and rights plans carry no right to dividends and no voting rights.

22. Reserves

	2012 $'000	2011 $'000
Employee equity settled benefits	5,596	2,165
Hedging	(765)	(1,612)
Foreign currency translation	(20,576)	(27,712)
Balance at end of financial year	**(15,745)**	**(27,159)**
Employee equity settled benefits reserve		
Balance at beginning of financial year	2,165	1,676
Share based payment	2,123	2,144
Transfer to share capital	(410)	(1,655)
Deferred income tax benefit	1,718	–
Balance at end of financial year	**5,596**	**2,165**

22. Reserves (continued)

The employee equity settled benefits reserve arises on the grant of share options and rights to executives and employees under the Company's share options and rights plans. Amounts are transferred out of the reserve and into issued capital when the options and rights vest.

	2012 $'000	2011 $'000
Hedging reserve		
Balance at beginning of financial year	(1,612)	–
Loss on cashflow hedges	(921)	(2,760)
Transfer of cashflow hedge loss to initial carrying amount of fixed asset	1,768	1,148
Balance at end of financial year	**(765)**	**(1,612)**

The hedging reserve represents hedging gains or losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts the profit or loss, or is included as an adjustment to the initial carrying amount of the hedged fixed asset, consistent with the applicable accounting policy.

	2012 $'000	2011 $'000
Foreign currency translation reserve		
Balance at beginning of financial year	(27,712)	(2,811)
Translation of foreign operations	7,136	(24,901)
Balance at end of financial year	**(20,576)**	**(27,712)**

Exchange differences relating to the translation from the functional currencies of the Group's foreign controlled entities into Australian Dollars are brought to account by entries made directly to the foreign currency translation reserve.

23. Retained Earnings

	2012 $'000	2011 $'000
Balance at beginning of financial year	110,469	85,234
Net profit attributable to members of the parent entity	51,036	43,150
Dividend provided for or paid	(21,675)	(17,915)
Balance at end of financial year	**139,830**	**110,469**

24. Notes to the Statement of Cashflow

(a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding back overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the balance sheet as follows:

	2012 $'000	2011 $'000
Cash and cash equivalents	**55,283**	**55,090**

(b) Non cash financing and investing activities

During the financial year, the Group acquired property, plant and equipment with an aggregate value of $0.5 million (2011: $1.4 million), which was financed by bank finance and hire purchase agreements. These acquisitions will be reflected in the cash flow statement as repayment of borrowings over the term of the facilities.

The purchase of the Bis Industries Ltd Dampier Supply Base for $24.0 million was funded through payment of the Company's cash reserves of $12.0 million and the drawdown of $12.0 million of new debt paid by the bank direct to the vendor.

In addition, the Company issued shares to the value of $8.7 million (2011: $7.1 million) under the Dividend Reinvestment Plan.

24. Notes to the Statement of Cashflow (continued)

(c) Reconciliation of profit for the year to net cash flows from operating activities

	2012 $'000	2011 $'000
Profit for the year	51,036	43,150
Depreciation of non-current assets	26,840	20,356
Loss on sale of property, plant and equipment	148	358
Allowance for doubtful debts	74	139
Bad debts	18	2
Reversal of impairment losses on trade receivables	(139)	(15)
Equity settled share based payment	2,123	2,144
Share of jointly controlled entity (profit)/loss	(362)	59
Change in net assets and liabilities:		
Current trade and other receivables	(17,832)	(21,942)
Prepayments	(628)	(299)
Inventories	598	39
Provisions	1,964	2,287
Trade and other payables	18,468	7,917
Unearned revenue	(6,199)	12,970
Increase/(decrease) in deferred tax liabilities	7,395	(878)
Increase/(decrease) in current tax liability	(3,910)	13,214
Net cash flows from operating activities	**79,594**	**79,501**

(d) Financing facilities

	2012 $'000	2011 $'000
Secured loan facilities with various maturity dates through to 2017 and which may be extended by mutual agreement:		
– Amount used	139,383	104,018
– Amount unused	14,917	1,606
	154,300	**105,624**
Secured bank overdraft:		
– Amount used	–	–
– Amount unused	4,000	4,000
	4,000	**4,000**

25. Commitments for Expenditure

(a) Lease Commitments

Hire purchase liabilities and non-cancellable operating lease commitments are disclosed in note 26 to the financial statements.

	2012 $'000	2011 $'000
(b) Capital expenditure commitments		
Plant and Equipment	666	–
Leasehold Improvements	367	579
Vessels	30,772	31,562
	31,805	**32,141**

26. Leases

(a) Hire Purchase Contracts (accounted for as finance leases)

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Not later than 1 year	7,406	14,178	6,392	12,014
Later than 1 year and not later than 5 years	13,393	20,237	12,350	18,233
Later than 5 years	–	81	–	80
Minimum future payments	20,799	34,496	18,742	30,327
Less future finance charges	(2,057)	(4,169)	–	–
Present value of minimum lease payments	**18,742**	**30,327**	**18,742**	**30,327**
Included in the financial statements as:				
Borrowings – current (note 18)			6,392	12,014
Borrowings – non-current (note 18)			12,350	18,313
			18,742	**30,327**

Finance leases relate to vessels and equipment with lease terms of up to 5 years. The Group has options to purchase the equipment for a nominated amount at the conclusion of the lease agreements.

(b) Operating leases

	2012 $'000	2011 $'000
Payments recognised as an expense		
Minimum lease payment	44,535	19,794
Non-cancellable operating leases committed		
Not later than 1 year	39,323	16,004
Later than 1 year and not later than 5 years	20,256	10,030
Later than 5 years	5,901	3,961
Aggregate lease expenditure contracted for at balance date	**65,480**	**29,995**
Aggregate operating lease commitments comprise:		
Office rental commitments (i)	3,832	3,557
Supply Base rental commitments (ii)	16,313	8,774
Vessel charter fee commitments (iii)	42,948	14,865
Other (iv)	2,387	2,799
	65,480	**29,995**

(i) Office rental commitments:

The Company entered into a lease for new office premises at 1 Mews Road, Fremantle commencing on 5 August 2010. The Company is committed under a 5 year arrangement, with a 5 year option term commencing 5 August 2015. The current rental amount of $875,245 per annum is subject to an annual 3.5% increase for the first four years of the lease and a market review on the fifth anniversary of the lease.

(ii) Supply Base rental commitments:

Supply Base rental commitments represents the lease of the Dampier Supply Base for a term of 21 years commencing 1 January 1999 with an option to renew the lease for a further period of 21 years. The rental commitment increased during the year following a market rent review in accordance with the terms of the lease agreement.

26. Leases (continued)

The approved use of the site is for the purpose of conducting a multi-purpose marine service facility and supply base including but not limited to open and covered laydown and storage, warehousing, production and storage of drilling mud and other drilling supplies, operating and maintaining vessels and floating plant together with associated docking, maintenance and engineering works. Any other uses require the prior written consent of the Lessor.

Restrictions apply to the assignment or subletting of the site (or any part) without prior consent of the Lessor, although that consent cannot unreasonably be withheld (subject to "usual" prudential requirements common to leases in Western Australia).

The Company also purchased the Bis Industries Ltd Dampier Supply Base lease during the financial year.

(iii) Vessel charter commitments

As of 30 June 2012, the Company had 6 vessels under bare boat agreements. Vessel charter commitments represent charter fee payments to be made to the owners of these vessels. These leases are all on commercial terms for periods between 1 and 3 years.

(iv) Other lease commitments

The Group has leases over a number of commercial and residential properties and various items of machinery and equipment. These leases are all on commercial terms for periods between 1 and 5 years.

(c) The Group as lessor

The Group has entered into sub lease agreements and equipment rental agreements at the Dampier Supply Base for periods between 1.5 years to 5 years with options to extend.

	2012 $'000	2011 $'000
Non-cancellable operating lease receivables		
Not later than 1 year	26,181	28,144
Later than 1 year and not later than 5 years	17,216	43,397
Later than 5 years	–	–
	43,397	**71,541**

27. Share Based Payments

27.1 Share option and rights incentive plans

The Group has established ownership based compensation plans whereby executives and employees of the Group have been issued with options and rights over ordinary shares of Mermaid Marine Australia Ltd.

Upon exercise, each share option or right, converts into one ordinary share of Mermaid Marine Australia Ltd. No amounts are paid or are payable by the recipient on receipt of the options or rights. The options or rights carry no rights to dividends and no voting rights. Holders of options or rights do not have the right, by virtue of the option or right, to participate in any share issue of the Company. The options and rights may be exercised at any time from their vesting date to the date of their expiry.

The options or rights are not quoted on the ASX.

The following share based payment arrangements were in existence during the current and comparative reporting periods:

Series	Number issued	Grant Date	Expiry Date	Exercise price	Fair Value at grant date
				$	$
(1) Issued 19 May 2006 (a)	2,115,000	19 May 2006	19 May 2011	0.48	0.21
(2) Issued 25 August 2006 (a)	205,000	25 Aug 2006	25 Aug 2011	0.62	0.28
(3) Issued 22 November 2007 (b)	970,040	22 Nov 2007	11 Oct 2012	1.83	0.39
(4) Issued 23 October 2007 (c)	2,576,788	23 Oct 2007	11 Oct 2012	1.83	0.45
(5) Issued 24 January 2008 (c)	487,714	24 Jan 2008	24 Jan 2013	1.83	0.45
(6) Issued 23 September 2008 (d)	1,385,432	23 Sep 2008	23 Sep 2013	1.60	0.26
(7) Issued 27 November 2008 (e)	1,277,584	27 Nov 2008	23 Sep 2013	1.60	0.08
(8) Issued 22 September 2009 (f)	475,705	22 Sep 2009	18 Sep 2014	0.00	1.43
(9) Issued 22 September 2009 (g)	3,112,047	22 Sep 2009	18 Sep 2014	3.05	0.46
(10) Issued 1 December 2009 (h)	1,488,356	1 Dec 2009	18 Sep 2014	3.05	0.47
(11) Issued 20 October 2010 (i)	780,082	20 Oct 2010	1 Jul 2013	0.00	1.62
(12) Issued 25 November 2010 (i)	266,351	25 Nov 2010	1 Jul 2013	0.00	1.62
(13) Issued 18 October 2011 (j)	848,863	18 Oct 2011	1 Jul 2014	0.00	2.06
(14) Issued 18 October 2011 (j)	324,650	18 Oct 2011	1 Jul 2014	0.00	1.89
(15) Issued 24 November 2011 (j)	331,142	24 Nov 2011	1 Jul 2014	0.00	1.69

(a) The options issued on 19 May 2006 and 25 August 2006 vested 24 months after their issue date. The options issued on the 19 May 2006 may be exercised following their vesting date if the price of the Mermaid Marine Australia Ltd shares traded on the ASX is equal to or greater than 70 cents for a period of at least five consecutive trading days following the grant date and prior to the expiry date of the options. The options issued on 25 August 2006 may be exercised following their vesting date if the price of the Mermaid Marine Australia Ltd shares traded on the ASX is equal to or greater than 80 cents for a period of at least five consecutive trading days following the grant date and prior to the expiry date of the options. At year end all options issued on 19 May 2006 and 25 August 2006 have been exercised.

(b) In accordance with the terms of the Managing Director's Share Option Plan – October 2007, 970,040 share options vested on 11 October 2010 subject to the performance hurdle that the Company's Total Shareholder Return must exceed the performance of the ASX Small Ordinaries index over a minimum period of three years commencing on 11 October 2007 and ending on 11 October 2010 and a maximum period of five years commencing on 11 October 2007 and ending on 11 October 2012. These options were all exercised on 4 September 2012.

(c) 15% of the options issued on 23 October 2007 and 24 January 2008 vested 36 months after their issue date. The remaining 85% may be exercised subject to the performance hurdle that the Company's Total Shareholder Return must exceed the performance of the ASX Small Ordinaries index over a minimum period of three years from issue date and a maximum period of five years from issue date.

(d) In accordance with the terms of the Senior Executive Share Option Plans, 1,385,432 share options vested on 23 September 2011 subject to the performance hurdle that the Company's Total Shareholder Return must exceed the performance of the ASX Small Ordinaries index over a minimum period of three years commencing on 23 September 2008 and ending on 23 September 2011 and a maximum period of five years commencing on 23 September 2008 and ending on 23 September 2013.

27. Share Based Payments (continued)

(e) In accordance with the terms of the Managing Director's Share Option Plan – 2008, 1,277,584 share options vested on 23 September 2011 subject to the performance hurdle that the Company's Total Shareholder Return must exceed the performance of the ASX Small Ordinaries index over a minimum period of three years commencing on 23 September 2008 and ending on 23 September 2011 and a maximum period of five years commencing on 23 September 2008 and ending on 23 September 2013.

(f) In accordance with the terms of the Mermaid Marine Share Option Plan (amended September 2009), the share options issued to employees vest on 18 September 2012 subject to the performance hurdle that the Company's Total Shareholder Return must exceed the performance of the ASX Small Ordinaries index over a minimum period of three years commencing on 18 September 2009 and ending on 18 September 2012 and a maximum period of five years commencing on 18 September 2009 and ending on 18 September 2014.

(g) In accordance with the terms of the Senior Executive Share Option Plans (amended September 2009), 3,112,047 share options vest on 18 September 2012 subject to the performance hurdle that the Company's Total Shareholder Return must exceed the performance of the ASX Small Ordinaries index over a minimum period of three years commencing on 18 September 2009 and ending on 18 September 2012 and a maximum period of five years commencing on 18 September 2009 and ending on 18 September 2014.

(h) In accordance with the terms of the Managing Director's Share Option Plan – 2009, 1,488,356 share options vest on 18 September 2012 subject to the performance hurdle that the Company's Total Shareholder Return must exceed the performance of the ASX Small Ordinaries index over a minimum period of three years commencing on 18 September 2009 and ending on 18 September 2012 and a maximum period of five years commencing on 18 September 2009 and ending on 18 September 2014.

(i) In accordance with the terms of the Mermaid Marine Australia Ltd Performance Rights Plan – 2010 and the Mermaid Marine Australia Ltd Managing Director's Performance Rights Plan – 2010 (as approved by the shareholders at the Company's AGM on 25 November 2010), the number of performance rights which vest following the end of the Performance Period will depend on the growth in the earnings per share of the Company and the total shareholder return relative to a selected peer group of companies in accordance with the table below.

Performance Criteria	Performance Period	Percentage of LTI subject to performance criteria	Performance criteria targets	Percentage of Performance Rights which vest if target met
Normalised Earnings Per Share (EPS) growth	Beginning 1 July 2010 and ending 30 June 2013	20%	Below 6%	0%
			Between 6% and 10%	50% to 100% (on a straight line basis)
			Above 10%	100%
Company's Total Shareholder Return (TSR) percentile ranking over the Performance Period relative to a selected Peer Group	Beginning 1 July 2010 and ending 30 June 2013	80%	Below the 50th percentile	0%
			Between the 50th percentile and the 75th percentile	50% to 100% (on a straight line basis)
			Above the 75th percentile	100%

27. Share Based Payments (continued)

(j) In accordance with the terms of the Mermaid Marine Australia Ltd Performance Rights Plan – 2011 and the Mermaid Marine Australia Ltd Managing Director's Performance Rights Plan – 2011 (as approved by the shareholders at the Company's AGM on 24 November 2011), the number of performance rights which vest to the Managing Director, Chief Operating Officer and Chief Financial Officer following the end of the Performance Period will depend on the growth in the earnings per share of the Company and the total shareholder return relative to a selected peer group of companies in accordance with the table below:

Performance Criteria	Performance Period	Percentage of LTI subject to performance criteria	Performance criteria targets	Percentage of Performance Rights which vest if target met
Normalised Earnings per Share (EPS) growth	Beginning 1 July 2011 and ending 30 June 2014	25%	Less than 6%	Nil
			Equal to 6%	50%
			Between 6% and 12.5%	50% to 100% (pro-rata)
			Equal to 12.5%	100%
Company's Total Shareholder Return (TSR) percentile ranking over the Performance Period relative to a selected Peer Group	Beginning 1 July 2011 and ending 30 June 2014	75%	Below the 50th percentile	Nil
			At the 50th percentile	50%
			Between the 50th percentile and the 90th percentile	50% to 100% (pro-rata)
			At the 90th percentile	100%

The table below sets out the relevant Performance Criteria for the performance rights granted to other senior management (ie. excluding the Managing Director, Chief Operating Officer and Chief Financial Officer) during the financial year:

Performance Criteria	Performance Period	Percentage of LTI subject to performance criteria	Performance criteria targets	Percentage of Performance Rights which vest if target met
Normalised Earnings per Share (EPS) growth	Beginning 1 July 2011 and ending 30 June 2014	25%	Below 6%	0%
			Between 6% and 10%	50% to 100% (on a straight line basis)
			Above 10%	100%
Company's Total Shareholder Return (TSR) percentile ranking over the Performance Period relative to a selected Peer Group	Beginning 1 July 2011 and ending 30 June 2014	75%	Below the 50th percentile	0%
			Between the 50th percentile and the 75th percentile	50% to 100% (on a straight line basis)
			Above the 75th percentile	100%

Employee Share Trust

During the year, the Mermaid Marine Employee Share Trust was established. The trust was established to administer the operations of the Group's employee equity incentive plans. There has been no change in the terms and conditions associated with any of the options or rights issued under the existing plans.

27. Share Based Payments (continued)

27.2 Fair value of share rights granted in the year

The weighted average fair value of the rights granted during the year was $1.94 (2011: $1.62). The rights were priced using a binomial option pricing model. Where relevant, the fair value of the rights has been adjusted for any market related vesting conditions.

	2012			2011	
Inputs into the model	**Series (13)**	**Series (14)**	**Series (15)**	**Series (11)**	**Series (12)**
Grant date share price	$3.13	$3.13	$2.96	$2.73	$2.77
Exercise price	$0.00	$0.00	$0.00	$0.00	$0.00
Expected volatility	30%	30%	30%	40%	40%
Life of rights	2.7 years	2.7 years	2.6 years	2.7 years	2.6 years
Dividend yield	3.26%	3.26%	3.45%	3.00%	3.00%
Risk free rate	3.82%	3.82%	3.05%	4.90%	5.10%

27.3 Movement in share options and rights during the period

The following reconciles the outstanding share options and rights granted under the Managing Director, Senior Executives and Employee Share Option and Rights Plans at the beginning and end of the financial year:

	2012		2011	
Employee Share Option and Right Plans	**Number of options/rights**	**Weighted average exercise price $**	**Number of options/rights**	**Weighted average exercise price $**
Balance at the beginning of the financial year	11,947,274	2.02	12,416,797	2.06
Granted during the financial year	1,504,655	0.00	1,046,433	0.00
Exercised during the financial year	(1,217,111)	1.82	(1,416,437)	0.92
Forfeited during the financial year	(612,064)	2.01	(99,519)	0.80
Balance at the end of the financial year	11,622,754	1.78	11,947,274	2.02
Exercisable at end of the financial year	4,322,148	1.70	3,199,376	1.83

27.4 Share options exercised during the year

The following share options were exercised during the financial year:

2012 – Options – Series	Number exercised	Exercise date	Weighted average share price at exercise date
(4) Issued 23 Oct 2007	1,089,243	Various	$3.10
(5) Issued 24 Jan 2008	67,868	2 Sep 2011	$3.09
(6) Issued 23 Sep 2008	60,000	31 May 2012	$2.98

2011 – Options – Series	Number exercised	Exercise date	Weighted average share price at exercise date
(1) Issued 19 May 2006	950,000	Various	$2.94
(4) Issued 23 Oct 2007	431,824	Various	$3.09
(5) Issued 24 Jan 2008	34,613	Various	$3.25

27. Share Based Payments (continued)

27.5 Share options and rights outstanding at the end of the year

The following share options and rights were outstanding at the end of the financial year:

2012 – Options/Rights – Series	Number	Exercise price $	Expiry Date
(3) Issued 22 Nov 2007	970,040	$1.83	11 Oct 2012
(4) Issued 23 Oct 2007	709,689	$1.83	11 Oct 2012
(5) Issued 24 Jan 2008	213,619	$1.83	24 Jan 2013
(6) Issued 23 Sep 2008	1,151,216	$1.60	23 Sep 2013
(7) Issued 27 Nov 2008	1,277,584	$1.60	23 Sep 2013
(8) Issued 22 Sep 2009	407,182	$0.00	18 Sep 2014
(9) Issued 22 Sep 2009	2,888,794	$3.05	18 Sep 2014
(10) Issued 1 Dec 2009	1,488,356	$3.05	18 Sep 2014
(11) Issued 20 Oct 2010	745,268	$0.00	1 Jul 2013
(12) Issued 25 Nov 2010	266,351	$0.00	1 Jul 2013
(13) Issued 18 Oct 2011	848,863	$0.00	1 Jul 2014
(14) Issued 18 Oct 2011	324,650	$0.00	1 Jul 2014
(15) Issued 24 Nov 2011	331,142	$0.00	1 Jul 2014
Total	**11,622,754**		

2011 – Options/Rights – Series	Number	Exercise price $	Expiry Date
(3) Issued 22 Nov 2007	970,040	$1.83	11 Oct 2012
(4) Issued 23 Oct 2007	1,894,600	$1.83	11 Oct 2012
(5) Issued 24 Jan 2008	334,736	$1.83	24 Jan 2013
(6) Issued 23 Sep 2008	1,385,432	$1.60	23 Sep 2013
(7) Issued 27 Nov 2008	1,277,584	$1.60	23 Sep 2013
(8) Issued 22 Sep 2009	441,930	$0.00	18 Sep 2014
(9) Issued 22 Sep 2009	3,112,047	$3.05	18 Sep 2014
(10) Issued 1 Dec 2009	1,488,356	$3.05	18 Sep 2014
(11) Issued 20 Oct 2010	776,198	$0.00	1 Jul 2013
(12) Issued 25 Nov 2010	266,351	$0.00	1 Jul 2013
Total	**11,947,274**		

28. Key Management Personnel Compensation

Please refer to the Remuneration Report for details of key management personnel.

28.1 Key management personnel compensation

The aggregate compensation of the key management personnel of the consolidated entity and the Group is set out below:

	2012 $	2011 $
Short-term employee benefits	5,520,306	5,325,421
Post employment benefits	294,917	314,467
Share based payments	1,341,549	1,363,646
	7,156,772	**7,003,534**

Note: All key management personnel are employed by Mermaid Marine Vessel Operations Pty Ltd, a wholly owned subsidiary of Mermaid Marine Australia Ltd.

29. Related Party Transactions

The immediate parent and ultimate controlling party of the Group is Mermaid Marine Australia Ltd.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

29.1 Loans to related parties

	2012 $'000	2011 $'000
Loan to jointly controlled entity	2,000	750

The parent entity has provided a loan at rates comparable to the average commercial rate of interest.

The loan is unsecured and repayable on demand.

29.2 Other related party transactions

(a) Equity interests in related parties

Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 32.

Equity interests in jointly controlled entities

Details of interests in jointly controlled entities are disclosed in note 12.

Equity interests in other related parties

There are no equity interests in other related parties.

(b) Transaction with key management personnel

Key management personnel compensation

Details of key management personnel compensation are disclosed in note 28.

Key management personnel equity holdings

Fully paid ordinary shares of Mermaid Marine Australia Ltd:

2012	Balance at 1 July 2011	Granted as compen-sation	Received on exercise of options	Net other change	Balance at 30 June 2012	Balance held nominally
	No.	No.	No.	No.	No.	No.
Mr A Howarth	641,802	–	–	21,357	663,159	–
Mr J Weber	1,277,153	–	–	(400,000)	877,153	–
Mr M Bradley	1,573,819	–	–	(1,000,000)	573,819	–
Mr J Carver	2,914,068	–	–	(1,038,397)	1,875,671	–
Mr A Edwards	10,067	–	–	168	10,235	–
Ms E Howell(1)	–	–	–	–	–	–
Mr D Ross	427,153	–	–	(150,000)	277,153	–
Mr P Raynor	645,747	–	395,704	(621,170)	420,281	–
Mr E Graham(2)	306,586	–	100,000	(133,921)	272,665	–
Mr S Lee	197,153	–	–	–	197,153	–
Mr D Verboon	237,408	–	68,295	(90,000)	215,703	–
Mr J Rogers	–	–	–	–	–	–
Mr D Lofthouse	16,549	–	64,347	2,691	83,587	–
Mr D Roberts	–	–	–	–	–	–
Mr M Gillett	–	–	–	–	–	–
Mr R Furlong(3)	–	–	56,795	(56,795)	–	–

29. Related Party Transactions (continued)

2011	Balance at 1 July 2010	Granted as compensation	Received on exercise of options	Net other change	Balance at 30 June 2011	Balance held nominally
	No.	No.	No.	No.	No.	No.
Mr A Howarth	850,343	–	–	(208,541)	641,802	–
Mr J Weber	1,477,153	–	–	(200,000)	1,277,153	–
Mr M Bradley	3,073,819	–	–	(1,500,000)	1,573,819	–
Mr J Carver	4,384,068	–	–	(1,470,000)	2,914,068	–
Mr A Edwards	–	–	–	10,067	10,067	–
Mr D Ross	357,153	–	200,000	(130,000)	427,153	–
Mr P Raynor	887,827	–	200,000	(442,080)	645,747	–
Mr E Graham	256,064	–	132,629	(82,107)	306,586	–
Mr S Lee	97,153	–	100,000	–	197,153	–
Mr D Verboon	237,408	–	–	–	237,408	–
Mr J Rogers	–	–	–	–	–	–
Ms T Vivian[4]	10,000	–	135,670	(110,600)	35,070	–
Mr D Lofthouse	5,390	–	–	11,159	16,549	–
Mr D Roberts	–	–	64,908	(64,908)	–	–
Mr M Gillett	–	–	–	–	–	–

1. *Ms E Howell was appointed as a Director on 27 February 2012.*
2. *Mr E Graham retired on 11 October 2011. This table reflects movements in Mr Graham's equity holdings of the Company up until this date.*
3. *Mr R Furlong was promoted to General Manager Vessel Operations on 1 October 2011.*
4. *Ms T Vivian resigned as General Manager – Marine Personnel on 31 January 2011. This table reflects movements in Ms Vivian's equity holdings of the Company up until this date.*

Share options and rights of Mermaid Marine Australia Ltd:

2012	Balance at 1 July 2011	Granted as compen-sation	Exercised	Net other change	Balance at 30 June 2012	Balance vested at 30 June 2012	Vested but not exercis-able	Vested & exercis-able	Options vested during year
	No.	No.	No.	No.	No.	No.	No.	No.	No.
Mr J Weber	4,002,331	331,142	–	–	4,333,473	2,247,624	–	2,247,624	1,277,584
Mr D Ross	1,736,471	162,325	–	–	1,898,796	914,204	–	914,204	518,500
Mr P Raynor	1,736,471	162,325	(395,704)	–	1,503,092	518,500	–	518,500	518,500
Mr E Graham[1]	556,745	–	(100,000)	(100,602)	356,143	356,143	–	356,143	336,143
Mr S Lee	188,980	16,515	–	–	205,495	65,190	–	65,190	–
Mr D Verboon	179,373	15,610	(68,295)	–	126,688	–	–	–	–
Mr J Rogers	221,524	36,686	–	–	258,210	–	–	–	–
Mr D Lofthouse	400,958	51,360	(64,347)	–	387,971	90,000	–	90,000	–
Mr D Roberts	146,937	42,556	–	–	189,493	–	–	–	–
Mr M Gillett	55,923	42,556	–	–	98,479	–	–	–	–
Mr R Furlong	141,844	16,876	(56,795)	–	101,925	–	–	–	–

1. *Mr E Graham retired on 11 October 2011. Unvested options and rights have lapsed on a pro-rata basis in accordance with the relevant plan rules.*

29. Related Party Transactions (continued)

2011	Balance at 1 July 2010	Granted as compen-sation	Exercised	Net other change	Balance at 30 June 2011	Balance vested at 30 June 2011	Vested but not exercis-able	Vested & exercis-able	Options vested during year
	No.	No.	No.	No.	No.	No.	No.	No.	No.
Mr J Weber	3,735,980	266,351	–	–	4,002,331	970,040	–	970,040	970,040
Mr D Ross	1,806,070	130,401	(200,000)	–	1,736,471	395,704	–	395,704	395,704
Mr P Raynor	1,806,070	130,401	(200,000)	–	1,736,471	395,704	–	395,704	395,704
Mr E Graham	650,098	39,276	(132,629)	–	556,745	120,000	–	120,000	152,629
Mr S Lee	271,501	17,479	(100,000)	–	188,980	65,190	–	65,190	65,190
Mr D Verboon	163,975	15,398	–	–	179,373	68,295	–	68,295	68,295
Mr J Rogers	182,248	39,276	–	–	221,524	–	–	–	–
Ms T Vivian[1]	533,139	16,231	(135,670)	(413,700)	–	–	–	–	135,670
Mr D Lofthouse	356,844	44,114	–	–	400,958	154,347	–	154,347	154,347
Mr D Roberts	172,569	39,276	(64,908)	–	146,937	–	–	–	64,908
Mr M Gillett	–	55,923	–	–	55,923	–	–	–	–

1. *Ms T Vivian resigned as General Manager – Marine Personnel on 31 January 2011. All of Ms Vivian's unvested options and rights held at this date have lapsed in accordance with the terms of the respective option and right plans.*

All share rights issued to the key management personnel during the financial year were made in accordance with the terms of the respective rights plans.

During the financial year 685,141 share options (2011:833,207) were exercised by key management personnel at a weighted average exercise price of $1.83 per option. A total of 685,141 (2011: 833,207) ordinary shares in Mermaid Marine Australia Ltd were issued on exercise of these options. No amounts remain unpaid on the options exercised during the financial year at year end.

Further details of the share based payment arrangements during the 2012 and 2011 financial years are contained in note 27.

Other transactions with key management personnel of the Group

Consultancy Services

During the year, Sawtell Pty Ltd, an entity of which Mr J Carver is a Director and shareholder, provided consultancy services to the Company upon negotiated commercial terms. Consultancy services charged during the financial year amounted to $220,000 (2011: $220,000), based upon an agreed market day rate.

(c) Transactions with other related parties

Other transactions that occurred during the financial year between entities in the wholly owned group were the charter of vessels, and the provision of supply base and slipway services. These are all provided at commercial rates.

30. Remuneration of Auditors

	2012 $	2011 $
Auditor of the Parent Entity		
Audit or review of the financial report	307,954	266,000
Taxation compliance services	74,625	87,326
Taxation consultancy services	116,243	155,436
	498,822	**508,762**
Network firms of the Parent Entity auditor		
Taxation compliance services	56,518	23,412
Taxation consultancy services	59,902	36,360
	116,420	**59,772**

The auditor of Mermaid Marine Australia Ltd is Deloitte Touche Tohmatsu ("Deloitte").

During the year, the Company conducted vessel operations in a number of countries. The Company consequently incurred and paid taxation consulting and compliance fees to the external auditor, Deloitte and their network firms, during the year in gaining a full understanding of and meeting the Company's taxation obligations in each of those countries.

The Board considered that it was prudent and cost effective to engage the external auditor, Deloitte, to provide the required tax consulting and compliance services during the year because of their detailed knowledge of the Company's affairs including its corporate tax structure. In addition, Deloitte was able to utilise the services of their network firms in the countries the Company operated in during the year to provide the necessary advice regarding the Company's tax obligations and compliance with these tax obligations within each of those countries.

Following a detailed review by the Audit and Risk Committee of the nature of the non-audit services provided by the external auditor during the year, the Board has determined that the services provided, and the amount paid for those services, are compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 (Cth) and that the auditor's independence has not been compromised.

31. Business Combination

On 22 November 2011, Mermaid Marine Australia Ltd entered into an agreement with Bis Industries Ltd to acquire their supply base in Dampier.

The Bis Supply Base is located in the King Bay Industrial estate, adjacent to MMA's existing Dampier Supply Base facility. The Bis Supply Base covers an area of 11.7 hectares and comprises open laydown, undercover storage and office space.

The transaction settled on 16 December 2011.

Details of the consideration transferred, fair value of the assets and liabilities acquired and cash flow on acquisition are as follows:

(a) Consideration transferred

	$'000
Cash	24,000

In addition to the consideration transferred, acquisition related costs totalling $1.4 million have been recognised as an expense within the "Administration expenses" line in the Statement of Comprehensive Income.

31. Business Combination (continued)

(b) Fair value of assets acquired and liabilities assumed at the date of acquisition

	$'000
Current assets	
Indemnification asset	50
Non-current assets	
Plant and equipment	3,960
Current liabilities	
Trade and other payables	(200)
Current liabilities	
Deferred tax liabilities	(520)
	3,290

(c) Goodwill arising on acquisition

	$'000
Consideration transferred	24,000
Less: fair value of identifiable net assets acquired	(3,290)
Goodwill arising on acquisition	20,710

Goodwill arose on the acquisition because it provides access to substantial extra land adjacent to MMA's existing supply base. The capacity provided by the additional land, together with the expected synergies with existing operations, is where the value is expected to be realised.

None of the goodwill arising on acquisition is expected to be deductible for tax purposes.

(d) Net cash outflow on acquisition

	$'000
Payment from cash reserves	12,000
Indemnification asset received	(50)
Drawdown new debt (paid by bank direct to vendor)	12,000
	23,950

(e) Impact of acquisition on the results of the Group

The acquired supply base contributed revenue of $4.2 million and net profit after tax of $1.3 million to the Group for the period 16 December 2011 to 30 June 2012. Had the supply base been acquired at 1 July 2011, the revenue for the Group would have been $383.8 million, and the net profit after tax would have been $52.5 million. The Directors consider these 'pro-forma' numbers to represent an approximate measure of the performance of the Group on an annualised basis and to provide a reference point for comparison in future periods.

In determining the 'pro-forma' revenue and profit as if the supply base had been acquired on 1 July 2011, the Directors have annualised the numbers for the period from the date of acquisition to 30 June 2012.

32. Subsidiaries

Details of the Group's subsidiaries at the end of the reporting period are as follows:

	Note	Country of Incorporation	Ownership Interest 2012	Ownership Interest 2011
			%	%
Parent Entity				
Mermaid Marine Australia Ltd	(i)	Australia		
Subsidiaries				
Mermaid Marine Vessel Operations Pty Ltd	(ii) (iii)	Australia	100	100
Mermaid Marine Charters Pty Ltd	(ii) (iii)	Australia	100	100
Mermaid Supply Base Pty Ltd	(ii) (iii)	Australia	100	100
Mermaid Labour and Management Pty Ltd	(iv)	Australia	–	99
Mermaid Marine Asia Pte Ltd		Singapore	100	100
M Logistics Pty Ltd	(ii) (iii) (v)	Australia	100	–
Mermaid Marine Employee Share Trust		Australia	100	–

(i) Mermaid Marine Australia Ltd is the head entity within the tax consolidated group.
(ii) These companies are members of the tax consolidated group.
(iii) Pursuant to ASIC Class Order 98/1418, relief has been granted to these wholly owned controlled entities from the Corporations Law requirements for preparation, audit and lodgement of the financial report. As a condition of the Class Order, Mermaid Marine Australia Ltd and the controlled entities entered into a Deed of Cross Guarantee on 15 February 2012.
(iv) This dormant entity was deregistered during the year.
(v) The company was incorporated on 6 October 2011.

The consolidated statements of comprehensive income and financial position of entities which are party to the deed of cross guarantee are:

	2012 $'000	2011 $'000
STATEMENT OF COMPREHENSIVE INCOME		
Revenue	368,064	271,102
Dividend revenue	26,572	–
Other losses	(613)	(358)
Share of net profits/(losses) of jointly controlled entity	362	(59)
Vessel expenses	(222,677)	(161,434)
Supply Base expenses	(53,015)	(27,959)
Slipway expenses	(12,612)	(12,321)
Administrative expenses	(12,013)	(9,751)
Finance costs	(10,130)	(11,676)
Profit before income tax expense	83,938	47,544
Income tax expense	(17,205)	(12,664)
Profit for the year	**66,733**	**34,880**
Other Comprehensive Income		
Loss on cashflow hedges	(921)	(2,760)
Transfer of cashflow hedge loss to initial carrying amount of fixed asset	1,768	1,148
Other comprehensive income for the year, net of tax	847	(1,612)
Total Comprehensive Income for the year	**67,580**	**33,268**

32. Subsidiaries (continued)

	2012 $'000	2011 $'000
STATEMENT OF FINANCIAL POSITION		
Current Assets		
Cash and cash equivalents	44,050	25,137
Trade and other receivables	82,206	54,071
Inventories	1,434	2,153
Other	5,691	5,160
Total Current Assets	**133,381**	**86,521**
Non-Current Assets		
Investments accounted for using the equity method	5,022	4,659
Other financial assets	151,853	143,420
Property, plant and equipment	247,738	225,577
Goodwill	20,710	–
Total Non-Current Assets	**425,323**	**373,656**
Total Assets	**558,704**	**460,177**
Current Liabilities		
Trade and other payables	42,040	20,901
Unearned revenue	4,023	7,708
Borrowings	21,762	30,260
Other financial liabilities	765	1,612
Provisions	5,912	4,192
Current tax payables	7,135	10,974
Total Current Liabilities	**81,637**	**75,647**
Non-Current Liabilities		
Trade and other payables	–	356
Unearned revenue	2,748	5,262
Borrowings	136,363	104,085
Deferred tax liabilities	11,002	8,346
Provisions	1,193	942
Total Non-Current Liabilities	**151,306**	**118,991**
Total Liabilities	**232,943**	**194,638**
Net Assets	**325,761**	**265,539**
Equity		
Issued capital	197,694	186,808
Reserves	3,902	(376)
Retained earnings	124,165	79,107
Total Equity	**325,761**	**265,539**
Retained earnings		
Retained earnings at beginning of the financial year	79,107	62,142
Net profit	66,733	34,880
Dividend provided for or paid	(21,675)	(17,915)
Retained earnings at end of the financial year	**124,165**	**79,107**

33. Parent Company Information

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to note 2 for a summary of the significant accounting policies relating to the Group.

Financial Position	2012 $'000	2011 $'000
Assets		
Current assets	41,786	24,779
Non-current assets	354,090	288,143
Total Assets	**395,876**	**312,922**
Liabilities		
Current liabilities	23,198	18,334
Non-current liabilities	124,013	56,643
Total Liabilities	**147,211**	**74,977**
Net Assets	**248,665**	**237,945**
Equity		
Issued capital	197,707	186,429
Retained earnings	47,776	49,363
Reserves		
Hedging reserve	(692)	–
Employee equity settled benefits	3,874	2,153
Total Equity	**248,665**	**237,945**
Financial Performance		
Profit for the year	20,115	1,747
Other comprehensive loss	(692)	–
Total Comprehensive Income	**19,423**	**1,747**
Guarantees provided under the deed of cross guarantee	85,731	119,860
Contingent liabilities of the parent entity	–	–
Commitments for the acquisition of property, plant and equipment by the parent entity	–	–

34. Financial Instruments

34.1 Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns, while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2011.

The capital structure of the Group consists of net debt (borrowings as detailed in note 18 offset by cash and bank balances) and equity of the Group (comprising issued capital, reserves and retained earnings as detailed in notes 21, 22 and 23).

The Group is not subject to any externally imposed capital requirements.

Based on recommendations of management and the Board, the Group will balance its overall capital structure through payment of dividends, new share issues as well as the establishment of new borrowing facilities or repayment of existing facilities.
The Group uses its gearing ratio to manage its capital. The ratio is monitored on a monthly basis by the Board and management and is measured as net debt to equity.

34. Financial Instruments (continued)

34.1.1 Gearing Ratio

The gearing ratio at the end of the reporting period was as follows:

	2012 '000	2011 '000
Debt (i)	158,125	134,345
Cash and cash equivalents	(55,283)	(55,090)
Net debt	102,842	79,255
Equity (ii)	321,779	269,726
Net debt to equity ratio	32%	29%

(i) Debt is defined as long and short-term borrowings, as detailed in note 18.
(ii) Equity includes all capital and reserves of the Group that are managed as capital.

34.2 Categories of financial instruments

	2012 $'000	2011 $'000
Financial assets		
Cash and cash equivalents	55,283	55,090
Loans and receivables	85,441	65,146
Financial liabilities		
Derivative instrument in designated hedge accounting relationship	765	1,612
Payables and borrowings at amortised cost	199,739	157,620

34.3 Financial risk management objectives

Management monitors and manages the financial risks of the Group on an ongoing basis. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The Group seeks to minimise the effects of these risks, by using, where considered appropriate, derivative financial instruments to hedge these risk exposures. The use of financial derivatives is limited to the hedging of specific identified risks as directed by the Board of Directors. The Group does not enter into or trade financial instruments including derivative financial instruments for speculative purposes.

There has been no change to the manner in which it manages and measures risk, other than the increased management of interest rate risk described below.

34.4 Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group enters into a variety of derivative financial instruments to manage its exposure to foreign currency and interest rate risk; including:

- forward exchange contracts to hedge the exchange rate risk arising from the purchase of vessels denominated by USD contracts; and
- interest rate swaps to mitigate the risk of rising interest rates

The management of interest rate risk during the year included entering into interest rate swap agreements as described in 34.6 below.

The Group also manages interest rate risk by maintaining an appropriate mix of fixed and floating rate borrowings.

At a Group level, market risks are managed through sensitivity analysis.

34. Financial Instruments (continued)

34.5 Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies. Consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the financial year are as follows.

	Liabilities		Assets	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
US Dollars	1,676	817	8,954	23,922
Singapore Dollars	1,665	529	459	9

34.5.1 Foreign currency sensitivity analysis

The Group is mainly exposed to US Dollars (USD) and Singapore Dollars (SGD).

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian Dollar against the relevant foreign currencies. The 10% sensitivity represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit or equity where the Australian dollar strengthens 10% against the relevant currency. For a 10% weakening of the Australian Dollar against the relevant currency, there would be an equal and opposite impact on the profit or equity.

	USD impact		SGD impact	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Profit or loss	59	2	49	3
Equity (i)	(4,010)	(3,383)	60	44

(i) This is mainly attributable to changes in fair value of derivative instruments designated as hedging instruments in cash flow hedges.

The Group's sensitivity to foreign currency has increased at the end of the current period mainly due to increased foreign currency exchange contracts.

34.5.2 Forward foreign exchange contracts

The Group entered into forward foreign exchange contracts to cover specific foreign currency payments required under vessel purchase contracts denominated in US Dollars.

The following table details the forward foreign currency contracts outstanding at the end of the financial year:

Outstanding Contracts	Average exchange rate		Foreign currency		Contract value		Fair value	
	2012 $	2011 $	2012 FC'000	2011 FC'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Buy US Dollars								
3 to 6 months	1.003	–	15,804	–	15,753	–	(132)	–
6 to 12 months	–	0.935	–	15,164	–	16,221	–	(1,612)
12 to 18 months	0.985	–	21,180	–	21,507	–	59	–
							(73)	**(1,612)**

At reporting date the aggregate amount of unrealised losses under forward foreign exchange contracts relating to the construction cost of new vessels is $73,000 (2011: $1,612,000). In the 2012 financial year, these unrealised losses were deferred in the hedging reserve. At the time that these payments relating to the construction of new vessels are made, the amount deferred in equity will be included in the carrying value of the new vessels.

34. Financial Instruments (continued)

34.6 Interest rate risk management

The Group is exposed to interest rate risk because it borrows funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, and by the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views ensuring the most cost-effective hedging strategies are applied.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

34.6.1 Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

At reporting date, if interest rates had been 100 basis points higher/lower and all other variables were held constant, the impact on the net profit of the Group would be as follows:

- Net profit would decrease/increase by $694,000 (2011: decrease/increase by $1,040,176). This is mainly attributable to the Group's exposure to interest rates on its variable borrowings.

The Group's sensitivity to interest rates has decreased during the current year, due to the Group entering into interest rate swaps to swap floating rate debt to fixed.

34.6.2 Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between floating and fixed rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the cash flow exposures on the issued variable rate debt. The fair value of the interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the yield curves at the end of the reporting period and the credit risk inherent in the contract, and is discussed below. The average interest rate is based on the outstanding balances at the end of the reporting period.

The following tables detail the notional principle amounts and remaining terms of interest rate swap contracts outstanding at the end of the reporting period.

Cash flow hedges

Outstanding receive floating pay fixed contracts	Average contracted fixed interest rate		Notional principle value		Fair value	
	2012 %	2011 %	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Less than 1 year	4.18	–	20,000	–	(21)	–
1 to 2 years	4.24	–	50,000	–	(671)	–
			70,000	**–**	**(692)**	**–**

The interest rate swaps settle on a monthly basis. The floating rate on the interest rate swaps is the Australian Bank Bill Swap Bid Rate. The Group will settle the difference between the fixed and floating interest rate on a net basis.

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount accumulated in equity is reclassified to profit or loss over the period that the floating rate interest payments on debt affect profit or loss.

34. Financial Instruments (continued)

34.7 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with credit worthy counterparties. The Group's exposures to its counterparties are continuously monitored by management.

Trade receivables consist of a large number of customers spread across oil and gas exploration, production and related service industries and diverse geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

Apart from the largest and second largest trade receivables (refer note 9), the Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recognised in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

34.8 Liquidity risk management

The Group manages liquidity risk by maintaining adequate cash reserves, overdraft facilities and borrowing facilities, by continuously monitoring forecast and actual cash flows, and managing credit terms with customers and suppliers. Note 24(d) sets out details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

34.8.1 Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non – derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amount is derived from current interest rates at the end of the reporting period. The contractual maturity is based on the earliest date on which the Group may be required to pay.

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
	%	$'000	$'000	$'000	$'000	$'000	$'000
30 June 2012							
Non-interest bearing	–	41,614	–	–	–	–	41,614
Finance lease liability	7.45	4,223	574	2,609	13,393	–	20,799
Variable interest rate instruments	6.24	4,275	1,754	17,614	143,107	–	166,750
		50,112	**2,328**	**20,223**	**156,500**	**–**	**229,163**
30 June 2011							
Non-interest bearing	–	23,275	–	–	–	–	23,275
Finance lease liability	7.83	569	1,103	12,506	20,237	81	34,496
Variable interest rate instruments	7.72	630	5,317	19,825	95,684	1,558	123,014
		24,474	**6,420**	**32,331**	**115,921**	**1,639**	**180,785**

34. Financial Instruments (continued)

The following table details the Group's expected maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets.

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
	%	$'000	$'000	$'000	$'000	$'000	$'000
30 June 2012							
Non-interest bearing	–	64,134	13,102	6,205	–	–	83,441
Variable interest rate instruments	2.85	32,951	22	99	2,000	–	35,072
Fixed interest rate instruments	5.61	19,592	3,215	–	–	–	22,807
		116,677	**16,339**	**6,304**	**2,000**	**–**	**141,320**
30 June 2011							
Non-interest bearing	–	35,451	12,044	16,901	–	–	64,396
Variable interest rate instruments	2.91	44,473	9	43	750	–	45,275
Fixed interest rate instruments	5.87	–	10,882	–	–	–	10,882
		79,924	**22,935**	**16,944**	**750**	**–**	**120,553**

The Group has access to financing facilities as described in note 24(d), of which $18.9 million were unused at the end of the reporting period (2011: $5.6 million). The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

The following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows on the derivative instruments that settle on a net basis.

	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years
	$'000	$'000	$'000	$'000	$'000
30 June 2012					
Net settled:					
– Interest rate swaps	(35)	(60)	(228)	(52)	–
– Foreign exchange contracts	–	–	(245)	(724)	–
	(35)	**(60)**	**(473)**	**(776)**	**–**
30 June 2011					
Net settled:					
– Foreign exchange contracts	–	–	(2,101)	–	–
	–	**–**	**(2,101)**	**–**	**–**

34.9 Fair value of financial instruments

34.9.1 Fair value of financial instruments carried at amortised cost

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

34. Financial Instruments (continued)

34.9.2 Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair values of derivative instruments are calculated using quoted prices. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

34.9.3 Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
30 June 2012				
Financial liabilities at fair value				
Derivative (cashflow hedge)	–	765	–	765
Total	**–**	**765**	**–**	**765**
30 June 2011				
Financial liabilities at fair value				
Derivative (cashflow hedge)	–	1,612	–	1,612
Total	**–**	**1,612**	**–**	**1,612**

There were no transfers between Level 1 and 2 in the period.

The above table only includes financial liabilities. There were no financial assets measured at fair value at 30 June 2012.

35. Subsequent Events

There has not been any matter or circumstance that occurred subsequent to the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

36. Contingent Liabilities

The Company has no material contingent liabilities at 30 June 2012.

Additional Securities Exchange Information

for the year ended 30 June 2012

Ordinary Share Capital (as at 14 September 2012)

221,618,033 fully paid ordinary shares are held by 7,214 individual shareholders. All issued ordinary shares carry one vote per share.

Substantial shareholders (as at 14 September 2012)	Number of Shares	% of Issued Capital
National Australia Bank Limited	13,747,773	6.2%
Eley Griffiths Group Pty Ltd	13,357,879	6.11%
Invesco Australia Limited	9,476,445	5.07%
Westpac Banking Corporation Group	10,913,339	5.01%

Distribution of Holders of Ordinary Shares (as at 31 August 2012)

Size of Holding	Number of ordinary shareholders
1 to 1,000	1,854
1,001 to 5,000	2,796
5,001 to 10,000	1,180
10,001 to 100,000	1,382
100,001 and over	108
Total	**7,320**

Twenty Largest Shareholders (as at 14 September 2012)	Number of Shares	% of Issued Capital
National Nominees Ltd	36,227,933	16.37
HSBC Custody Nominees (Australia) Ltd	32,539,452	14.68
J P Morgan Nominees Australia Ltd	30,423,214	13.73
BNP Paribas Nominees Pty Ltd <Master Cust DRP>	13,246,637	5.98
Argo Investments Ltd	6,629,852	2.99
Citicorp Nominees Pty Ltd	5,993,553	2.70
JP Morgan Nominees Australia Ltd <Cash Income A/C>	3,643,728	1.64
Evelin Investments Pty Ltd	3,500,000	1.58
Citicorp Nominees Pty Ltd <Colonial First State Investment A/C>	3,351,122	1.51
Sawtell Pty Ltd <Jim Carvers A/C>	1,835,671	0.83
Sandhurst Trustees Ltd <DMP Asset Management A/C>	1,824,462	0.82
Thorney Holdings Pty Ltd	1,745,747	0.79
Mirrabooka Investments Ltd	1,676,331	0.76
AMP Life Ltd	1,539,844	0.69
The Australian National University	1,450,000	0.65
Akir Pty Ltd	1,138,665	0.51
BNP Paribas Nominees Pty Ltd <DRP>	1,038,779	0.47
Mr Jeffrey Andrew Weber	1,023,744	0.46
RBC Investor Services Australia Nominees Pty Ltd <PISELECT>	1,017,964	0.46
HSBC Custody Nominees (Australia) Ltd <NT - Comnwlth Super Corp A/C>	963,645	0.43
Total	**150,810,343**	**68.07**

Unmarketable Parcels (as at 31 August 2012)

The number of holders holding less than a marketable parcel of the Company's shares is as follows:

Minimum Parcel Size	Number of ordinary shareholders	Units
162	621	8,754

Voting Rights

All ordinary shares carry one vote per share without restriction.

Unquoted Options (as at 14 September 2012)

9,458,071 unlisted options/rights are held by 131 individual holders. These options/rights do not carry a right to vote.

Distribution of Option/Rights holders (as at 14 September 2012)

Size of Holding	Number of Option holders
1 to 1,000	1
1,001 to 5,000	29
5,001 to 10,000	38
10,001 to 100,000	49
100,001 and over	14
Total	**131**

Shareholder Registry

Shareholders can obtain information about their shareholding by contacting the Company's share registry:

Computershare Investor Services Pty Ltd
Level 2, 45 St Georges Terrace
PERTH WA 6000 AUSTRALIA

Enquiries:
(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

www.computershare.com.au
www.investorcentre.com/contact

Change of Address

Shareholders should notify the share registry in writing immediately there is a change to their registered address.

Stock Exchange Listing

Shares in Mermaid Marine Australia Limited are listed on the Australian Securities Exchange.

Company Secretary

Mr D. Darbyshire-Roberts

Company's Registered and Principal Administrative Office

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FREMANTLE WA 6160 AUSTRALIA

Telephone: +61 8 9431 7431
Fax: +61 8 9431 7432

Corporate Directory

Directors

Tony Howarth
Chairman

Jeffrey Weber
Managing Director

James Carver
Executive Director

Mark Bradley
Non-Executive Director

Andrew Edwards
Non-Executive Director

Eve Howell
Non-Executive Director

Chiang Gnee Heng
Non-Executive Director

Company Secretary

Dylan Darbyshire-Roberts

Registered Office

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Chartered Accountants
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Solicitors

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Bankers

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100 St Georges Terrace
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Tel: +61 8 9441 9282

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MMA recently expanded its landholding in the area with the acquisition of the Bis Industries Ltd Dampier Supply Base. The Bis facility, now renamed the Mermaid Logistics Base, is located directly adjacent to MMA's Dampier Supply Base and increased our landholding in the area by almost 60%.

Aerial photograph of the Burrup Peninsular, Dampier showing MMA's expanded Supply Base.

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