MERMAID MARINE
AUSTRALIA LIMITED

Annual Report 2002

Corporate Directory

Mermaid Marine Australia Limited

ACN 083 185 693

Directors

Alan Birchmore, Chairman

Mark Bradley, Director, CEO

James Carver, Non Executive Director

Anthony Howarth, Non Executive Director

Jeff Mews, Non Executive Director

Richard Reid, Non Executive Director

Chief Operating Officer

Jeffrey Weber

Company Secretary

Brendan Gore

REGISTERED OFFICE

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Email: corporate@mermaidmarine.com.au

Internet Site: www.mermaidmarine.com.au

AUDITORS

Deloitte Touche Tohmatsu

Chartered Accountants

152 – 158 St Georges Terrace

PERTH WA 6000

Telephone: 61 8 9365 7000

Facsimile: 61 8 9365 7001

SOLICITORS

Allens Arthur Robinson

Level 8, Wesfarmers House

40 The Esplanade

PERTH WA 6000

Telephone: 61 8 9488 3700

Facsimile: 61 8 9488 3701

BANKERS

National Australia Bank Limited

Level 6, 251 St Georges Terrace

PERTH WA 6000

Telephone: 61 8 9441 9200

Facsimile: 61 8 9441 9282

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Left: Mermaid's Dampier Supply Base with HLO Wharf operations.

Opposite: Mermaid Builder barge on site during Apache's Simpson installation.

Chairman's Address

The 12 months to 30 June 2002 proved to be quite a challenge. The Operations Report details a year in which important new infrastructure became operational and turnover lifted dramatically, although the resulting profits were unacceptably low. The experience gained from that tough twelve months, emphasised even more, the need to press on with our plan to expedite growth by attracting two established industry leaders as core shareholders. Both will become further involved with us as partners in new operating entities. The oil and gas industry offers a rewarding future to the most efficient, the best equipped and the safest. Through these formal arrangements we are confident of securing a significant position in this international business.

Mermaid's operations fall into two principle activities and therefore our search has been for two industry leaders in those categories.

- Offshore contracting.
- Vessel operations, Supply base and logistics.

Since becoming our largest shareholder Clough Engineering have been very supportive, but more than that, the Mermaid Clough Joint Venture, formed to pursue work in the shallow waters from Dampier to Darwin, has won its first contract and commences work soon, laying an offshore pipeline for Apache Energy. Combining with us to win this contract was an excellent example of how Clough bought more than just money to our company. Their professional skills, financial strength and reputation are already contributing in a very tangible way.

There are a number of maritime companies operating in the world, but it would have been difficult to find one the equal of PSA, (the corporatised successor to the Port of Singapore Authority) in terms of efficiency, strength and reputation. It is a company which has become the benchmark by which others are measured. Subject to FIRB and shareholder approval, it is the marine division of PSA, which will complete our plan for strategic shareholding partners. Their expertise lies in marine management, the construction and operation of vessels, from harbour towage, to offshore support, to salvage and many other marine skills. We are acutely aware that the investment by PSA, through their subsidiary PSA Marine, is the Corporation's only investment in Australia. We are honoured by their decision, but also fully aware of the responsibility. Like the working arrangement with Clough, it is our intention to establish a project based venture with PSA Marine, which with combined operating experience, access to a wide range of vessels and financial resources, will offer a new and highly competitive service to Australian offshore industry.

It is usual for a Chairman in the annual report to acknowledge the staff for their hard work during the year and I do that wholeheartedly. Ours is not an easy business, operations are conducted in remote areas and when weather conditions have most people safely at home, many of ours are braving the worst of it, carrying out difficult and demanding tasks in tough circumstances. The Company started from humble beginnings in 1980, but as we have grown and become a publicly listed company with greater numbers of professionally qualified people, it has been important to remember and retain the "can do" attitude inherited from then. We have been successful in that and I particularly thank all who have kept that spirit alive. On this occasion, it is also important that I give special thanks to my fellow directors for their dedication, support, and guidance. The Board is small in number, but has very considerable reserves of experience, professionalism and integrity, our Company is very well served by these people.

Mermaid Marine is in substantially better shape than at any time in the Company's history. The challenge now is for us to fully convert that potential into a strong and reliable earnings base. Businesses require a degree of development and maturity before they can earn at full capacity, but much of the foundation work has been done and we are very well placed for an exciting future.

Alan Birchmore
Chairman

Review of Operations and Activities

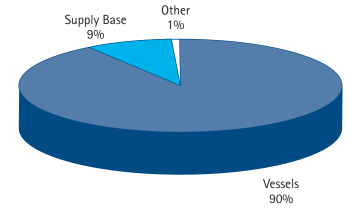
Our profit result for the year at $84,996 compared to $3.5m last year, occurred despite substantially increased group revenue for the year of $54m compared to $27m for the year before.

The decreased profit was primarily the result, in the first half of the year, of booking a loss in our first offshore construction contract and in the second half of the year being faced with an unexpectedly weak vessel market. This was further exacerbated by our fleet not winning its normal share of support work for offshore construction in the second half.

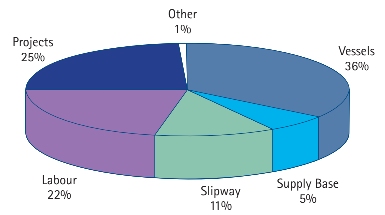
The company's profit was also affected by disproportionate costs associated with the establishment of its new business units and one-off restructuring costs.

The breakdown of segment revenues shows a more even distribution among the business lines as compared to the previous year where vessel operations revenues clearly dominated.

Segment Revenue 2001



Segment Revenue 2002



As demonstrated by the level of revenue achieved for the year, we have not misjudged the position and potential of Mermaid in the market. However, our lack of profit from this revenue base have revealed some misjudgement in the implementation of how best to convert this position and potential into reliable and repeatable profits. We have learnt some valuable lessons in the last year. One clear lesson was that Mermaid's strategic advantages are disproportionate to our size. Acknowledging the pitfalls to smaller players we are now pursuing our contracting through a Joint Venture association with Clough and will use this alliancing and joint venture model in other areas of our businesses.

A more recent example of this way of operating is in our just released announcement of PSA Marine becoming a substantial shareholder in Mermaid. This association is already allowing us to bid for larger vessel contracting opportunities, in JV with PSA Marine, than we would have been able to alone.

Although we have not delivered acceptable profits this year, we have nevertheless, achieved much, and our opportunities and strategic position have not gone away. Our goals have been put back a year or so, but are still achievable.

We have not resiled from our goal of transforming Mermaid Marine into an integrated marine services company generating revenues in many business lines. We have always seen it as a process where we have to earn our stripes along the way. One of these business lines that holds particular attraction to us is as a participant in the Oilfield Operations and Maintenance field where we can offer more of a "One Stop Shop" service than any other operator.

As part of the process to be more relevant in this market sector, we had to achieve some milestones in our company development. We had to complete the Dampier Base and demonstrate its efficiencies to the Oil Companies; increase the company turnover to a more relevant critical mass; demonstrate improved technical abilities and reliability and form some industry relationships and partnerships to enhance the depth of our services.

As a scorecard against these requirements; we have now completed the Dampier Base to the stage where, at one location we can offer manpower and equipment resources; a storage, warehousing, logistics and operations base and the ability to loadout materials, bulks etc at our own wharf head without any external participation. Group revenue has doubled in the year and our ability in the technical arena of offshore construction has been well demonstrated.

We have now prequalified as a tenderer for provision of Oilfield Operations and Maintenance and have tendered for our first contract opportunity in the sector. It is our belief that in the next 3 - 5 years, around four new oil companies will become operators for the first time off the NW coast and as such we are encouraged to continue pursuing this type of integrated service provision.

Before examining performance and status of the business lines, it is worth listing some of our more notable achievements for the year and recent events subsequent to the year ending;

- Completion of the major project of the Dampier Base Expansion Stage 1 with the opening of the Slipway in July 2001 and the Heavy Loadout Wharf in April 2002.

- Establishment of a slipway business from a standing start.

- Establishment of a position in the offshore construction market by technically competent completion of the Simpson pipeline project for Apache Energy; 50% acquisition of the "Challenge" Laybarge and formation of the Mermaid Clough JV to operate in this market and the subsequent award to this JV by Apache for the installation of the Victoria pipeline contract.

- Agreement with PSA Marine, subject to shareholder and FIRB approval to take a 20% stake in Mermaid thereby representing our second substantial industry shareholder along with Clough to add strength in the respective market sectors of vessel operations and offshore construction.

- Mermaid Labour and Management (50% owned Mermaid Marine JV company) managed and executed the largest Australian Offshore Labour

Review of Operations and Activities

supply contract for provision of maritime and construction labour to Allseas for pipelay operations in Bass Strait, including the Duke pipeline. The contract value was approximately $34m.

Operational Structure

The year saw the completion of our management restructuring with the recruitment of Jeffrey Weber as Chief Operating Officer, with direct authority over:

- Supply Bases
- Vessel Operations
- Slipway
- Labour Hire
- Offshore Construction

We now have in Jeffrey a strong operating manager to oversee and steer these business lines and more importantly tie them together offering packaged integrated services. Jeffrey was the stand out candidate in our national search for a COO having a marine engineering background with extensive management experience.

Jeffrey Weber
Chief Operating Officer

Brendan Gore
Chief Financial Officer/ Company Secretary

Ted Graham
General Manager - Vessel Operations

Dirk Verboon
General Manager - Slipway

Brian Philp
General Manager - Bases

Roy Graham-Measor
QA & HSE Manager/ Base Superintendant

Health, Safety & Environment (HSE)

With new company operations in Offshore Construction, Slipway, Wharf, and levels of activities that saw manning levels at Dampier reaching 200 the company was faced with some challenges in re-organising its HSE management and activities to cope. The company saw that it was a healthy approach to employ professional consultants in the HSE field to access our existing systems and management and advise how the company's new business structure could be best supported and managed.

The company introduced a new Safety Management Group (SMG) method of managing safety and is having very positive results. The system is essentially a proactive approach to safety where the company is broken down into separate SMG's where each group formulates and reports against its individual key safety indicators. Not only has there been a considerable reduction in Lost Time Injuries, there has also been a significant increase in Hazard Reporting and Incident and Accident Reporting.

It is a credit to Roy Graham-Measor, the Company's HSE Manager, that the existing safety systems and procedures were adopted without disruption and that the roll out of a whole new operating management technique was readily accepted and adopted.

At the end of June the company's regular recurring operations were 247 days LTI (Lost Time Incident) free in vessel operations and 251 days LTI free in Supply Base Operations. A couple of outstanding achievements within those results are:

- the slipway has operated LTI free since the day it opened. Given the ingredients of new site, new operations and new employees, this is a remarkable achievement. The management of Dirk Verboon and his supervisors Peter Grant and Kim Singer and all involved are to be congratulated.

- the Mermaid Raider operated in Bass Strait for the year supporting operations for Western Geco and Esso and were LTI free. Not only is being LTI free for the year a fantastic result, but both clients commented favourably on the attitude and implementation of safety management and awareness on the vessel. There is no better advertisement than this level of performance and client relationship. We congratulate Bradley Cassidy and Glen Wetters, the two vessel masters on the Mermaid Raider responsible for this outcome.

"Mermaid Raider"

Bradley Cassidy
Master

Glen Wetters
Master

Vessel Operations

Revenue from vessel operations was $20m, but as the largest business line revenue contributor for the year, it was down about 23% on the previous 12 months. Vessel revenue for the first half of the year was down about 10% on last year while the second half was down over 30%. Factors influencing our market, particularly in the second half, were: a general softening in the overall vessel market; increased competition and loss of market share in the smaller aluminium utility/crew boat market; loss of market share in vessel support for shallow water pipeline construction; and additional competition in the accommodation/dive support vessel market.

The overall effect resulted in very tough market conditions for vessel operations. We believe that these market conditions will continue for the short term but pick up during the coming year. The market will be supported by increased drilling activity, continuing shallow water construction work and the commencement of construction for Woodside's second trunkline offshore.

Given the changing vessel market dynamics, we see a requirement to make some changes to our fleet configuration, with more focus on the larger vessel / longer term charter market and some rationalisation in the aluminium utility / crew boat part of our fleet. Our new relationship with PSA Marine will assist us with this move to larger vessels.

Since the opening of the slipway there has been a concerted effort to work on both the mechanical refit and presentation of our fleet. Two of the more notable examples of this effort were the installation

Review of Operations and Activities

of new engines and gearboxes in the MV Explorer and completion of a major survey of the MV Eagle. We are receiving very positive feedback from Clients on the much improved presentation and mechanical reliability of our fleet.

"Mermaid Eagle"

Vessel Operations will remain our single biggest profit contributor for some time. It has come off a tough year, however we have a position in the market and can grow the business line. The division now has the advantage of the company's slipway and wharf in Dampier, which will add operating efficiencies and hopefully a competitive edge when providing packaged marine services to the Oil & Gas industry. Our association with PSA Marine will provide opportunities that would not necessarily have been open to the Company by itself.

"Mermaid Explorer"

Supply Base Operations

Activity levels, for the year, in our Supply Base Operations, mirrored what we saw in Vessel Operations in that activity levels in the second half of the year saw a dramatic reduction over those of the first half. Revenue for the second half of the year was down by 66% on the first half. Supply Base revenue for the year, not including slipway, was up about 50% on last year although coming off a small revenue base of around $3m.

The Mermaid Dampier Supply Base was particularly busy in the first half of the year supporting the start up of the slipway, three separate pipestringing projects, the Simpson project mobilisation, continuing wharf construction and the normal supply base activities as well. At the peak time of these activities there were some 200 workers and twelve cranes operating at the base. Supporting the pipeline project works, in particular, gave us some encouragement that the Supply Base is of strategic relevance in that market.

Project activities dried up in the second half and with the well publicised onshore Burrup project developments all slipping in their approval and start up schedules we found activity levels well below break even volume levels. As such, the main concentration of effort in the second half was to reduce costs at the supply base with a restructuring and reduction in personnel and tighter controls on expenditure.

The HLO (Heavy Lift & Loadout) wharf was completed and open in April. The HLO wharf presents two wharf faces; one 60m and the other about 30m. This allows us to service a large and small vessel simultaneously at the wharf. The operations of the wharf did provide some additional activity and revenue for the supply base equipment and workforce with vessel visits to the wharf averaging about 6 per week since opening. We are continuing with our plans to add fast fuel and water delivery infrastructure facilities to wharf and Base to provide a full service wharf to the marine vessel industry. The high loading capacity of the wharf will also allow it a role in servicing the loadout and onloading of heavy packages of project materials both in offshore and onshore projects. The first of these project loadout opportunities was the recent loadout of the Victoria Platform and Topsides module for Apache Energy onto a Mermaid barge for delivery to their site off Varanus Island.

Our HLO wharf was not completed early enough to be relevant in the construction program for Woodside's LNG Train 4. With the recent announcement of the LNG sales to China and its implications for a 5th LNG train, we look forward to the possibility of participation in activities now that our HLO wharf and Base are in a more complete state, as we do with the other Burrup projects as they move into construction.

The other focus for the Dampier Supply Base for the forthcoming year is to land its share of project support work and to attract some core oilfield tenants for whom we can provide integrated services. A typical example of these services are those we are now providing the Wandoo Alliance since the wharf has opened. Mermaid Marine has been a member of the Wandoo Alliance providing supply run marine vessel services since the inception of the Alliance. However, we have now expanded these services to the receipt and loadout of the supplies over the Mermaid wharf, using Mermaid cranage and labour onto the Mermaid Eagle for delivery to the Wandoo platform. Providing these integrated services as a single facility provides more flexibility, efficiency and therefore cost savings for the client.

As the Supply Base matures in its operations the target will be to attract several oilfield clients as tenants in the Base where shared integrated services in warehousing, logistics and marine vessels will be recognised as the most efficient and cost effective way of operating. Now that the wharf is open we are the only operators who can legitimately offer this complete range of services.

Pipe stringing at Dampier Supply Base.

Review of Operations and Activities

The Broome Supply Base operations continued to perform important support services for drilling operations in the Browse Basin. The operation still remains small at this stage but covers its costs and provides Mermaid strategic positioning in the area and the ability to maintain its lease hold on strategic water front land in Broome. In the year Mermaid added to its acreage and established a small boat slipway facility to complement its Supply Base operations.

Reelship 'CSO Apache' at Dampier Supply Base

Slipway

Slipway revenue for its first year of operation was $6m. This represented about 11% of the company's revenue for the year. About $4m of this was for the slipping of 22 third party vessels and about $2m spent on Mermaid's own fleet. As a stand alone business line the Slipway showed a slight loss for the year. This result was below our expectation at the start of the year, however, we are not displeased with the result given that it was its first year of operation and as such had to absorb start up costs and deal with the competitive issues of obtaining market share from a standing start.

Dirk Verboon, our Slipway General Manager, has dealt with the myriad of very tangible issues facing the start up of a business and has built a name for quality and reliability in the process. The quality of the Slipway work is clearly demonstrated when large clients are coming back on repeat business. Hamersley Iron had four vessels and BHP three vessels on the slipway during the year. The overall performance has been commendable and Dirk has our thanks for his efforts.

We are still evaluating the operating model of the slipway and its synergies and value to our overall business. The value of the slipway to Mermaid Marine is more than its stand alone result. The access to our own slipway in the operating region of our fleet has some direct cost saving to our fleet repairs and maintenance costs and the amalgamation of Mermaid's vessel operation engineering and maintenance resources and overheads with those of the slipway has further cost saving in operations of the vessels.

Tidewater's "OSA Victor" on the slipway.

Labour Hire

We see labour hire as an integral part of our business. Apart from the business itself we see it as a portfolio requirement to become a player in the Oilfield Operations and Maintenance market. For the year, Mermaid operated its labour hire through the 50% JV "Mermaid Labour and Management" (MLM). MLM was the standout business line financial performer for the year. Mermaid's share of revenues from the Allseas labour supply contract represented 22% of the company's revenues for the year. The single largest contributing project in this make up was the provision of Construction and Maritime Labour to Allseas for their three pipeline installation projects in Bass Strait – the Duke pipeline across Bass Strait, the Esso Bream pipeline and the OMV Patricia Baleen pipeline.

The Allseas labour supply contract was Australia's largest offshore manning contract. It entailed the provision of 170 Construction and Maritime personnel for the Allseas Laybarge "Lorelay" for a duration of 7 months for pipelay projects in Bass Strait. All construction projects in Bass Strait have historically been very complex and difficult to manage from an industrial relations standpoint. Our JV partners in MLM, Kevin Ponga and Rick de Franck, cut their teeth on Bass Strait Industrial Relations. This project required both of their full time dedication to manage the Human Resources and Industrial Relations issues on a daily basis. We are thankful for their determination and doggedness and congratulate them for their performance.

The size and complexity of the Allseas contract was all consuming for our Labour Hire Business and, although we also supplied some short term manning on a few third party vessels, we had to put our business line growth plans on hold while we concentrated on Allseas. The contract is now over, but it has done much to establish our construction labour hire credentials. The broader market prospects for our company are now being addressed and we are in detailed discussion with MLM partners on future directions.

Allseas 'Lorelay' DP Pipelay/Support Vessel.

Offshore Construction

Offshore Construction revenues for the year were around $14m, which represented 25% of the company's revenue for the year. This revenue was attributed to the Simpson Project and occurred in the first half of the year. There was no revenue in Offshore Construction in the second half of the year. Although Mermaid posted a loss against our first foray into offshore construction we are, nevertheless, proud of our technical and operational execution of the Simpson Project. The project was a fast track, shallow water pipeline installation contract that required large changes in scope and construction technique. Mermaid delivered the project within its time constraints to meet the client's targeted first oil date.

Review of Operations and Activities

Although we felt that Mermaid was well suited to shallow water construction and that there were advantages for us in the market, the Simpson result did highlight the dangers that a smaller company has operating in this market. We believe we have satisfied these issues in our JV relationship with Clough.

We started the year operating as Contractor in our own right in shallow water construction and by the end of the year were in JV with Clough and half owning, with them, a shallow water construction/laybarge. From the start of the year until now there have been three contracts awarded in Offshore Shallow Water construction – all by Apache Energy, off the NW Coast near Varanus Island. Of the three contracts Mermaid was prime contractor in the first – Simpson – and has been awarded the third – Victoria – under our JV. This direct involvement in two of the last three contracts certainly establishes us in the market and with a recognised leader in the market as a JV partner. It has been a bumpy ride, but the end result represents quite a strong market position.

We believe that the JV is well balanced with both parties bringing complementary skills and assets, and together offer better focus and a better solution for Oil companies with developments in Shallow Water.

There are more shallow water construction prospects in the short to medium term with Apache Energy's drilling program continuing and another Jack Up Drill Rig being brought into the country for exploration and appraisal work for both ROC Oil and Tap Oil.

"Clough Challenge"

Simpson pipe stringing.

Mark Bradley
Chief Executive Officer

Corporate Governance Statement

The Directors are responsible for the Corporate Governance practices of Mermaid Marine Australia Limited (hereinafter referred to as 'the Company' or 'Mermaid'). This statement sets out the main Corporate Governance practices that were in operation during the financial year.

Board of Directors

The Board carries out its responsibilities in accordance with the following:

- The Board will comprise at least four directors;
- The Board will have a majority of non-executive directors;
- The role of Chairman and Chief Executive Officer will be separate;
- The directors must between them possess a broad range of skills, qualifications and experience;
- The Board will meet no less frequently than bi-monthly; and
- All available information in connection with items to be discussed at a meeting of the Board will be provided to each director prior to that meeting.

The primary responsibilities of the Board include:

- Establishing Mermaid's goals and developing strategic plans to achieve them;
- The review and adoption of annual budgets and cashflow forecasts for the financial performance of Mermaid, its financial security and monitoring the results on an ongoing basis;
- Identifying business risks and implementing actions to manage those risks;
- Developing an effective management and corporate system to ensure safety, quality, measure progress and exercise control;
- Ensuring the employment and further development of efficient and qualified staff for the growth of the Company's business;
- Keep Mermaid shareholders appraised of all relevant information through continuous disclosure;
- Identifying and developing strategic relationships for growth and access to specialist expertise; and
- Developing clear and accurate annual and half-yearly financial reports for Mermaid shareholders.

Independent Professional Advice

Subject to the Chairman's prior approval (not to be unreasonably withheld), directors, at Mermaid's expense, may obtain independent professional advice on issues arising in the course of their duties.

Composition of the Board

No formal nomination committee or procedures have been adopted for the identification, appointment and review of Board membership, but an informal assessment process facilitated by the Chairman operates in consultation with other directors and Mermaid's professional advisors.

In relation to Board membership, Mermaid is committed to:

- It's Board comprising directors with a blend of skills, experience and attributes appropriate to its business and stage of development; and
- The principle criterion for the appointment of new directors being their ability to add value to Mermaid's business through their professionalism, integrity and experience.

Corporate Governance Statement

Audit Committee

The Board has a separately constituted audit committee consisting of the following non-executive directors:

- J A S Mews (Chairman)
- A G Birchmore
- A J Howarth

Remuneration Committee

The Board has a separately constituted remuneration committee consisting of the following non-executive directors:

- J A S Mews (Chairman)
- A G Birchmore
- R M Reid

The remuneration of executive directors will be decided by the Board without the affected executive director participating in that decision making process.

The maximum remuneration of non-executive directors is the subject of shareholder resolution in accordance with the Company's Constitution, Corporations Act and the ASX Listing Rules.

The apportionment of non-executive director remuneration within that maximum is made by the Board having regard to the value to Mermaid of the contributions by non-executive directors.

The Board may award additional remuneration to non-executive directors called upon to perform extra services or make special exertions on behalf of Mermaid.

Identification and Management of Risk

The Board's collective experience enables accurate identification of the principal risks which may affect the Company's business which are recurring items for deliberation at Board meetings.

Ethical Standards

The Board is committed to the establishment and maintenance of the highest ethical standards to underpin Mermaid's operations and corporate practices.

Directors' Report

Your directors submit their Annual Financial Report for the financial year ended 30 June 2002. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

The directors in office during or since the end of the financial year are:

Alan Gordon Birchmore

Chairman – Appointed 12 August 1998

Alan Birchmore has occupied senior management and board appointments in Australia, England, Mainland Europe and the United States of America, with direct responsibility over a range of financial, industrial and mining operations. Chief Executive of the New York listed Bond International Gold, he was responsible for a worldwide workforce of 6,000 employees, in Canada, the United States and South America, in Australia, the Company developed the Superpit at Kalgoorlie and successfully ran that as Australia's largest gold mining operation in joint venture with Homestake of the US. He also sat on the Argyle joint venture as one of the three principles during the period it developed the world's largest diamond mine. In 1990, as a major shareholder, he became Chairman of St Barbara Mines Ltd. Once listed and during the time of his stewardship the Company became highly profitable, registering market capitalisation growth from $12 million to over $440 million, he retired from the Board of St. Barbara in 1997. In recent years he has chaired enquiries in the agricultural sector, addressing National Competition policy and is a fellow of the Australian Institute of Company Directors.

Mark Francis Bradley

Director and Chief Executive Officer – Appointed 22 September 2000

A civil engineer with a track record of senior offshore engineering management, Mark joined the J. Ray McDermott Company in 1977 for service in Bass Strait on Esso's Tuna/Mackeral project. During the following 14 years, of technically challenging work, 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 NWS projects, followed by duties in Thailand, China and Indonesia. By 1993, he was operations/project manager for BHP's Griffin project and by 1994 became Managing Director of Clough Offshore. A highly talented manager, Mark then presided over the five fold growth of Clough Offshore, which was to make the Western Australian company one of the best equipped, professional and competitive groups in the offshore contracting business. In 1997, he joined the Board of Clough Engineering as an Executive Director, retiring to become a shareholder and CEO of Mermaid in 2000.

James Henry Carver

Non-Executive Director – Appointed 29 June 1998

Captain James Carver is a Ships Master with over 30 years direct experience in the marine industry. He was Woodside Petroleum's first ships master,


Alan Birchmore


Mark Bradley


James Carver


Jeff Mews


Richard Reid


Anthony Howarth

carrying out marine operations in the LNG development. Captain Carver was involved in exploration, construction and production of most oil and gas projects on the North West Shelf. He has in-depth knowledge of the industry, its needs and its future. Establishing the company in 1982, Jim pursued a "can do" attitude at sea and on shore. Under his direction the fleet grew from 1 to 15 vessels and the Base at Dampier secured for the present expansion and exciting future.

Jeffrey Arthur Sydney Mews

Non Executive Director – Appointed 12 August 1998

Jeff Mews is a Fellow of the Institute of Chartered Accountants in Australia, Associate of the Australian Society of Certified Practicing Accountants, Fellow of the Australian Institute of Company Directors and a Fellow of the Taxation Institute of Australia. In 1998 Jeff retired from the partnership of PricewaterhouseCoopers after over 22 years as a partner in the taxation consulting division. Jeff has had extensive experience in the oil, gas and mining industries and has been directly involved, at a senior level, with most major resource projects in Western Australia since the 1970s. He is a past Chairman of the Western Australian Division of the Taxation Institute of Australia.

Jeff currently serves as a Member of the Salaries and Allowances Tribunal for the State of Western Australia and is a Founding Governor of the Malcolm Sargent Cancer Fund for Children in Western Australia.

Richard Malcolm Reid

Non Executive Director – Appointed 22 September 2000

Richard Reid is a Fellow of the Institute of Chartered Accountants. After extensive experience in senior auditing positions in London, Belgium and Perth he joined the Clough Group in 1980. Since 1983 he has been the Finance Director of the main operating company. He is a Director of Clough Limited, the listed parent company, and a Director of a number of the Group's subsidiaries, joint ventures and associates.

Richard has been intimately involved in all the Clough Group's major projects and acquisitions over the past twenty years and the successful listing of both parent company Clough Limited on the Australian Stock Exchange in 1998 and its subsidiary PT Petrosea Tbk on the Jakarta Stock Exchange in 1990. He has significant Australian and overseas experience in Engineering and Construction; Property and other Investments in both Finance and Management.

Anthony John Howarth

Non-Executive Director – Appointed 5 July 2001

Tony Howarth is the Chief Executive Officer of Challenge Bank. He has worked in the banking and finance industry for over 30 years. His work has involved a number of overseas appointments. He is also Chairman of AlintaGas Limited, a Board Member of St John of God Health Care Governing Board and President of the Chamber of Commerce and Industry of Western Australia. He is a member of a number of community organisations including the Prime

Directors' Report

Minister's Community Business partnership and the Major Performing Arts Board Australia Council.

Derrice-Ann Dillon

Executive Director – Corporate – Resigned 11 September 2001

Derrice Dillon joined the Board in 1998 and resigned during the year.

Christopher Glen Sutherland

Alternate Non Executive Director – Appointed 29 September 2000

Christopher Sutherland is a Fellow of the Institute of Engineers and has extensive experience in offshore and subsea engineering and construction businesses. Previously Managing Director of a major subsea remote system company. Chris is currently the Director – Clough Services for Clough Engineering Ltd.

Principal Activities

Mermaid's principal activities during the course of the financial year were:

- Operating crewed vessel charters;
- Vessel manning, management and logistics;
- Operating supply base facilities and slipway operations; and
- Engineering, pipelay and offshore contracting and labour hire.

Other than detailed in the Chairman's Report and/or in the Review of Operations and Activities, there have been no significant changes to these activities during the financial year.

Dividend

In respect of the financial year ended 30 June 2001, as detailed in the Directors' Report for that financial year, a final dividend of 2.0 cents per share franked to 100 per cent at 30 per cent corporate income tax rate, was paid to holders of fully paid ordinary shares on 9 October 2001.

In respect of the financial year ended 30 June 2002 the directors have not recommended the payment of a dividend.

Review of Operations

A review of operations for the financial year and the results of those operations are set out in the Operations Review.

Significant Changes in the State of Affairs

The Chairman's and Operations Reviews set out the matters which have had a significant effect on the state of affairs of Mermaid. Other than those matters there were no significant changes in the state of affairs of Mermaid during the financial year.

Subsequent Events

Mermaid Clough JV

During the financial year the Company and Clough Engineering Limited formed a joint venture to bid for and undertake shallow water pipeline installation projects off the north coast of Western Australia and the Northern Territory. The establishment of the joint venture entity, Mermaid Clough Pty Ltd, was finalised in August 2002.

During August 2002 Mermaid Clough Pty Ltd received a letter of intent from Apache Energy Ltd ("Apache") for new offshore installation work in the Carnarvon Basin of Western Australia.

The contract was signed in September for the installation and stabilisation of approximately 5.5 kilometres of a 12 and 8 inch pipeline bundle from the Victoria Platform into a tie-in on the Gibson/South Plato to Varanus Island pipeline. The value of the contract is approximately $10 million and is to be completed by late December 2002.

Under the contract Apache has the option to include further scope of works for the installation of the Double Island Pipeline Bundle. This additional work comprises a further 7km pipeline bundle with an estimated value of $7 million and would be completed by January 2003.

Share Placement – PSA Marine

On 29 August 2002, the Company entered into a conditional agreement with PSA Marine (Pte) Ltd, a wholly owned subsidiary of PSA Corporation Limited (successor to the Port of Singapore Authority), for the placement of 23.48 million shares and issue of 6 million options. The shares will be allotted at 30 cents per share and will rank equally with all other shares on issue, raising $7 million.

The Options are exercisable in two tranches. A tranche of 3 million options is exercisable at 31 cents per share with a term of 12 months from their issue date and a further tranche of 3 million options is exercisable at 34 cents per share with a term of 24 months from their issue date.

The Agreement is subject to approval by the Australian Foreign Investment Review Board and Mermaid's shareholders, which is expected to be completed by no later than November 2002.

Following these approvals, PSA Marine will hold an approximate shareholding of 21% in the issued capital of the Company, increasing to approximately 25% upon the exercise of the options.

The $7 million generated by the placement will provide Mermaid Marine with further balance sheet strength and a world class shareholder to advance the marine side of the business.

The financial effect of each of the above events has not been reflected in these financial statements.

Directors' Report

There have not been any other matters or circumstances, other than those referred to in the Chairman's and Operations Reviews and/or in the financial statements and notes attached thereto, that have arisen since the end of the financial year and that have significantly affected, or may significantly affect Mermaid's operations, the results of those operations or its state of affairs in future financial years.

Future Developments

The Chairman's and Operations Reviews give indications, in general terms, of likely developments in Mermaid's operations in future financial years and the expected results of those operations.

Environmental Regulation

The Company continues to maintain its Environmental Management System in accordance with the requirements of the Department of Environmental Protection.

Share Option

As at the date of this report the Company had a total of 3,482,500 unissued shares under option as follows:

November 2001 Options

During the financial year an aggregate of 5,769,905 options were exercised resulting in the issue of 5,769,905 ordinary shares of the Company at 75 cents per share.

Director and Executive Share Options

During and since the end of the financial year an aggregate of 1,050,000 share options were granted to the following directors and executives of the Company:

Directors and Executives	Number of Options Granted	Issuing Entity	Number of Ordinary Shares Under Option
Directors			
A J Howarth	150,000	Mermaid Marine Australia Limited	150,000
Executives			
J Weber	400,000	Mermaid Marine Australia Limited	400,000
B Gore	150,000	Mermaid Marine Australia Limited	150,000
I Widdicombe	150,000	Mermaid Marine Australia Limited	150,000
T Graham	100,000	Mermaid Marine Australia Limited	100,000
D Verboon	100,000	Mermaid Marine Australia Limited	100,000

Director Options

Directors are entitled to purchase an aggregate of 150,000 shares in the Company as at 30 June 2002 at an issue price of 80 cents per share if exercised on or before 24 July 2003.

On 12 November 2001 shareholders at an Extraordinary General Meeting of the Company ratified the issue of 150,000 July 2003 Director Options to Mr A Howarth on the terms set out in the Information Memorandum to Shareholders that was incorporated in and comprised part of the Notice of Extraordinary General Meeting and not pursuant to the Employee Share Option Incentive Plan.

During the financial year an aggregate of 2,400,000 Director Options were exercised in accordance with their terms resulting in the issue of 2,400,000 ordinary shares of the Company at 58 cents per ordinary share. The total market value of such shares at the dates of issue was $1,810,000.

Executive Share Options

In accordance with the provisions of the Company's Employee Share Option Incentive Plan ("Employee Option Plan"), as at the date of this report executives are entitled to purchase an aggregate of 220,000 shares in the Company. ("November 2002 Executive Officer Options")

The 220,000 shares under option pursuant to the Employee Option Plan, may be purchased within 12 months of 24 November 2001 at an issue price of 69 cents per share.

During the financial year, an aggregate of 450,000 November 2002 Executive Officer Options were exercised in accordance with the provisions of the Employee Option Plan resulting in the issue of 450,000 ordinary shares of the Company at 58 cents per ordinary share.

Employee Share Options

In accordance with the provisions of the Company's Employee Option Plan, as at the date of this report employees are entitled to purchase an aggregate of 852,500 ordinary shares in the Company.

Of the 852,500 shares under option pursuant to the Employee Option Plan, 392,500 shares may be purchased within two years of 24 November 2000 at an issue price of 58 cents per share and 460,000 shares may be purchased within one year of 24 November 2001 at an issue price of 69 cents per share. ("November 2002 Employee Options")

During the financial year an aggregate of 55,000 November 2002 Employee Options were exercised in accordance with the provisions of the Employee Option Plan resulting in the issue of 55,000 ordinary shares of the Company at an issue price of 58 cents per ordinary share.

On 16 October 2001 shareholders at the Annual General Meeting of the Company approved to vary the Company's existing employee share option plan (Employee Share Option Plan 2001).

The principal changes under the Employee Share Option Plan 2001 was the non participation in the plan by directors. Options already issued under the existing Employee Option Plan were unaffected by the alterations.

In accordance with the provisions of the Company's Employee Share Option Plan 2001, as at the date of this report executives and employees are entitled to purchase an aggregate of 2,260,000 ordinary shares in the Company.

The 2,260,000 shares under option pursuant to the Employee Share Option Plan 2001 were issued on 17 May 2002 ("May 2006 Employee Options"). The May 2006 Employee Options are exercisable at 44 cents per share, are not exercisable for one year and have a three year life from the first anniversary of their issue.

Holders of options over unissued shares in the Company do not have the right, by virtue of the option, to participate in any share issue or interest issue of the Company or of any other body corporate or registered scheme.

Further details of the Employee Option Plan are disclosed in Note 25 to the financial statements.

Indemnities and Insurance Premiums for Officers and Auditors

During the financial year, Mermaid paid a premium for a contract insuring all of the directors of the Company, the company secretaries and all executive officers of Mermaid against any liability incurred by such director, secretary or executive officer during the course of their duties as such director, secretary or executive officer to the extent permitted by the Corporations Act 2001.

The policy does not allocate an identifiable part of the premium to specific directors or officers. Accordingly, the premium paid has not been apportioned to directors' remuneration.

The company has not otherwise during or since the end of the financial year, indemnified or agreed to indemnify an officer or auditor of the company against a liability incurred as such officer or auditor.

Directors Meetings

The following table sets out the number of directors' meetings held during the financial year and the number of meetings attended by each director whilst they were a director of the Company. During the financial year, 9 board meetings, 1 audit committee meeting and 1 remuneration committee meeting were held.

Directors	Board of Directors		Audit Committee		Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended
A G Birchmore	9	9	1	1	1	1
M F Bradley	9	9	-	-	-	-
J H Carver	9	8	-	-	-	-
A J Howarth	9	9	1	-	-	-
J A S Mews	9	9	1	1	1	1
R M Reid	9	5	-	-	1	1
C G Sutherland (Alternate)	9	7	-	-	-	-
D A Dillon	2	0	-	-	-	-

Directors Shareholdings

As at the date of this report, directors' interests in shares and options of the Company are as follows:

Directors	Shares Direct	Shares Indirect	Share Options Direct	Share Options Indirect
A G Birchmore	524,000	11,143,094	-	-
M F Bradley	6,666,666	-	-	-
J H Carver	9,891,665	-	-	-
A J Howarth	-	200,000	150,000	-
J A S Mews	-	1,500,000	-	-
R M Reid	-	-	-	-
D A Dillon	-	-	-	-

Directors Remuneration

The Board reviews the remuneration packages of all directors and executive officers on an annual basis. Remuneration packages may contain as key elements:

a. Salary;

b. Benefits - including the provision of motor vehicle and superannuation; and

c. Incentive Schemes - including share options.

The table immediately below sets out the total remuneration of directors of the Company for the financial year. No options have been issued to directors pursuant to the Employee Share Option Plan 2001.

Name	Office	Salary $	Benefits (i) $	Options Granted (ii) $	Total $
A G Birchmore	Chairman	100,000	12,901	-	112,901
M F Bradley	Chief Executive Officer	297,307	23,785	-	321,092
J H Carver	Non-Executive Director	174,074	18,080	-	192,154
A J Howarth	Non-Executive Director	33,653	2,692	9,600	45,945
J A S Mews	Non-Executive Director	34,807	2,785	-	37,592
R M Reid	Non-Executive Director	35,000	2,800	-	37,800
C G Sutherland	(Alternate)	-	-	-	-
D A Dillon	Executive Director	246,018	-	-	246,018

(i) 'Benefits' includes superannuation, provision of motor vehicles and related fringe benefits tax.

(ii) Options Granted – the valuation is based on the Black-Scholes model calculated which assumes a willing buyer and a willing seller in an active market. It should be noted that these options are not quoted and not transferable.

Directors' Report

Executive Officers Remuneration

The table immediately below sets out the total remuneration of the five (5) highest remunerated executive officers of Mermaid during the financial year. These five (5) are the only executive officers who meet the disclosure criteria.

Name	Office	Salary	Other (i)	Options Granted (ii)	Total
		$	$	$	$
I Widdicombe	General Manager – Projects	185,185	14,815	12,900	212,900
E Graham	General Manager – Vessels	143,888	11,111	8,600	163,599
D Verboon	General Manager – Slipway	139,363	8,800	8,600	156,763
B Gore	Chief Financial Officer	129,229	9,600	12,900	151,729
L Churchill	Engineering Manager	129,431	14,339	-	143,770

(i) 'Other' includes superannuation, provision of motor vehicles and related fringe benefits tax.

(ii) Options Granted – includes the executive and employee share plan as disclosed in note 25 to the financial statements. The valuation is based on the Black-Scholes model calculated which assumes a willing buyer and a willing seller in an active market. It should be noted that these options are not quoted and not transferable.

Signed in accordance with a resolution of directors made pursuant to S.298(2) of the Corporations Act 2001.

On behalf of the Directors

Alan Birchmore

Chairman

Fremantle, 25 September 2002

Statement of Financial Performance for the Financial Year ended 30 June 2002

	Note	Consolidated 2002 $	Consolidated 2001 $	Company 2002 $	Company 2001 $
Operating Revenue					
Revenue from ordinary activities		49,319,598	27,063,355	11,760,165	1,675,310
Share of revenue from associate's activities		4,787,942	209,985	-	-
Group Revenue		54,107,540	27,273,340	11,760,165	1,675,310
Share of revenue from associate's activities		(4,787,942)	(209,985)	-	-
Total Revenue from Ordinary Activities		49,319,598	27,063,355	11,760,165	1,675,310
Share of net profits of associate accounted for using the equity method	11	594,454	11,740	-	-
Vessel expenses		(13,234,954)	(13,996,737)	-	-
Supply base expenses		(9,719,112)	(2,278,278)	-	-
Engineering and Labour Hire expenses		(22,352,603)	-	(10,145,324)	-
Administrative expenses		(3,092,308)	(4,875,861)	(2,020)	(2,753)
Borrowing costs		(1,485,050)	(1,385,895)	(42,251)	(29,285)
Profit From Ordinary Activities Before Income Tax Expense	2,3	30,025	4,538,324	1,570,570	1,643,272
Income tax (expense) benefit relating to ordinary activities	4	54,971	(1,026,863)	-	(48,712)
Profit From Ordinary Activities After Related Income Tax Expense		84,996	3,511,461	1,570,570	1,594,560
Net Profit		84,996	3,511,461	1,570,570	1,594,560
Net Profit Attributable to Members of the Parent Entity		84,996	3,511,461	1,570,570	1,594,560
Total Changes in Equity Other than those Resulting from Transactions with Owners as Owners.	21	84,996	3,511,461	1,570,570	1,594,560
Earnings Per Share					
- Basic (cents per share)	27	0.10	6.41		
- Diluted (cents per share)	27	0.10	6.36		

Notes to the financial statements are included in pages 30 to 62.

Statement of Financial Position as at 30 June 2002

	Note	Consolidated 2002 $	Consolidated 2001 $	Company 2002 $	Company 2001 $
Current Assets					
Cash assets		2,729,535	10,939,577	1,505,091	10,511,043
Receivables	6	5,487,603	8,544,930	948,828	-
Inventories	7	641,558	483,881	-	-
Other financial assets	8	167,918	240,441	-	1,500,000
Current tax assets	9	57,954	-	-	-
Other	10	647,144	632,934	3,333	-
Total Current Assets		9,731,712	20,841,763	2,457,252	12,011,043
Non-Current Assets					
Investments accounted for using the equity method	11	846,194	251,740	-	-
Other financial assets	8	-	-	32,058,166	14,263,647
Property, plant & equipment	12	64,819,724	46,324,114	-	-
Deferred tax assets	9	518,220	225,938	-	-
Total Non-Current Assets		66,184,138	46,801,792	32,058,166	14,263,647
Total Assets		75,915,850	67,643,555	34,515,418	26,274,690
Current Liabilities					
Payables	14	3,541,682	10,594,879	55,000	522,500
Interest-bearing liabilities	15	2,068,209	1,711,219	-	-
Provisions	16	425,761	2,133,196	-	1,506,648
Current tax liabilities	17	-	512,757	14,225	48,712
Total Current Liabilities		6,035,652	14,952,051	69,225	2,077,860
Non-Current Liabilities					
Payables	14	112,950	-	-	-
Interest-bearing liabilities	15	28,701,872	20,520,369	-	-
Provisions	16	132,930	77,343	-	-
Deferred tax liabilities	17	1,341,474	1,266,609	-	-
Total Non-Current Liabilities		30,289,226	21,864,321	-	-
Total Liabilities		36,324,878	36,816,372	69,225	2,077,860
Net Assets		39,590,972	30,827,183	34,446,193	24,196,830
Equity					
Contributed equity	19	32,562,342	23,883,549	32,562,342	23,883,549
Reserves	20	3,763,956	3,763,956	-	-
Retained profits	21	3,264,674	3,179,678	1,883,851	313,281
Total Equity		39,590,972	30,827,183	34,446,193	24,196,830

Notes to the Financial Statements are included in pages 30 to 62.

Statement of Cash Flows for the Financial Year ended 30 June 2002

	Note	Consolidated		Company	
		2002 $	2001 $	2002 $	2001 $
Cash Flows from Operating Activities					
Receipts from customers		55,315,290	25,043,763	10,619,987	2,240
Interest received		291,634	209,982	246,348	173,068
Payments to suppliers and employees		(51,918,099)	(20,837,495)	(10,673,168)	(2,753)
Income tax paid		(725,652)	(381,554)	(34,492)	-
Interest and other costs of finance paid		(1,624,946)	(1,315,290)	(42,251)	(29,285)
Net Cash Provided By Operating Activities	22(a)	1,338,227	2,719,406	116,424	143,270
Cash Flows from Investing Activities					
Payments for property, plant and equipment		(22,501,629)	(18,243,791)	-	-
Proceeds from sale of property, plant and equipment		30,200	14,500	-	-
Amounts (advanced to) received from related parties		72,523	(229,256)	(13,434,519)	(7,320,677)
Net Cash Provided By / (Used In) Investing Activities		(22,398,906)	(18,458,547)	(13,434,519)	(7,320,677)
Cash Flows from Financing Activities					
Hire purchase proceeds		1,301,867	-	-	-
Hire purchase principal payments		(1,877,694)	(1,446,358)	-	-
Repayment of loans – other persons		-	-	-	-
Dividends paid		(1,506,648)	-	(1,506,648)	-
Proceeds from borrowings		9,114,320	9,774,049	-	-
Proceeds from issue of shares		5,991,890	15,346,050	5,991,888	15,346,050
Payment of Share Issue Costs		(173,098)	-	(173,097)	-
Net Cash Provided By / (Used In) Financing Activities		12,850,637	23,673,741	4,312,143	15,346,050
Net Increase/(Decrease) in Cash Held		(8,210,042)	7,934,600	(9,005,952)	8,168,643
Cash at the Beginning of the financial year		10,939,577	3,004,977	10,511,043	2,342,400
Cash at the End of the financial year	22(b)	2,729,535	10,939,577	1,505,091	10,511,043

Notes to the Financial Statements are included in pages 30 to 62.

1. Summary of Accounting Policies

Financial Reporting Framework

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, applicable Accounting Standards and Urgent Issues Group Consensus Views, and complies with other requirements of the law.
The financial report has been prepared on the basis of historical cost and except where stated, does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Significant Account Policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

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

(a) Accounts Payable

Trade payables and other accounts payable are recognised when the economic entity becomes obliged to make future payments resulting from the purchase of goods and services.

(b) Acquisition of Assets

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.
In the event that settlement of all or part of the cash consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

(c) Capital Gains Tax

No provision has been made for capital gains tax which may arise in the event of sale of revalued assets as no decision has been made to sell any of these assets.

(d) Capitalisation of Borrowing Costs

Borrowing costs directly attributable to capital assets under construction and land held for resale are capitalised as part of the cost of those assets.

(e) Cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 workings days, net of outstanding bank overdrafts.

(f) Depreciation

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land and investment properties. Depreciation is calculated so as to write off the net cost or other revalued amount of each asset over its expected useful life. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter. The following rates are used in the calculation of depreciation;

- Leasehold buildings and improvements 2.38% prime costs
- Vessels 4% diminishing value
- Vessel Refits 10% diminishing value
- Plant and equipment 4-40% prime costs
- Motor vehicles 22.5% diminishing value

(g) Employee Entitlements

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

Provisions made in respect of wages and salaries, annual leave, sick leave, and other employee entitlements expected to be settled within 12 months, are measured at their nominal values. Provisions made in respect of other employee entitlements which are not expected to be settlement with 12 months are measured as the present value of the estimated future cash outflows to be made by the economic entity in respect of services provided by employees up to the reporting date.

(h) Financial Instruments Issued by the Company

Debt and Equity Instruments

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

Transaction Costs on the Issue of Equity Instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate.

Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been used.

Interest and Dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments.

(i) 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 net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows 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 operating cash flows.

(j) Income Tax

Tax-effect accounting principles are adopted whereby income tax expense is calculated on pre-tax accounting profits after adjustment for permanent differences. The tax-effect of timing difference, which occur when items are included or allowed for income tax purposes in a period different to that for accounting is shown at current taxation rate in provision for deferred income tax and future income tax benefit, as applicable.

(k) Interest-Bearing Liabilities

Bills of exchange are recorded at an amount equal to the net proceeds received, with the premium or discount amortised over the period until maturity. Interest expense is recognised on an effective yield basis.

Debentures, bank loans and other loans are recorded at an amount equal to the net proceeds received. Interest expense is recognised on an accrual basis.

Ancillary costs incurred in connection with the arrangement of borrowings are deferred and amortised over the period of the borrowings.

(l) Inventory

Inventory is valued at the lower of cost and net realisable value.

(m) Investments

Investments in controlled entities are recorded at the lower of cost and recoverable amount. Investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the company financial statements. Other investments are recorded at the lower of cost and recoverable amount.

Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on an accrual basis.

(n) Leased Assets

Hire purchase leased assets classified as finance leases are recognised as assets. The amount initially brought to account is the present value of minimum lease payments.

A hire purchase lease is one which effectively transfers from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased property.

Capitalised hire purchase leased assets are depreciated on a reducing balance basis.

Hire purchase lease payments are allocated between interest expense and reduction of lease liability over the term of the lease. The interest expense is determined by applying the interest rate implicit in the lease to the outstanding lease liability at the beginning of each lease payment period.

Operating lease payments are recognised as an expense on a basis which reflects the pattern in which economic benefits from the leased asset are consumed.

(o) Principles of Consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the economic entity, being the company (the parent entity) and its controlled entities as defined in accounting standard AASB 1024 "Consolidated Accounts". A list of controlled entities appears in note 33 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each controlled entity from the date on which the company obtains control and until such time as the company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the economic entity are eliminated in full.

(p) Receivables

Trade receivables and other receivables are recorded at amounts due less any provision for doubtful debts.

Bills of exchange are recorded at amortised cost, with revenue recognised on an effective yield basis.

(q) Recoverable Amount of Non-Current Assets

Non-current assets are written down to recoverable amount where the carrying value of any non-current asset exceeds recoverable amount. In determining the recoverable amount of non-current assets, the expected net cash flows have not been discounted to their present value.

(r) Revenue Recognition

Sale of Goods and Disposal of Assets

Revenue from the sale of goods and disposal of other assets is recognised when the economic entity has passed control of the goods or other assets to the buyer.

Rendering of Services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract.

Contribution of Assets

Revenue arising from the contribution of assets is recognised when the economic entity gains control of the contribution or the right to receive the contribution.

Liabilities Forgiven

The gross amount of a liability forgiven by a credit provider is recognised as revenue.

(s) Changes in Accounting Policies

In accordance with Accounting Standard AASB 1041 "Revaluation of Non-Current Assets", on 1 July 2000 the economic entity changed its policy of accounting for leasehold buildings and improvements. In accordance with the new standard, the economic entity has reverted to the cost basis of measurement. The directors have deemed the carrying amount of the leasehold buildings and improvements as at 1 July 2000 to be cost for financial reporting purposes.

Accordingly, the change in accounting policy does not affect the carrying amount of leasehold buildings and improvements recorded in the Financial Statements. However, the balance of the asset revaluation reserve recorded in the Financial Statements as at 1 July 2000 relating to the previous revaluation of leasehold buildings and improvements, amounting to $3,763,956, is no longer available to absorb any future writedown of leasehold buildings and improvements and has been transferred to a General Reserve.

(t) Goodwill

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable net assets acquired, is amortised on a straight line basis over a period of 10 years.

(u) Project Development Costs

Project development costs are recognised as an expense when incurred, except to the extent that such costs, in relation to the project, are expected, beyond any reasonable doubt, to be recoverable. Any deferred project development costs are amortised over the period in which the corresponding benefits are expected to arise, commencing with the commercial operation of the project.

(v) Joint Venture Operations

Interests in joint venture operations are reported in the financial statements by including the consolidated entity's share of assets employed in the joint ventures, the share of liabilities incurred in relation to the joint ventures and the share of any expenses incurred in relation to joint ventures in their respective classification categories.

2. Profit from Ordinary Activities

	Note	Consolidated 2002 $	Consolidated 2001 $	Company 2002 $	Company 2001 $
Profit from ordinary activities before income tax includes the following items of revenue and expense:					
Operating Revenue					
Rendering of services		47,678,036	26,343,626	11,493,453	-
Rental Revenue		1,202,421	495,247	-	-
Net foreign exchange gain		907	-	-	2,242
Interest – other entities		257,519	209,982	246,347	173,068
Interest – associated entities		20,365	-	20,365	-
Dividends from wholly owned controlled entities		-	-	-	1,500,000
Equity Share of associates' profits		594,454	11,740	-	-
		49,753,702	27,060,595	11,760,165	1,675,310
Non Operating Revenue					
Proceeds from sale of assets:					
Property, plant and equipment		30,200	14,500	-	-
Net transfers from provisions:					
Employee Entitlements		130,150	-	-	-
		160,350	14,500	-	-
Expenses					
Depreciation of non-current assets:					
Leasehold buildings and improvements		337,222	202,818	-	-
Vessels		502,394	324,501	-	-
Vessels – hire purchase		712,441	444,434	-	-
Plant and equipment		661,799	487,319	-	-
Plant and equipment – hire purchase		69,377	57,141	-	-
Net bad and doubtful debts arising from:					
Other entities		113,834	3,500	-	-
Borrowing costs:					
Interest expense – other entities		773,107	757,560	42,251	29,285
Finance charges – lease finance charges		711,943	628,335	-	-
Operating leases – rental expenses		235,953	179,203	-	-
Net transfers to provisions:					
Employee Entitlements		-	953,853	-	-

	Note	Consolidated 2002 $	Consolidated 2001 $	Company 2002 $	Company 2001 $

3. Sales of Assets

Sales of assets in the ordinary course of business have given rise to the following profits and losses

	Note	Consolidated 2002 $	Consolidated 2001 $	Company 2002 $	Company 2001 $
Net Profits					
Property, plant and equipment		-	14,500	-	-
Net Losses					
Property, plant and equipment		23,710	-	-	-

4. Income Tax

The prima facie income tax (expense) benefit on pre-tax accounting profit reconciles to the income tax (expense) benefit in the financial statements as follows:

	Note	Consolidated 2002 $	Consolidated 2001 $	Company 2002 $	Company 2001 $
Profit from Ordinary Activities		30,025	4,538,324	1,570,570	1,643,272
Income tax expense calculated at 30% (2001 34%) of operating profit		(9,008)	(1,543,030)	(471,171)	(558,712)
Permanent differences:					
Permanent depreciation differences		(77,762)	(86,415)	-	-
Entertainment		(10,608)	(7,427)	-	-
Legal		(7,561)	(5,122)	-	-
Other items		(18,426)	(6,947)	-	-
Tax losses transferred from a controlled entity for no consideration		-	-	471,171	-
Future income tax benefit not previously recognised now brought to account		-	20,850	-	-
Provision for deferred income tax no longer required		-	458,480	-	-
Equity share of associates' profit		178,336	3,992	-	-
Rebateable dividend		-	-	-	510,000
		54,971	(1,165,619)	-	(48,712)
Effect on future income tax benefit and provision for deferred income tax due to the change in income tax rate from 34% to 30% (effective 1 July 2001)		-	138,756	-	-
Income tax (expense) benefit attributable to operating profit		54,971	(1,026,863)	-	(48,712)

5. Dividends Provided for or Paid

	2002		2001	
	Cents per Share	Total $	Cents per Share	Total $
Fully Paid Ordinary Shares				
Final dividend - franked to 30% (2001: 34%).	-	-	2.00	1,506,648

	Note	Consolidated		Company	
		2002 $	2001 $	2002 $	2001 $
Adjusted franking account balance		8,048,228	6,557,809	3,151,020	2,305,235

6. Receivables

	2002 $	2001 $	2002 $	2001 $
CURRENT				
Trade receivables	4,686,104	6,716,067	948,828	-
Provision for doubtful debts	(100,000)	(3,500)	-	-
Other receivables	693,529	1,019,099	-	-
Goods and services tax (GST) recoverable	207,970	813,264	-	-
	5,487,603	8,544,930	948,828	-

7. Inventories

	2002 $	2001 $	2002 $	2001 $
Consumables – at cost	641,558	483,881	-	-

8. Other Financial Assets

	2002 $	2001 $	2002 $	2001 $
CURRENT				
Loans – related parties	167,918	240,441	-	-
Non trade receivables from wholly-owned controlled entities	-	-	-	1,500,000
	167,918	240,441	-	1,500,000
NON CURRENT				
Loans - wholly-owned controlled entities	-	-	29,373,555	11,579,036
Shares in associate entity	-	-	240,000	240,000
Shares in controlled entities	-	-	2,444,611	2,444,611
	-	-	32,058,166	14,263,647

	Note	Consolidated 2002 $	Consolidated 2001 $	Company 2002 $	Company 2001 $
9. Tax Assets					
CURRENT					
Income tax receivable		57,954	-	-	-
NON CURRENT					
Future income tax benefit					
Timing differences		242,847	225,938	-	-
Tax losses – revenue		275,373	-	-	-
		518,220	225,938	-	-
10. Other Current Assets					
Deferred project development costs		-	128,144	-	-
Prepayments		647,144	504,790	3,333	-
		647,144	632,934	3,333	-

11. Investments Accounted For Using the Equity Method

Name of Entity	Principal Activity	Ownership Interest 2002 %	Ownership Interest 2001 %	Consolidated Carrying Amount 2002 $	Consolidated Carrying Amount 2001 $
Associates					
Mermaid Labour & Management Pty Ltd	Labour supply and industrial relations management	50	50	846,194	251,740
				846,194	251,740

(i) The 50% equity interest in Mermaid Labour & Management Pty Ltd was acquired on 1 July 2000 for $240,000 by issue for shares.

(ii) Pursuant to a shareholder agreement the company has the right to cast 50% of the votes at shareholder meetings.

(iii) The reporting date of Mermaid Labour & Management Pty Ltd is 30 June 2002.

	Consolidated 2002 $	Consolidated 2001 $
Movement in Investments in Associate		
Equity accounted amount of investment at the beginning of the financial year	251,740	-
Acquisition of interests in associates	-	240,000
Share of profit from ordinary activities before income tax expense	859,506	30,151
Share of income tax expense related to ordinary activities	(265,052)	(18,411)
Equity accounted amount of investment at the end of the financial year	846,194	251,740
Summarised Financial Position of Associates		
Current assets		
Cash	3,102,453	627,998
Receivables	11,552,282	-
Non-current assets		
Plant and equipment	8,664	3,206
Deferred Tax Assets	41,509	15,932
Current liabilities		
Payables	(6,888,457)	(538,830)
Tax liabilities	(70,382)	(36,822)
Provisions	(3,361,608)	-
Other	(2,538,015)	-
Non-current liabilities		
Deferred tax liabilities	(538,053)	-
Net Assets	1,308,393	71,484
Net Profit	1,236,909	71,480
Share of Reserves Attributable to Associates		
Retained profits		
at the beginning of the financial year	11,740	-
at the end of the financial year	606,194	11,740

Contingent Liabilities and Capital Commitments

The economic entity's share of the contingent liabilities, capital commitments and other expenditure commitments of the associate entity are nil.

12. Property, Plant and Equipment

Consolidated	Capital works in progress – leasehold buildings and improvements	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
	$	$	$	$	$	$	$
Gross Carrying Amount							
Balance at 30 June 2001	17,353,016	8,500,000	8,083,229	12,312,856	3,663,849	347,785	50,260,735
Additions	12,637,900	-	4,006,477	2,912,981	1,023,859	251,536	20,832,753
Transfers	-	-	(3,329,256)	3,329,256	-	-	-
Disposals	-	-	(25,000)	(15,037)	(61,991)	-	(102,028)
Balance at 30 June 2002	29,990,916	8,500,000	8,735,450	18,540,056	4,625,717	599,321	70,991,460
Accumulated Depreciation							
Balance at 30 June 2001	(373)	(505,437)	(950,060)	(1,025,053)	(1,271,243)	(184,455)	(3,936,621)
Disposals	-	-	5,703	549	41,866	-	48,118
Transfers	-	-	503,648	(503,648)	-	-	-
Depreciation expense	(135,440)	(201,782)	(502,394)	(712,441)	(661,799)	(69,377)	(2,283,233)
Balance at 30 June 2002	(135,813)	(707,219)	(943,103)	(2,240,593)	(1,891,176)	(253,832)	(6,171,736)
Net Book Value							
As at 30 June 2001	17,352,643	7,994,563	7,133,169	11,287,803	2,392,606	163,330	46,324,114
As at 30 June 2002	29,855,103	7,792,781	7,792,347	16,299,463	2,734,541	345,489	64,819,724

Aggregate depreciation allocated during the year is recognised as an expense and disclosed in Note 2 of the Financial Statements.

Leasehold Buildings and Improvements now carried at cost were valued during 2000 using an independent valuer which assessed the value at $9.65 million.

13. Assets Pledged as Security

In accordance with the security arrangements of liabilities, as disclosed in Note 15 to the financial statements, effectively all non-current assets of the economic entity have been pledged as security, except future income tax benefits.

The economic entity does not hold title to the equipment under finance lease pledged as security.

	Note	Consolidated 2002 $	Consolidated 2001 $	Company 2002 $	Company 2001 $
14. Payables					
CURRENT					
GST Payable		277,730	533,688	55,000	-
Trade payables		1,979,758	6,679,833	-	-
Other payables and accruals		1,284,194	3,381,358	-	522,500
		3,541,682	10,594,879	55,000	522,500
NON CURRENT					
Other payables and accruals		112,950	-	-	-
		112,950	-	-	-
15. Interest-Bearing Liability					
CURRENT					
Hire purchase liability – secured (i)	24(a)	2,068,209	1,711,219	-	-
NON CURRENT					
Hire purchase liability – secured (i)	24(a)	7,801,872	8,734,687	-	-
Bank loan – secured (ii)		20,900,000	11,785,682	-	-
		28,701,872	20,520,369	-	-

(i) The hire purchase liability is secured by a charge over the respective assets.

(ii) The bank loan is secured by mortgage debentures over the assets and undertakings of certain controlled entities, registered ships mortgages over the vessels of certain controlled entities and a registered mortgage by way of sub-demise of the King Bay Base Lease.

	Note	Consolidated 2002 $	Consolidated 2001 $	Company 2002 $	Company 2001 $

16. Provisions

	Consolidated 2002 $	Consolidated 2001 $	Company 2002 $	Company 2001 $
CURRENT PROVISIONS				
Dividends	-	1,506,648	-	1,506,648
Provision for Workers' Compensation	-	15,050	-	-
Employee entitlements (i)	425,761	611,498	-	-
	425,761	2,133,196	-	1,506,648
NON CURRENT PROVISIONS				
Employee entitlements (i)	132,930	77,343	-	-

(i) Employee Entitlements

The aggregate employee entitlements liability recognised and included in the financial statements is as follows:

Provision for Employee entitlements:	Consolidated 2002 $	Consolidated 2001 $	Company 2002 $	Company 2001 $
Current	425,761	611,498	-	-
Non-current	132,930	77,343	-	-
	558,691	688,841	-	-

	Consolidated 2002 No.	Consolidated 2001 No.	Company 2002 No.	Company 2001 No.
Number of employees at end of financial year	94	131	-	-

	Note	Consolidated 2002 $	Consolidated 2001 $	Company 2002 $	Company 2001 $

17. Tax Liabilities

	Consolidated 2002 $	Consolidated 2001 $	Company 2002 $	Company 2001 $
CURRENT TAX LIABILITIES				
Income tax payable	-	512,757	14,225	48,712
DEFERRED TAX LIABILITIES				
Provision for deferred income tax	1,341,474	1,266,609	-	-

18. Capitalised Borrowing Costs

	Consolidated 2002 $	Consolidated 2001 $	Company 2002 $	Company 2001 $
Borrowing costs capitalised during the Financial year	775,786	-	-	-

	Note	Consolidated 2002 $	Consolidated 2001 $	Company 2002 $	Company 2001 $
19. Contributed Equity					
Contributed Equity					
90,402,285 fully paid ordinary shares (2001:75,227,380)		32,562,342	23,825,850	32,562,342	23,825,850
Option premium on options		-	57,699	-	57,699
		32,562,342	23,883,549	32,562,342	23,883,549

	2002 No.	2002 $	2001 No.	2001 $
Fully Paid Ordinary Share Capital				
Balance at beginning of financial year	75,227,380	23,825,850	43,000,000	8,820,000
Issue of shares under listed option plan	5,769,905	4,154,332	-	-
Issue of shares under Director Options (note 25)		2,400,000	1,392,000	-
-				
Issue of shares under executive and employee share option plan (note 25)	505,000	272,461	475,000	288,350
Issue of shares	6,500,000	2,860,000	31,752,380	14,717,500
Option premium on options exercised	-	57,699	-	-
Balance at end of financial year	90,402,285	32,562,342	75,227,380	23,825,850

Fully Paid Ordinary Share Capital

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

Share Capital Issued during the financial year

During the financial year the Company issued 5,769,905 ordinary shares, each fully paid in relation to the exercise of the listed November 2001 Options.

During the financial year the Company issued 2,400,000 ordinary shares, each fully paid in relation to the exercise of Director Options.

During the financial year the Company issued 6,500,000 ordinary shares, each fully paid, to acquire a 50% interest in the Challenge Lay Barge.

During the financial year the Company issued 505,000 ordinary shares, each fully paid, in accordance with the provisions of the Employee Share Option Plan.

	Note	Consolidated 2002 $	Consolidated 2001 $	Company 2002 $	Company 2001 $

19. Contributed Equity (Cont)

Share Options

Refer to Note 25 for details of the Employee Share Option Incentive Plan.

Option Premium

	Consolidated 2002 $	Consolidated 2001 $	Company 2002 $	Company 2001 $
Balance at the beginning of financial year	57,699	-	57,699	-
Issue of Options	-	57,699	-	57,699
Transfer to contributed equity	(57,699)	-	(57,699)	-
Balance at the end of financial year	-	57,699	-	57,699

20. Reserves

(a) Reserves Comprise

	Consolidated 2002 $	Consolidated 2001 $	Company 2002 $	Company 2001 $
Asset revaluation reserve	-	-	-	-
General reserve	3,763,956	3,763,956	-	-
	3,763,956	3,763,956	-	-

(b) Movements in Reserves

Asset revaluation reserve

	Consolidated 2002 $	Consolidated 2001 $	Company 2002 $	Company 2001 $
Balance at the beginning of financial year	-	3,763,956	-	-
Transfer to General reserve	-	(3,763,956)	-	-
Balance at the end of financial year	-	-	-	-

General reserve

	Consolidated 2002 $	Consolidated 2001 $	Company 2002 $	Company 2001 $
Balance at the beginning of financial year	3,763,956	-	-	-
Transfer from Asset revaluation reserve	-	3,763,956	-	-
Balance at the end of financial year	3,763,956	3,763,956	-	-

21. Retained Profits

	Consolidated 2002 $	Consolidated 2001 $	Company 2002 $	Company 2001 $
Balance at beginning of financial year	3,179,678	1,174,865	313,281	225,369
Net Profit	84,996	3,511,461	1,570,570	1,594,560
Dividends provided for or paid	-	(1,506,648)	-	(1,506,648)
Balance at end of financial year	3,264,674	3,179,678	1,883,851	313,281

22. Notes to the Statement of Cash Flow

	Note	Consolidated 2002 $	Consolidated 2001 $	Company 2002 $	Company 2001 $
(a) Reconciliation of Profit from Ordinary Activities After related income tax to net cash flows from operating activities					
Profit from ordinary activities after related income tax		84,996	3,511,461	1,570,570	1,594,560
Depreciation of non current assets		2,283,233	1,516,213	-	-
Provision for employee entitlements		(130,150)	94,564	-	-
(Profit)/Loss on sale of property, plant and equipment		23,710	(14,500)	-	-
Dividend receivable from controlled entity		-	-	-	(1,500,000)
Share of associates' profit		(594,454)	(11,740)	-	-
Increase/(Decrease) Provision for income tax		(570,711)	786,623	(34,483)	48,710
(Increase)/Decrease Future income tax benefit		(292,281)	438,784	-	-
Increase/(Decrease) Provision for deferred tax		74,865	(319,555)	-	-
Changes in net assets and liabilities					
(Increase)/Decrease in assets:					
Current receivables		2,029,963	(3,996,358)	(948,830)	-
Other receivables		332,385	(869,860)	-	-
Prepayments		(142,354)	(341,713)	(3,333)	-
Deferred project development costs		128,144	(128,144)	-	-
Current Inventories		(157,675)	24,968	-	-
Increase/(Decrease) in liabilities:					
Provisions		430,787	15,050	-	-
Current payables		(2,162,231)	2,013,613	(467,500)	-
Net cash flows from operating activities		1,338,227	2,719,406	116,424	143,270
(b) Reconciliation of cash					
Cash balance comprises:					
Cash at bank		2,729,535	10,939,577	1,505,091	10,511,043

(c) Non-Cash Financing and Investing Activities

During the financial year, the economic entity acquired 50% of the Challenge Lay Barge for $2,860,000 by the issue of shares. This acquisition is not reflected in the statement of cash flows.

(d) Financing facilities

	Consolidated 2002 $	Consolidated 2001 $	Company 2002 $	Company 2001 $
Secured loan facilities with various Maturing dates through to 2004 and which may be extended by mutual agreement:				
– Amount used	20,900,000	11,785,682	-	-
– Amount unused	-	9,114,318	-	-
	20,900,000	20,900,000	-	-

	Note	Consolidated 2002 $	Consolidated 2001 $	Company 2002 $	Company 2001 $
22. Notes to the Statement of Cash Flow (cont)					
Secured overdraft facility, reviewed annually and payable at call:					
– Amount used		-	-	-	-
– Amount unused		2,500,000	-	-	-
		2,500,000	-	-	-

23. Expenditure Commitments

(a) Capital Expenditure Commitments

Plant and Equipment					
Not longer than 1 year		-	12,700,000	-	-
Longer than 1 year and not longer than 5 years		-	2,450,000	-	-
		-	15,150,000	-	-

(b) Lease Commitments

Hire purchase liabilities and non-cancellable operating lease commitments are disclosed in note 24 to the financial statements.

24. Leases

(a) Hire Purchase Contracts

Not later than 1 year		2,657,731	2,380,438	-	-
Later than 1 year and not later than 5 years		8,402,265	5,917,422	-	-
Later than 5 years		-	3,760,689	-	-
Minimum future payments		11,059,996	12,058,549	-	-
Less future finance charges		(1,189,915)	(1,612,643)	-	-
Hire purchase liability		9,870,081	10,445,906	-	-
Included in the financial statements as:					
Current interest bearing liability – current (note 15)		2,068,209	1,711,219	-	-
Current interest bearing liability – non current (note 15)		7,801,872	8,734,687	-	-
		9,870,081	10,445,906	-	-

(b) Operating Leases

Not later than 1 year		242,401	247,300	-	-
Later than 1 year and not later than 5 years		458,412	513,262	-	-
Later than 5 years		859,619	596,093	-	-
Aggregate lease expenditure contracted for at balance date		1,560,432	1,356,655	-	-
Aggregate operating lease commitments comprise:					
Office rental commitments		287,763	485,114	-	-
Supply base rental commitments		1,203,467	816,868	-	-
Other		69,202	54,673	-	-
		1,560,432	1,356,655	-	-

CORPORATE OFFICE PREMISES

During the financial year the Company's sub-leased corporate office located at Quarry Street, Fremantle expired.

The Company's Mews Road premises is committed under a 5 year plus 5 year option arrangement commencing 1 May 1999 with an annual rental of $156,961 per annum.

SUPPLY BASE

Supply base rental commitments represents the lease of the King Bay Supply Base for a term of 21 years commencing 1 January 1999 with an option to renew the term for a further period of 21 years.

The Company is obliged to obtain the required approvals under the lease for certain development of works (Development Works) in connection with the expansion of the Dampier Supply Base, within three years of January 1999 being the Date of Commencement. The Company must then complete the Development Works within a further three years.

If the Development Works are not completed within the prescribed period, the Lessor has the right (unless it is satisfied that the non completion was due principally to matters beyond the Company's control) to vary the Lease by retaking 2.3 hectares at the western extremity of the site.

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).

25. Share Option Incentive Plan

A Share Option Incentive Plan has been established where, executives and employees of the consolidated entity with appropriate seniority and length of service have been issued with options over ordinary shares of Mermaid Marine Australia Limited.

The options cannot be transferred and are not quoted on the ASX.

Director Options

Directors are entitled to purchase an aggregate of 150,000 shares in the Company as at 30 June 2002 at an issue price of 80 cents per share if exercised on or before 24 July 2003.

On 12 November 2001 shareholders at an Extraordinary General Meeting of the Company ratified the issue of 150,000 July 2003 Director Options to Mr A Howarth on the terms set out in the Information Memorandum to Shareholders that was incorporated in and comprised part of the Notice of Extraordinary General Meeting and not pursuant to the Employee Share Option Incentive Plan.

During the financial year an aggregate of 2,400,000 Director Options were exercised in accordance with their terms resulting in the issue of 2,400,000 ordinary shares of the Company at 58 cents per ordinary share. The total market value of such shares at the dates of issue was $1,810,000.

Executive Share Options

In accordance with the provisions of the Company's Employee Share Option Incentive Plan ("Employee Option Plan"), as at 30 June 2002 executives are entitled to purchase an aggregate of 220,000 shares in the Company.

The 220,000 shares under option pursuant to the Employee Option Plan, may be purchased within 12 months of 24 November 2001 at an issue price of 69 cents per share. ("November 2002 Executive Officer Options")

During the financial year, an aggregate of 450,000 November 2002 Executive Officer Options were exercised in accordance with the provisions of the Employee Option Plan resulting in the issue of 450,000 ordinary shares of the Company at 58 cents per ordinary share. The total market value of such shares at the dates of issue was $336,000.

Employee Share Options

In accordance with the provisions of the Company's Employee Option Plan, as at 30 June 2002 employees are entitled to purchase an aggregate of 852,500 ordinary shares in the Company.

Of the 852,500 shares under option pursuant to the Employee Option Plan, 392,500 shares may be purchased within two years of 24 November 2000 at an issue price of 58 cents per share and 460,000 shares may be purchased within 1 year of 24 November 2001 at an issue price of 69 cents per share. ("November 2002 Employee Options")

During the financial year an aggregate of 55,000 November 2002 Employee Options were exercised in accordance with the provisions of the Employee Option Plan resulting in the issue of 55,000 ordinary shares of the Company at an issue price of 58 cents per ordinary share. The total market value of such shares at the dates of issue was $42,350.

On 16 October 2001 shareholders at the Annual General Meeting of the Company approved to vary the Company's existing employee share option plan (Employee Share Option Plan 2001).

The principal changes under the Employee Share Option Plan 2001 was the non participation in the plan by directors. Options already issued under the existing Employee Option Plan were unaffected by the alterations.

In accordance with the provisions of the Company's Employee Share Option Plan 2001, as at 30 June 2002 executives and employees are entitled to purchase an aggregate of 2,260,000 ordinary shares in the Company.

The 2,260,000 shares under option pursuant to the Employee Share Option Plan 2001 were issued on 17 May 2002 ("May 2006 Employee Options"). The May 2006 Employee Options are exercisable at 44 cents per share, are not exercisable for one year and have a three year life from their first anniversary of the issue.

The difference between the total market value of options issued during a financial year, at the date of issue, and the total amount received from directors, executives and employees is not recognised in the financial statements except for the purposes of determining directors' and executives' remuneration in respect of that financial year as disclosed in notes 28 and 29 to the financial statements.

Holders of options over unissued shares in the Company do not have the right, by virtue of the option, to participate in any share issue or interest issue of the Company or of any other body corporate or registered scheme.

The market value of Mermaid Marine Australia Limited's ordinary shares at 30 June 2002 was 24 cents.

26. Subsequent Events

Mermaid Clough JV

During the financial year the Company and Clough Engineering Limited formed a joint venture to bid for and undertake shallow water pipeline installation projects off the north coast of Western Australia and the Northern Territory. The establishment of the joint venture entity, Mermaid Clough Pty Ltd, was finalised in August 2002.

During August 2002 Mermaid Clough Pty Ltd received a letter of intent from Apache Energy Ltd ("Apache") for new offshore installation work in the Carnarvon Basin of Western Australia.

The contract was signed in September for the installation and stabilisation of approximately 5.5 kilometres of a 12 and 8 inch pipeline bundle from the Victoria Platform into a tie-in on the Gibson/South Plato to Varanus Island pipeline. The value of the contract is approximately $10 million and is to be completed by late December 2002.

Under the contract Apache has the option to include further scope of works for the installation of the Double Island Pipeline Bundle. This additional work comprises a further 7km pipeline bundle with an estimated value of $7 million and would be completed by January 2003.

Share Placement – PSA Marine

On 29 August 2002, the Company entered into a conditional agreement with PSA Marine (Pte) Ltd, a wholly owned subsidiary of PSA Corporation Limited (successor to the Port of Singapore Authority), for the placement of 23.48 million shares and issue of 6 million options. The shares will be allotted at 30 cents per share and will rank equally with all other shares on issue, raising $7 million.

The Options are exercisable in two tranches. A tranche of 3 million options is exercisable at 31 cents per share with a term of 12 months from their issue date and a further tranche of 3 million options is exercisable at 34 cents per share with a term of 24 months from their issue date.

The Agreement is subject to approval by the Australian Foreign Investment Review Board and

Mermaid's shareholders, which is expected to be completed by no later than November 2002.

Following these approvals PSA Marine will hold an approximate shareholding of 21% in the issued capital of the Company, increasing to approximately 25% upon the exercise of the options.

The $7 million generated by the placement will provide Mermaid Marine with further balance sheet strength and a world class shareholder to advance the marine side of the business.

The financial effect of each of the above events has not been reflected in these financial statements.

27. Earnings Per Share

	2002 Cents per Share	2001 Cents per Share
Basic earnings per share	0.10	6.41
Diluted earnings per share	0.10	6.36

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:

	2002 $	2001 $
Earnings (a)	84,996	3,511,461

	2002 No.	2001 No.
Weighted average number of ordinary shares (b)	82,241,767	54,807,019

(a) Earnings used in the calculation of basic earnings per share reconciles to net profit in the statement of financial performance as follows:

	2002 $	2001 $
Net profit	84,996	3,511,461
Earnings used in the calculation of basic EPS	84,996	3,511,461

(b) The options are considered to be potential ordinary shares and are therefore excluded from the weighted average number of ordinary shares used in the calculation of basic earnings per share. Where dilutive, potential ordinary shares are included in the calculation of diluted earnings per share (refer below).

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:

	2002 $	2001 $
Earnings (a)	84,996	3,511,461

	2002 No.	2001 No.
Weighted average number of ordinary shares and potential ordinary shares (b)	82,241,767	55,242,993

(a) Earnings used in the calculation of diluted earnings per share reconciles to net profit in the statement of financial performance as follows:

	2002 $	2001 $
Net profit	84,996	3,511,461
Earnings used in the calculation of diluted EPS	84,996	3,511,461

(b) Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	2002 No.	2001 No.
Weighted average number of ordinary shares used in the calculation of basic EPS	82,241,767	54,807,019
Shares deemed to be issued for no consideration in respect of:		
Employee Options	-	435,974
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted EPS	82,241,767	55,242,993

(c) The following potential ordinary shares are not dilutive and are therefore excluded fromthe weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share.

	2002 No.	2001 No.
Options	-	6,500,000
Employee Options	3,482,500	225,000
	3,482,500	6,725,000

	Note	Consolidated 2002 $	Consolidated 2001 $	Company 2002 $	Company 2001 $

28. Remuneration of Directors

The directors of Mermaid Marine Australia Limited during the year were:

A G Birchmore
M F Bradley
J H Carver
A J Howarth (appointed 5 July 2001)
J A S Mews
R M Reid
C G Sutherland (alternate non-executive director)
D A Dillon (resigned 11 September 2001)

	Note	Consolidated 2002 $	Consolidated 2001 $	Company 2002 $	Company 2001 $
The aggregate of income paid or payable, or otherwisemade available, in respect of the financial year, to alldirectors of each entity in the economic entity, directly or indirectly, by the entities of which they are directors or any related party.		993,502	727,202		
The aggregate of income paid or payable, or otherwise made available, in respect of the financial year, to all directors of Mermaid Marine Australia Limited, directly or indirectly, by the company or by any related party.				993,502	727,202

The number of directors of Mermaid Marine Australia Limited whose income (including superannuation contributions) falls within the following bands:

	Company 2002 No.	Company 2001 No.
$ 0 - $ 9,999	1	1
$ 20,000 - $ 29,999	-	1
$ 30,000 - $ 39,999	2	1
$ 40,000 - $ 49,999	1	-
$110,000 - $119,999	1	-
$130,000 - $139,999	-	1
$140,000 - $149,999	-	1
$190,000 - $199,999	1	2
$240,000 - $249,999	1	-
$320,000 - $329,999	1	-

	Note	Consolidated 2002 $	Consolidated 2001 $	Company 2002 $	Company 2001 $
29. Remuneration of Executives					
Aggregate remuneration received or due and receivable by executive officers of the economic entity working mainly in Australia whose remuneration is $100,000 or more, from entities in the consolidated entity or a related party, in connection with the management of the affairs of the entities in the consolidated entitywhether as an executive officer or otherwise.		828,761	660,034		
Remuneration received or due and receivable by executive officers of the Company whose remuneration is $100,000 or more, from the Company or any related party, in connection with the management of the affairs of the Company or any related party, whether as an executive officer or otherwise.				828,761	660,034

The number of executives of the consolidated entity and the Company whose remuneration falls within the following bands:

	Consolidated 2002 No.	Consolidated 2001 No.	Company 2002 No.	Company 2001 No.
$110,000 – $119,999	–	1	–	1
$120,000 – $129,999	–	2	–	2
$130,000 – $139,999	–	1	–	1
$140,000 – $149,999	1	–	1	–
$150,000 – $159,999	2	–	2	–
$160,000 – $169,999	1	1	1	1
$210,000 – $219,999	1	–	1	–

	Consolidated 2002 $	Consolidated 2001 $	Company 2002 $	Company 2001 $
30. Auditors Remuneration				
(a) Auditor of the Parent Entity				
Auditing the financial report	69,995	45,000	–	–
Other services	197,320	66,915	–	–
	267,315	111,915	–	–

31. Related Party Transactions

The directors of Mermaid Marine Australia Limited during the financial year were:

A G Birchmore
M F Bradley
J H Carver
A J Howarth (appointed 5 July 2001)
J A S Mews
R M Reid
C G Sutherland (alternate non-executive director)
D A Dillon (resigned11 September 2001)

Interest in the shares of the Company held by directors and their director related entities as at 30 June 2002.

	Mermaid Marine Australia Limited			
	Ordinary Shares		Options Over Ordinary Shares	
	2002 No.	2001 No.	2002 No.	2001 No.
A G Birchmore	11,667,094	13,647,300	-	750,000
M F Bradley	6,666,666	6,666,666	-	500,000
J H Carver	9,891,665	13,631,300	-	520,000
A J Howarth	200,000	-	150,000	-
J A S Mews	1,500,000	1,500,000	-	200,000
R M Reid	-	-	-	200,000
C G Sutherland (alternate non-executive director)	-	-	-	-
D A Dillon	-	1,350,000	-	510,000

The following related party transactions occurred during the financial year:

Transactions with directors and director related entities

(a) Directors Fees

(i) During the year, a total of $112,901 (2001: $102,932) for directors fees were paid to J P Birchmore, a related entity of A G Birchmore. This is reflected in full in note 28 – Remuneration of Directors.

(ii) During the year a total of $37,800 (2001: $26,300) for Directors' fees were paid to Clough Engineering Limited. R M Reid is an executive director of Clough Engineering Limited. This is reflected in full in note 28 – Remuneration of Directors.

(b) Fremantle Premises

(i) The Achiever Partnership, a related entity of A G Birchmore, D A Dillon and J A S Mews, and the Company entered into a formal lease agreement for the lease to the entity of its registered office at 20 Mews Road, Fremantle. The lease agreement contains all other usual contractual provisions that would be expected to be found in a commercial lease of like nature. Mr J Carver ceased to be a partner of the Achiever Partnership from June 2001.

(ii) The term of the lease is 5 years with a 5 year option of renewal in favour of the Company commencing 1 May 1999.

(iii) The Company is responsible for all fitting out, maintenance (except capital works items), rates, taxes, insurance, and other usual variable outgoings.

(iv) The annual rental is $159,961 per annum plus outgoings. Rental is subject to market reviews every 2½ years during the term, although the rental may not decrease.

(v) Rental and outgoings paid during the financial year amounted to $197,251 (2001: $163,754).

(c) During the year, Business Analysts – Australia, an entity of which J H Carver is a director and shareholder, provided consultancy services to the Company upon negotiated commercial terms. Consultancy services paid during the financial year amounted to $144,074 (2001: $83,196). This is reflected in full in Note 28 – Remuneration of Directors.

Transactions with other related parties

Mermaid Labour & Management Pty Ltd

Pursuant to Shareholders Agreement dated 15 June 2000 loans of $167,918 as at 30 June 2002 (30 June 2001: $240,441) were provided to Mermaid Labour & Management Pty Ltd (MLM). The loans are provided on a reimbursement basis and are to be repaid as a priority call by MLM.

Transactions within wholly owned group

The wholly owned group includes:
- the ultimate parent entity in the wholly-owned group; and
- wholly-owned controlled entities.

The ultimate parent entity in the wholly-owned group is Mermaid Marine Australia Limited.

Details of dividend revenue derived by the economic entity from entities in the wholly-owned group are disclosed in Note 2 to the Financial Statements.

Amounts receivable from and payable to entities in the wholly-owned group are disclosed in note 8 to the financial statements.

Other transactions that occurred during the financial year between entities in the wholly-owned group were the provision of services at commercial rates.

Mermaid Marine Australia Limited is the ultimate Australian parent entity.

32. Segment Reporting

	Vessels		Supply Base		Engineering & Labour Hire		Total	
	2002 $	2001 $	2002 $	2001 $	2002 $	2001 $	2002 $	2001 $
Segment Revenues								
Sales to outside customers	17,044,608	24,218,305	6,089,955	2,483,941	25,611,082	35,799	48,745,645	26,738,045
Inter-segment revenue	2,934,173	1,895,109	2,759,882	-	-	-	5,694,055	1,895,109
Share of net profit of equity accounted investments	-	-	-	-	594,454	11,740	594,454	11,740
Total	19,978,781	26,113,414	8,849,837	2,483,941	26,205,536	47,539	55,034,154	28,644,894
Eliminations							(5,694,055)	(1,895,109)
Unallocated							573,953	325,310
Total consolidated revenue							49,914,052	27,075,095

Intersegment services are provided for amounts equal to competitive market prices charged to external customers for similar services

	Vessels 2002 $	Vessels 2001 $	Supply Base 2002 $	Supply Base 2001 $	Engineering & Labour Hire 2002 $	Engineering & Labour Hire 2001 $	Total 2002 $	Total 2001 $
Segment Results								
Segment result	3,622,791	8,349,378	(615,133)	194,912	1,171,283	27,899	4,178,941	8,572,189
Eliminations							(186,011)	-
Total							3,992,930	8,572,189
Unallocated							(3,962,905)	(4,033,865)
Profit from ordinary activities before income tax expenses							30,025	4,538,324
Income tax (expense) / benefit relating to ordinary activities							54,971	(1,026,863)
Profit from ordinary activities after related income tax expense							84,996	3,511,461
Net Profit							84,996	3,511,461
Segment assets and liabilities								
Assets								
Segment assets	30,520,440	29,009,398	40,867,292	27,517,291	1,494,686	379,884	72,882,418	56,906,573
Unallocated assets							3,033,432	10,736,982
							75,915,850	67,643,555

32. Segement Reported (cont)

	Vessels		Supply Base		Engineering & Labour Hire		Unallocated		Total	
	2002 $	2001 $	2002 $	2001 $	2002 $	2001 $	2002 $	2001 $	2002 $	2001 $
Liabilities										
Segment Liabilities	2,883,499	5,170,810	1,272,864	5,605,460	1,960	-	-	-	4,158,323	10,776,270
Unallocated liabilities									32,166,555	26,040,102
									36,324,878	36,816,372
Other segment Information										
Carrying value of equity accounted investments included in segment assets	-	-	-	-	846,194	251,740	-	-	846,194	251,740
Share of net profit of associates accounted for under the equity method	-	-	-	-	594,454	11,740	-	-	594,454	11,740
Acquisition of segment assets	7,264,621	6,499,439	13,020,994	16,347,361	504,100	-	43,038	558,563	20,832,753	23,405,363
Depreciation and amortisation of segment assets	1,594,983	1,150,692	498,259	339,416	66,010	-	123,981	26,105	2,283,233	1,516,213

Geographical segments

The economic entity conducted its business solely within Australia during both financial years.

For a description of services within each business segment please refer to Review of Operations within the Directors' Report.

33. Controlled Entities

	Country of Incorporation	Ownership Interest 2002 %	Ownership Interest 2001 %
Parent Entity			
Mermaid Marine Australia Limited	Australia		
Controlled Entities			
Mermaid Marine Group Pty Ltd *	Australia	100	100
Mermaid Marine Vessel Operations Pty Ltd *	Australia	100	100
Mermaid Marine Pty Ltd *	Australia	100	100
Mermaid Marine Offshore Pty Ltd *	Australia	100	100
Mermaid Marine Charters Pty Ltd *	Australia	100	100
Mermaid Supply Base Pty Ltd *	Australia	100	100
Dampier Stevedoring Pty Ltd	Australia	100	100
Mermaid Manning and Management Pty Ltd	Australia	100	100

* 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 Limited and the controlled entities entered into a Deed of Cross Guarantee on 24 June 1999.

The consolidated statement of financial performance and statement of financial position of entities which are party to the deed of cross guarantee are:

	2002 $	2001 $
Revenue from ordinary activities	49,319,598	27,063,355
Share of net profits of associate accounted for using the equity method	594,454	11,740
Vessel expenses	(13,234,954)	(13,996,737)
Supply base expenses	(9,719,112)	(2,278,278)
Engineering and labour expenses	(22,352,603)	-
Administrative expenses	(3,091,605)	(4,872,523)
Borrowing costs	(1,485,050)	(1,385,895)
Profit From Ordinary Activities Before Income Tax Expense	30,728	4,541,662
Income tax (expense) benefit relating to ordinary activities	54,760	(1,028,417)
Profit From Ordinary Activities After Related Income Tax Expense	85,488	3,513,245
Net Profit	85,488	3,513,245
Net Profit Attributable to Members of the Parent Entity	85,488	3,513,245
Total Changes in Equity Other than those Resulting from Transactions with Owners as Owners.	85,488	3,513,245

	2002 $	2001 $
Current Assets		
Cash assets	2,729,530	10,939,575
Receivables	5,487,603	8,544,930
Inventories	641,558	483,881
Other financial assets	167,918	240,441
Current tax assets	57,954	-
Other	647,144	632,934
Total Current Assets	**9,731,707**	**20,841,761**
Non-Current Assets		
Investments accounted for using the equity method	846,194	251,740
Other financial assets	1,133,824	1,133,774
Property, plant and equipment	64,819,724	46,324,114
Deferred tax assets	514,402	225,938
Total Non-Current Assets	**67,314,144**	**47,935,566**
Total Assets	**77,045,851**	**68,777,327**
Current Liabilities		
Payables	3,541,682	10,594,879
Interest-bearing liabilities	2,068,209	1,711,219
Current tax liabilities	-	516,361
Provisions	425,761	2,133,196
Total Current Liabilities	**6,035,652**	**14,955,655**
Non-Current Liabilities		
Payables	1,250,766	1,138,475
Interest-bearing liabilities	28,701,872	20,520,369
Deferred tax liabilities	1,341,474	1,266,609
Provisions	132,930	77,343
Total Non-Current Liabilities	**31,427,042**	**23,002,796**
Total Liabilities	**37,462,694**	**37,958,451**
Net Assets	**39,583,157**	**30,818,876**
Equity		
Contributed equity	32,562,342	23,883,549
Reserves	3,763,956	3,763,956
Retained profits	3,256,859	3,171,371
Total Equity	39,583,157	30,818,876

34. Financial Instruments

(a) Terms, conditions and accounting policies

The economic entity's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument are as follows:

Recognised Financial Instruments	Statement of Financial Position Notes	Accounting Policies	Terms and Conditions
(i) Financial Assets			
Trade receivables, Other receivables	6	Trade receivables are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full nominal amount is no longer probable.	Credit sales are on 30 day terms.
Loans – related parties	8	Amounts receivable from related parties are carried at nominal amounts due. Interest (when charged) is taken up as income on an accrual basis.	Details of the terms and conditions are set out in note 31.
Shares in controlled entities and associates	8	Investments are recorded at the lower of cost and recoverable amount.	
(ii) Financial Liabilities			
Trade payables	14	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the economic entity.	Trade payables are normally settled by terms ranging from 7 to 30 days.
Other payables and accruals	14	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the economic entity.	Other payables and accruals are normally settled by terms ranging from 7 to 30 days.
Hire purchase liability	15	The hire purchase liability is accounted for in accordance with AASB 1008.	At balance date, the consolidated entity had hire purchase agreements with an average lease term of 3 years at an average discount rate of 7.07%. The security over the respective assets under the hire purchase agreements is disclosed in note 15.
Bank loan – secured	15	The bank loans are carried at the principal amount. Interest is charged as an expense as it accrues, except to the extent that the borrowings relate to the construction of a capital asset. Where interest accrues on borrowings relating to an asset, the interest is capitalised as part of the cost of the asset.	The bank loans have maturity dates of 30 June 2004. Interest is charged at the bank's floating rate. Details of the security over the bank loans is set out in note 15.
(iii) Contributed Equity			
Ordinary shares	19	Ordinary share capital is recognised at the fair value of the consideration received by the company.	Details of shares on issue at balance date are set out in note 19.

There are no unrecognised financial instruments.

34. Financial Instruments (cont)

(b) Interest Rate Risk

The economic entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities as at 30 June 2002 are as follows:

Financial Instruments	Floating Interest Rate	Fixed Interest Rate Maturing in:			Non Interest Bearing	Total carrying amount as per Statement of Financial Position	Weighted Average interest rate
		1 year or less	Over 1 to 5 years	Over 5 years			
	$	$	$	$	$	$	
(i) Financial Assets							
Cash	2,729,535	-	-	-	-	2,729,535	3.58%
Trade receivables	-	-	-	-	4,586,104	4,586,104	n/a
Other receivables	-	-	-	-	693,529	693,529	n/a
Loans – related parties	-	-	-	-	167,918	167,918	n/a
Total Financial Assets	2,729,535	-	-	-	5,447,551	8,177,086	
(ii) Financial Liabilities							
Trade payables	-	-	-	-	1,979,758	1,979,758	n/a
Other payables and accruals	-	-	-	-	1,397,144	1,397,144	n/a
Hire purchase liability	-	2,068,209	7,801,872	-	-	9,870,081	7.07%
Bank loan – secured	20,900,000	-	-	-	-	20,900,000	5.03%
Employee Entitlements	-	-	-	-	558,691	558,691	n/a
Total Financial Liabilities	20,900,000	2,068,209	7,801,872	-	3,935,593	34,705,674	

n/a : not applicable for non-interest bearing financial instruments

34. Financial Instruments (cont)

(b) Interest Rate Risk (continued)

The economic entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities as at 30 June 2001 are as follows:

Financial Instruments	Floating Interest Rate	Fixed Interest Rate Maturing in:			Non Interest Bearing	Total carrying amount as per Statement of Financial Position	Weighted Average interest rate
	$	1 year or less $	Over 1 to 5 years $	Over 5 years $	$	$	
(i) Financial Assets							
Cash	10,939,577	-	-	-	-	10,939,577	5.0%
Trade receivables	-	-	-	-	6,712,567	6,712,567	n/a
Other receivables	-	-	-	-	1,019,099	1,019,099	n/a
Loans – related parties	-	-	-	-	240,441	240,441	n/a
Total Financial Assets	10,939,577	-	-	-	7,972,107	18,911,684	
(ii) Financial Liabilities							
Trade payables	-	-	-	-	6,679,833	6,679,833	n/a
Other payables and accruals	-	-	-	-	3,381,358	3,381,358	n/a
Hire purchase liability	-	1,711,219	8,734,687	-	-	10,445,906	8.12%
Bank loan – secured	11,785,682	-	-	-	-	11,785,682	5.61%
Loans – other	-	-	-	-	-	-	n/a
Employee Entitlements	-	-	-	-	688,841	688,841	n/a
Total Financial Liabilities	11,785,682	1,711,219	8,734,687	-	10,750,032	32,981,620	

n/a : not applicable for non-interest bearing financial instruments

34. Financial Instruments (continued)

(c) Net fair values

The aggregate net fair values of financial assets and liabilities are identical to the carrying amount in the Statement of Financial Position.

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities:

Cash and cash equivalents

The carrying amount approximates fair value because of their short term to maturity.

Trade receivables, other receivables and loans

The carrying amount approximates fair value.

Investments

For investments where there is no quoted market price, a reasonable estimate of the fair value is calculated based on the underlying net asset base of the investment.

Trade payables, other payables and accruals

The carrying amount approximates fair value.

(d) Credit risk exposures

The economic entity's maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the statement of financial position.

35. Contingent Liabilities

	2002 $	2001 $
As detailed in Note 33, the company has entered into a deed of cross-guarantee with certain wholly-owned controlled entities. The total liabilities of these wholly-owned controlled entities (excluding amounts owed to the parent entity) for which the Company is potentially liable are:	36,359,472	34,742,120

36. Joint Venture Operations

		Output Interest	
Name of Entity	Principal Activity	2002 %	2001 %
Challenge Laybarge	Shallow water pipeline installation	50	-

The consolidated entity's interest in assets employed in the above joint venture operations is detailed below. The amounts are included in the financial statements and consolidated financial statements under their respective asset categories:

	Company	
	2002 $	2001 $
Non Current Assets		
Property, Plant and Equipment	2,860,000	-
Total Assets	2,860,000	-

Contingent Liabilities and Capital Commitments

The economic entity's share of the contingent liabilities, capital commitments and other expenditure commitments of the joint venture operation are nil.

Directors' Declaration

The directors declare that:

a) The attached financial statements and notes thereto comply with Accounting Standards;

b) The attached financial statements and notes thereto give a true and fair view of the financial position and performance of the company and the consolidated entity;

c) In the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001; and

d) 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.

At the date of this declaration the company is within the class of companies affected by the 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 33 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.

On behalf of the directors

Alan Birchmore
Chairman

Fremantle, 25 September 2002

Additional Stock Exchange Information

As at 25 September 2002

Ordinary Share Capital

- 90,402,285 fully paid ordinary shares are held by 2,000 individual shareholders. All issued ordinary shares carry one vote per share.

SUBSTANTIAL SHAREHOLDERS

	Number of Shares	% of Issued Capital
Clough Engineering Ltd	20,807,385	23.02
Delmark Investments Pty Ltd	11,115,300	12.30
Mr James Henry Carver	9,891,665	10.94
Mr Mark Bradley	6,666,666	7.37

DISTRIBUTION OF MEMBERS AND THEIR HOLDINGS

Size of Holding	Number of ordinary shareholders
1 to 1,000	96
1,001 to 5,000	584
5,001 to 10,000	520
10,001 to 100,000	746
100,001 and over	54
Total	2,000

TWENTY LARGEST SHAREHOLDERS

	Number of Shares	% of Issued Capital
Clough Engineering Ltd	20,807,385	23.02
Delmark Investments Pty Ltd	11,115,300	12.30
Mr James Henry Carver	9,891,665	10.94
Mr Mark Bradley	6,666,666	7.37
JAS & BL Mews	1,500,000	1.66
Commonwealth Custodial Services Limited	1,191,000	1.32
Mrs Marina Katy Carver	850,000	0.94
Neja Pty Ltd	600,000	0.66
Mr Alan Gordon Birchmore	500,000	0.55
Haddon Campbell Pty Ltd	400,000	0.44
Invia Custodian Pty Limited (Kasebta Pty Ltd A/C)	400,000	0.44
Malla Pty Ltd	400,000	0.44
Chriswall Holdings Pty Limited	360,000	0.40
Cognet Nominees Pty Limited	355,798	0.39
Tower Trust Limited	343,250	0.38
Invia Custodian Pty Limited (White A/C)	310,000	0.34
Benom Pty Limited	300,000	0.33
UBS Warburg Private Clients Nominees Pty Ltd	288,800	0.32
Jeslands Investments Pty Ltd	283,500	0.31
Victoria Park Investments Pty Ltd	271,136	0.30
Total	56,834,500	62.85

Voting Rights

All ordinary shares carry one vote per share without restriction.

Shareholder Enquiries

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

Computershare Investor Services
Level 2
45 St Georges Terrace
PERTH WA 6000
GPO Box D182
PERTH WA 6840
Telephone: (08) 9323 2000
Facsimile: (08) 9323 2033

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 Stock Exchange.

PUBLICATIONS

The Annual Report is the main source of information for shareholders.

Independent Audit Report to the Members

Scope

We have audited the financial report of Mermaid Marine Australia Limited for the financial year ended 30 June 2002 as set out on pages 27 to 63. The financial report includes the consolidated financial statements 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. The company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of Mermaid Marine Australia Limited is in accordance with:

(a) the Corporations Act 2001, including:

- (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2002 and of their performance for the year ended on that date; and
- (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

DELOITTE TOUCHE TOHMATSU

K F JONES Partner
Chartered Accountants
Perth
27 September 2002

The liability of Deloitte Touche Tohmatsu, is limited by, and to the extent of, the Accountants' Scheme under the Professional Standards Act 1994 (NSW).

MERMAID MARINE
AUSTRALIA LIMITED

ACN 083 185 693