Annual Report 2011

MERMAID MARINE
AUSTRALIA LTD

Mermaid Marine Australia Limited

ABN 21 083 185 693

Corporate Directory

DIRECTORS

Tony Howarth
Chairman

Jeffrey Weber
Managing Director

James Carver
Executive Director

Mark Bradley
Non-Executive Director

Andrew Edwards
Non-Executive Director

COMPANY SECRETARY

Dylan Darbyshire-Roberts

Registered Office

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Auditors

Deloitte Touche Tohmatsu
Chartered Accountants
Level 14, Woodside Plaza
240 St Georges Terrace
PERTH WA 6000
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Fax: 61 8 9365 7001

Solicitors

Blake Dawson
Level 32, Exchange Plaza
2 The Esplanade
PERTH WA 6000
Tel: 61 8 9366 8000
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Bankers

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PERTH WA 6000
Tel: 1300 889 398
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About the cover: Mermaid Reliance towing the Mermaid Regent (fuel barge) in Dampier, Western Australia. The Company was awarded a contract during the year to deliver fuel to Barrow Island to support the Gorgon Project.

The fuel barge is the first of its kind in this type of operation, it has been designed specifically to meet the stringent requirements put in place for Barrow Island as part of the Gorgon Project. As part of the Project, Mermaid Marine's Projects Department managed the entire process from concept through design, conversion, commissioning then delivery from Singapore to Dampier. The fuel barge is now in operation supplying fuel to the island on a regular rotation.

Contents

Vision and Values

To create value for our shareholders, clients, employees and suppliers by providing a range of marine related services safely, professionally and competitively.

Our Mission

To differentiate and grow our Company by providing a superior level of service that encompasses the following key strategies:

- Relentless focus on safety and a culture of mutual responsibility
- Awareness of our natural and working environment with a goal of minimal impact
- Understanding our clients' current and emerging requirements
- Providing a working environment for our employees that is safe and fulfilling, acknowledges good performance and presents opportunities for advancement
- Clarity in our key business processes and a system of continuous review and improvement
- Development and maintenance of effective infrastructure and equipment
- Meeting our responsibilities to the community and the relevant regulatory authorities

Our Values

People

We acknowledge that success is founded on the commitment and endeavour of the people who work for the Company and with the Company.

Integrity

Our "license to operate" is dependent upon the integrity of our people, our management systems and our governance systems, all of which guide the overall performance of the Company.

Initiative and Flexibility

We recognise that superior service is dependent upon the ability to address our clients' current and emerging requirements creatively and with a willingness to explore new possibilities. We accept change as a necessary and natural progression towards improved performance.

Performance

We encourage performance excellence and understand that our success and ability to grow is contingent upon professional and diligent execution of our core business.

About Mermaid Marine

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

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

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

Over the past 5 years, MMA has invested over $300 million in a fleet renewal and infrastructure development program ensuring it can meet the emerging requirements in Australia's offshore oil and gas industry.

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

Vessel Operations

MMA owns and operates over 30 vessels throughout Australia and internationally.

MMA has a range of vessels available for charter including:

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

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

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

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

Supply Bases

MMA operates strategically located supply bases in Dampier and Broome.

Spanning 17 hectares, MMA's Dampier Supply Base has a 6 berth wharf facility, open sealed laydown areas, undercover storage and offices capable of servicing the array of vessels engaged in offshore support activities.

MMA is in the unique position of being able to offer its clients in the North West Shelf the full range of marine logistics services from vessel support and supply base services, to ship repair and maintenance facilities.

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

Slipway

MMA's Dampier Slipway is strategically located at the Dampier Supply Base and is capable of docking vessels up to 3,200 tonne displacement.

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

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

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

The Slipway commenced operations in 2001 and has docked over 500 vessels in that time.

Highlights for FY11

Revenue up 48.7% to
$289.1m

Net profit after tax up 37.1% to
$43.2m

Earnings per share up 24.1% to
21.1c

Full year dividend up 12.5% to
9cps

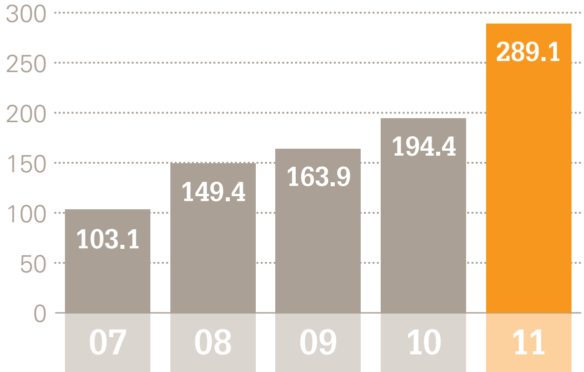
Operating cashflow up 53.8% to
$79.5m

Cash at bank up 105.6% to
$55.1m

Financial Highlights

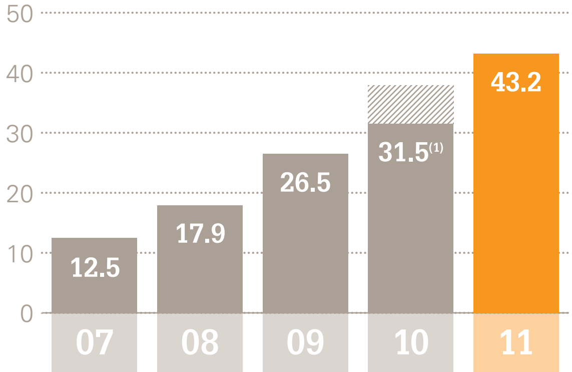
Revenue ($m)

CAGR* 29%



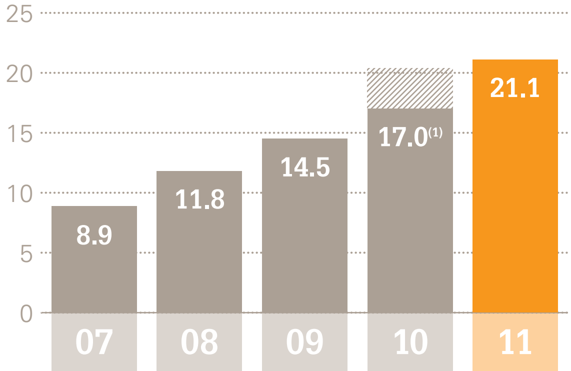
Net profit after tax ($m)

CAGR 36%



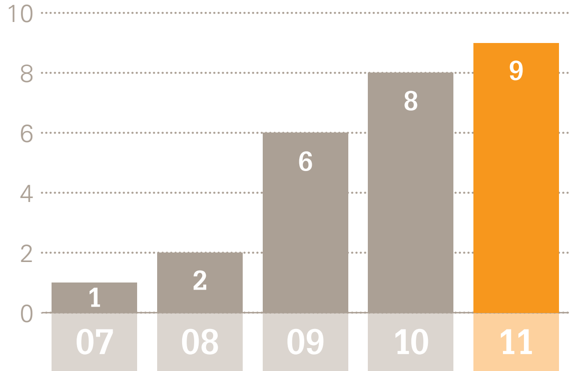
Earnings per share (cents)

CAGR 24%

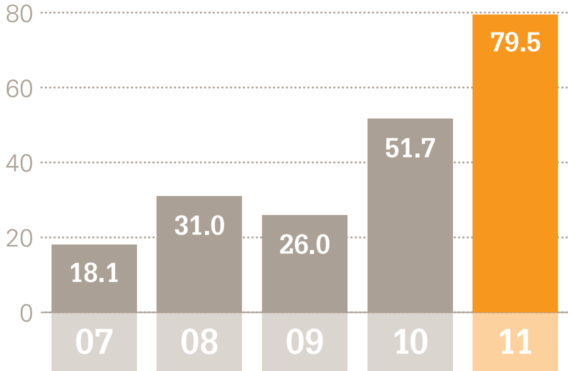


Dividends per share (cents)

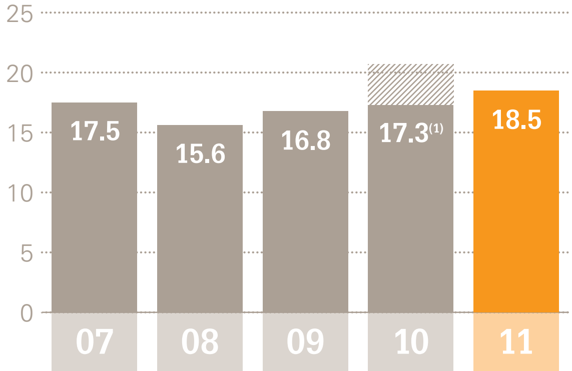
CAGR 73%



Operating cashflow ($m)



Return on equity (%)



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

*CAGR - compound annual growth rate.

MMA Board of Directors

Left to right: Andrew Edwards, Mark Bradley, Tony Howarth, Jeff Weber and James Carver.

MMA continues to have a focused strategy to grow its integrated oil and gas marine services business, both within Australia and internationally.

Chairman's Address

It gives me great pleasure to present the Annual Report for Mermaid Marine Australia Ltd ("MMA") for the year ended 30 June 2011. MMA continued its track record of consistent earnings growth, delivering a strong result for MMA shareholders in 2011.

Net Profit after Tax ("NPAT") for the year increased to $43.2 million and Earnings per Share ("EPS") increased to 21.1 cents per share.

I am pleased to advise that MMA has again increased the dividend payment to shareholders this year. The Company has declared a final fully franked dividend of 5 cents per share, bringing the total for the year to 9 cents per share, an increase of 12.5% on last year.

Oil and gas activity in the North West Shelf has been buoyant as construction of the $43 billion Gorgon LNG Project ramped up, driving strong demand for MMA's services.

MMA continued to provide a range of production and offtake support services to oil and gas companies in the region and signed a number of major new long term contracts during the year. MMA's strategy is to maintain a balanced portfolio of work across the exploration, construction and production sectors of the oil and gas development cycle and a mix of long term contracts and shorter term, higher margin spot work.

MMA continued to invest in its fleet, adding a number of new vessels during the year. Significantly, MMA commenced executing on its strategy of expanding into the Platform Supply Vessel market with a new 75 metre PSV, the Mermaid Leveque, delivered in June 2011. The PSV is the second of its type in our fleet and significantly expands the Company's capabilities in relation to offshore drilling and construction support. This is an important step in delivering on our strategy.

Upgrades to the Dampier Supply Base have been ongoing, with our clients benefitting from improved laydown areas, access roads and wharf infrastructure. Demand for our wharf facilities is consistently high and MMA continues to provide a critical support role in Dampier for the oil and gas industry.

A key challenge of operating in Dampier however, is the increasing pressure on costs due to a severe shortage of housing and social services in the area. Lack of planning by Governments has meant that insufficient land has been released to meet the demand for housing in the region, driving house prices and rents to levels which make it one of the most expensive places to live in Australia. This is an ongoing challenge for employers as cost of living pressures flow through to wage increases and ultimately to the costs of doing business in the region.

Union activity has also become increasingly challenging with significant wage claims and demands for significant control in the operations of the business and no real consideration of workplace flexibility or productivity. The Fair Work Act does not critically analyse the good faith bargaining precept before allowing protected action, which results in increased strike action and a more difficult environment in which to settle disputes. Up until the recent industrial action on the Dampier Supply Base, MMA had been able to negotiate numerous Enterprise Agreements without unions and employees resorting to strike action.

MMA developed a new 5 Year Strategic Plan during the year and continues to have a focused strategy to grow its integrated oil and gas marine services business, both within Australia and internationally.

Offshore oil and gas activity in Australia is expected to remain strong, with a large number of projects flagged for development in the North West Shelf and Browse Basin. MMA, with its modern fleet of vessels and strategically located supply bases at Dampier and Broome, is well placed to take advantage of continued strong activity in the region. Internationally, MMA continues to pursue opportunities to expand and provide high quality marine solutions to clients.

The Company is in a strong financial position, having raised $64 million in new capital by way of an institutional placement and share purchase plan in October 2010, and is well placed for future growth.

The ongoing success of this Company is in no small part attributable to our devoted and competent management team, led by Managing Director, Mr Jeff Weber. I would like to thank all staff and management for their contribution to the MMA business during the year. I would also like to thank my fellow Directors for their support, dedication and counsel during what was another successful year for the Company.

We look forward to FY12 as we strive to deliver continued strong returns for our shareholders.

Tony Howarth AO

Chairman

Managing Director's Review of Operations

The Company generated a Total Shareholder Return of 29.1% for the financial year, outperforming the S&P/ASX200 Index.

MMA continued its track record of strong growth in earnings with a 36% compound annual growth rate in Net Profit after Tax ("NPAT") over the past five years. The Company generated a Total Shareholder Return ("TSR") of 29.1% for the 2011 financial year, outperforming the S&P/ASX200 Index which generated a 16% return over the same period.

Revenue for the year increased by 49% to $289.1 million and EBIT increased by 36% to $69.8 million. NPAT for the year increased by 37% to $43.2 million and Earnings per Share ("EPS") increased by 24% to 21.1c per share on a normalised basis.

As highlighted in the Chairman's address, MMA will again increase its dividend, declaring a final fully franked dividend of 5 cents per share, bringing the total dividend for the year to 9 cents per share.

Return on assets increased to 16.4% up from 15.1% in the previous year. Return on equity also increased to 18.5%.

MMA's balance sheet remains strong with cash at bank of $55.1 million as at 30 June 2011 and relatively low gearing of 29.4% following a $64 million capital raising in October 2010.

Return on assets

16.4%

Cash at bank

$55.1m

Operating Highlights

The 2011 financial year saw strong demand for MMA's services across each of the Vessels, Supply Base and Slipway divisions.

Vessel Operations

Strong demand for MMA's services during the year generated continued high fleet utilisation averaging approximately 81% across the overall fleet.

EBIT from vessel operations was $42.6 million, an increase of 15% on the previous year and representing approximately 56% of the divisional group EBIT in FY11.

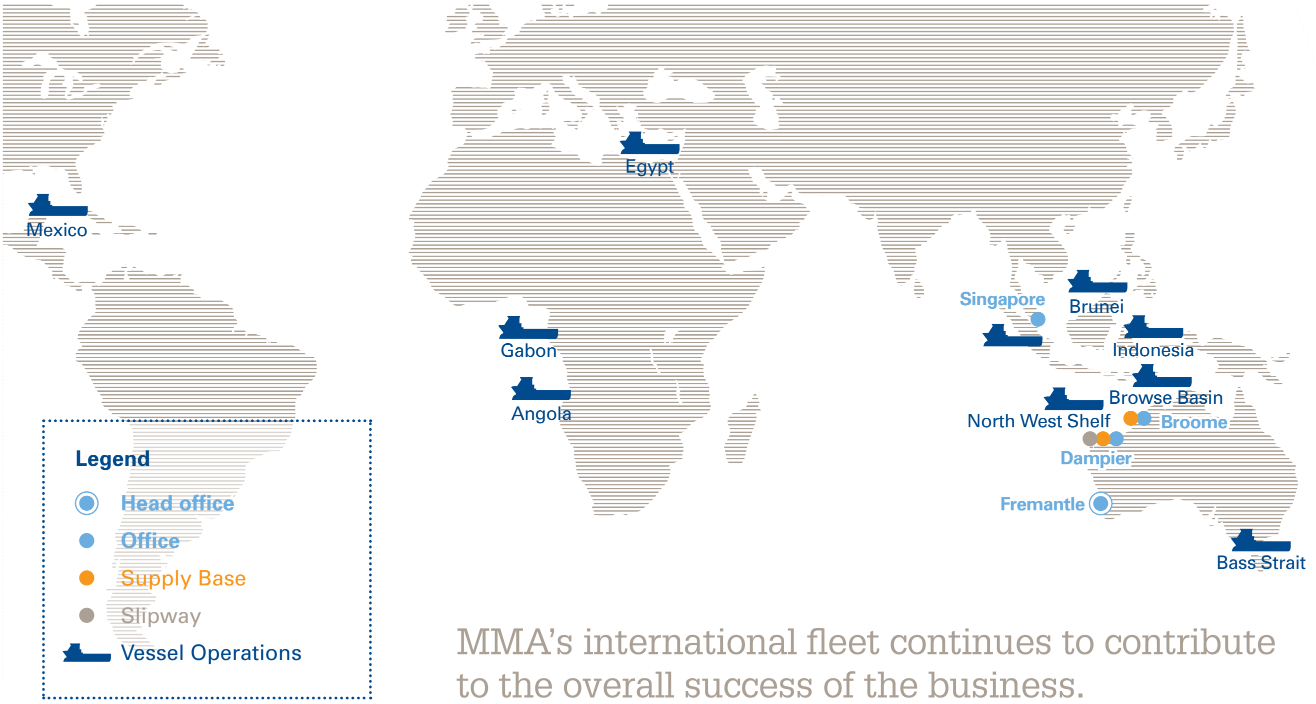
Construction of the Gorgon Project ramped up during the year and MMA provided a range of vessels to support the Project. The Gorgon Project presents some unique logistical issues, given that it is being developed on Barrow Island, a Class A nature reserve. MMA's Marine Projects department has developed a number of unique and customised marine solutions for this Project.

During the first quarter of FY11, MMA was awarded a three year contract by Chevron to transport fuel to Barrow Island. The contract commenced in May 2011 and will generate revenue of more than $80 million over the initial three year term, with an option to extend for a further 12 months. MMA was also awarded contracts to transport cargo from the mainland to Barrow Island for the Project. The Mermaid Vision has recently been transformed into an offshore desalination plant, providing an environmentally friendly and secure supply of water to the Project.

The 2011 Financial Year saw strong demand for MMA's services across each of the Vessels, Supply Base and Slipway divisions.

Managing Director's Review of Operations

MMA has established operations in the North West Shelf and Browse Basin regions of Western Australia with an increasing international presence.



MMA's international fleet continues to contribute to the overall success of the business.

MMA continued its fleet expansion strategy, with the purchase of a further two vessels during the 2011 financial year. A major milestone was the delivery in June 2011 of the Mermaid Leveque, a new 75 metre DP II Platform Supply Vessel (PSV). The PSV is equipped with a diesel electric drive train, which delivers a high level of reliability, flexibility and fuel efficiency in operation. The vessel represents a new level of sophistication and capability for MMA's clients and is the first step in our overall PSV strategy.

A further vessel, the Mermaid Strait, a 53m DP1 OSV, is currently under construction and is expected to be delivered in April 2012. MMA's Marine Projects department have taken experience from the purpose built Mermaid Sound and specifically designed the Mermaid Strait to include modifications that further enhance the safety of the vessel, especially when working in close quarters with large tankers. In addition, the new design offers more flexibility in relation to the range of functions the vessel can perform.

MMA's Marine Projects department also completed a range of complex and innovative modification and design projects during the year. This application of knowledge and experience to design and deliver unique marine solutions is a key strength of the Company and a key area of future growth.

During the year, MMA built on its portfolio of contracted, production support work with two major FPSO support contracts secured with Woodside. The contracts are both for a term of three years firm, with two options of one year each. The Mermaid Sound commenced its new contract in June 2011. The Mermaid Resolution has commenced the second contract and will be replaced by the Mermaid Strait when it joins the fleet. With this vessel now committed with Woodside, the Company has commenced construction of an additional sister vessel, which is expected to be completed by December 2012.

MMA continued to supplement its fleet with an appropriate mix of chartered vessels during the year. In particular, a number of barges have been chartered in to support MMA's tug and barge operations for the Gorgon Project.

MMA's international fleet continues to contribute to the overall success of the business. The Mermaid Vigilance, Mermaid Discovery and Mermaid Vanquish supported a large seismic project with Geokinetics in Indonesia during the year. At the conclusion of that contract, the Vigilance moved on to a contract in Mexico, and the Discovery and Vanquish are currently working in Brunei.

In addition to its ongoing international work with Geokinetics, MMA recently commenced a contract for the provision of a 132 man Multi-Purpose Support Vessel, the Crest Odyssey II, to support Geokinetics' seismic work for the Woodside Browse Project. The Mermaid Investigator will also operate as a supply vessel for this contract.

The international offshore support vessel market is still relatively challenging, with charter rates and utilisation levels remaining low. In this environment, to have a positive contribution from our international business is a testament to MMA's operating ability.

International operations contributed approximately $25 million in revenue during the 2011 financial year, slightly down on the prior year.

MMA continues to seek opportunities to selectively grow its vessel business internationally, focusing on the high value, non-commoditised end of the market.

Dampier Supply Base

Strong demand for supply base services during the year, resulted in high utilisation across the Base. EBIT increased by 52% to $30.4 million as MMA's ongoing capital investment in the Base delivered a strong return.

Wharf utilisation remained consistent throughout the year, reflecting increased activity relating to the Gorgon Project construction activities, drilling campaigns by Apache, Chevron, Hess and BHP, as well as ongoing production support work.

During the year, MMA secured a major long term contract for the provision of supply base services in support of Chevron's exploration and production drilling activities in the North West Shelf and ongoing production facilities on Thevenard Island. The contract is for an initial 3.5 year term, with options to extend. This is in addition to the existing supply base services provided by MMA to the Gorgon Project.

The Company was also awarded a contract with Allseas for the provision of supply base services to support the Gorgon Jansz Pipelay Project. The contract is for the full range of supply base services including stevedoring, storage and fuel and water supply and is expected to continue for three years.

Recent industrial activity affected operations at the Supply Base with a number of days lost to industrial activity. MMA is committed to a fair and reasonable outcome for its employees and recently settled the major issues around pay and conditions, and is now focused on finalising the agreement in a timely manner.

A major milestone was the delivery in June 2011 of the Mermaid Leveque, a new 75 metre DP II Platform Supply Vessel (PSV).

Managing Director's Review of Operations

Aerial of Broome Supply Base

Broome Supply Base (Joint Venture between MMA and Toll Holdings Ltd)

Drilling activity in the Browse Basin was limited during FY11 and the Broome Supply Base reported a small loss for the year.

Activity is expected to increase in FY12, with Conoco Philips announcing a five to eight well drilling campaign commencing in the second quarter of FY12, with drilling operations estimated to run for up to two years.

Several major projects are also planned for the region. Shell's Prelude Floating LNG Project received final investment approval in May 2011 and final investment decisions are expected on INPEX's Ichthys Project by the end of 2011 and Woodside's Browse Project by mid 2012.

Broome continues to be a strategic asset for MMA and is ideally positioned to service future projected growth in the Browse Basin.

Dampier Slipway

The Slipway delivered a strong financial performance during the year, with an increased number of vessels operating in the region generating increased demand for services. EBIT for the 2011 financial year was $2.9 million, up from $1.0 million in FY10.

Over the course of the year a total of 42 vessels were docked.

MMA continues to invest in improvements at the Slipway to increase both productivity and the safety of our workforce.

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

Outlook

Offshore oil and gas activity in the region is expected to remain strong, with over $170 billion of expenditure forecast on a range of construction projects in the North West Shelf, Browse Basin and Timor Sea over the next seven years.

Construction of the $43 billion Gorgon Project is expected to continue through 2013. Chevron has also confirmed that it is on track to make a final investment decision on its $18 billion Wheatstone LNG Project during 2011, having recently signed a firm offtake deal with Tokyo Electric Power Company for 35% of its total initial production of LNG. Sapura Acergy is scheduled to commence development of the Montara Development Project in the Timor Sea in September 2011 and BHP Billiton's Macedon Project is expected to commence in the first quarter of 2012.

With this extensive pipeline of new projects, MMA looks forward to continued earnings growth in the 2012 financial year.

People

Last but not least, a major contributor to the success of MMA continues to be its people. MMA strives to be seen as an "Employer of Choice" and has had a strong track record of attracting and retaining high calibre personnel. This becomes even more important given the current skills shortages being experienced in Western Australia.

I would like to take this opportunity to recognise the Executive Management Team and all MMA staff for their very important contribution to a successful year for MMA.

I would also like to thank the Board of Directors for their ongoing counsel and support during the year.

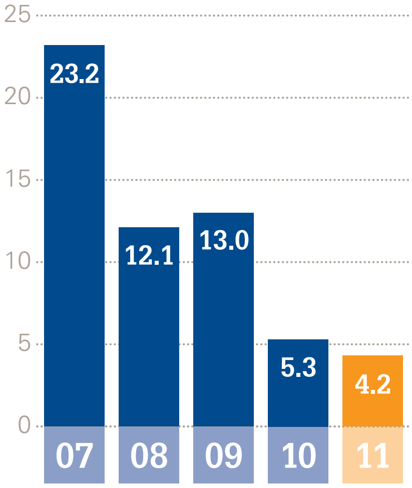
Jeffrey Weber

Managing Director

Strong demand for supply base services during the year, resulted in high utilisation across the Dampier Supply Base.

Health & Safety, Environment and Community

Safety: Total Recordable Case Frequency



Health & Safety

MMA is committed to providing a safe, secure and healthy workplace and to eliminating conditions and incidents that could result in personal injury or ill health.

The safety of MMA's employees and contractors is MMA's highest priority and is reflected in our "Stop Work Obligation Program", which empowers all employees to identify and call a stop to any potentially unsafe operations.

MMA has a dedicated HSEQ (Health, Safety, Environment and Quality) Department, which works together with all employees and contractors, with the aim of achieving best practice in all operations.

MMA has a robust suite of safety policies and procedures that guide activities across the organisation. The Company however, recognises that policies and procedures are not sufficient in themselves and that the ultimate objective is for people to operate safely because it is important to them, as opposed to something they are required to do.

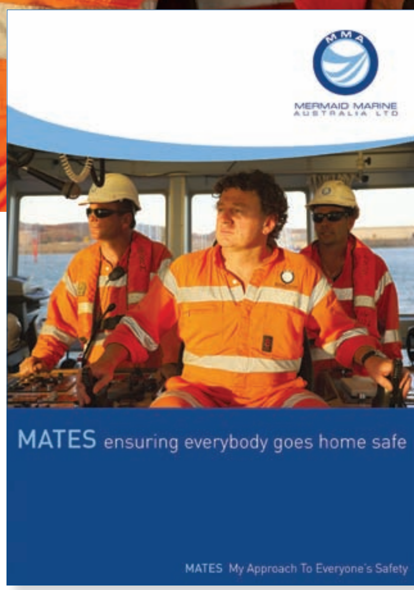
MMA has taken an important step in continually improving safety across the organisation, with the recent introduction of a tailored Behavioural Based Safety System. This was the result of extensive work undertaken by the HSEQ Department in consultation with the MMA workforce, to develop a system that fit with the organisation's operations and had comprehensive employee buy in. "MATES", My Approach To Everyone's Safety, encourages employees and contractors to monitor each other's safety and encourages behavioural observations to be undertaken, promoting an open learning culture through the identification and reduction of unsafe behaviours occurring in the workplace. The MATES observations reinforce safe behaviours and assist in identifying the causes of unsafe behaviour. The MATES system has been implemented across the Supply Base and is progressively being introduced across the vessel operations.

MMA's Total Recordable Case Frequency further reduced in FY11 to 4.2, representing a reduction of 21% on last year and 82% over the past five years.

This improvement in MMA's safety record is a result of the implementation of the Behavioural Based Safety System, along with a suite of other initiatives, including:

- A Verification of Competency Program – has been introduced on MMA's Dampier Supply Base for all mobile equipment. In addition to the minimum statutory equipment operating requirements, this process involves the onsite training and verification of the competency of personnel in the use of dedicated operating equipment.
- MMA's Permit to Work Management System has been restructured through a working group consisting of Safety Advisors and MMA employee representatives to streamline the permit approval processes, whilst maintaining critical control over our high risk operations.
- Online HSE Induction Packages have been rolled out across all operating departments, enabling inductions to be conducted both remotely and on site. This expedites the induction process for contractors who are also able to view and complete required HSE inductions, prior to arriving on site.
- HSE Passports have been developed providing employees with a toolkit of critical safety tools on them at all times. The HSE Passports include personal step back 5 x 5 cards, verification of competency record, MMA's cardinal rules and other safety tools for employees to utilise.

MMA is committed to providing a safe, secure and healthy workplace and to eliminating conditions and incidents that could result in personal injury or ill health.



MATES - My Approach To Everyone's Safety

MMA has taken an important step in continually improving safety across the organisation, with the recent introduction of a tailored Behavioural Based Safety System.

Notwithstanding the improvements and ongoing initiatives being implemented through the organisation, the continued growth of MMA's operations presents ongoing challenges in the area of safety management. This highlights the importance of a structured safety improvement program, providing policies and procedures to ensure that employees have the systems available to conduct all tasks in a safe manner. This element of safety management is supported by MMA's HSEQ Annual Plan and endorsed by the MMA Board of Directors.

Environment

MMA's commitment to environmentally sustainable development is demonstrated within its management plans, procedures and policies. The Company's Environmental Management System (EMS) is integrated into the Integrated Business Management System. The EMS is aligned to ISO 14001, with formal certification to this international standard set as a primary environmental goal for the upcoming year.

To ensure that MMA's activities are undertaken with minimal environmental impact, MMA has a comprehensive suite of operational management plans. These plans provide MMA's employees and contractors with the environmental knowledge and tools to effectively manage those areas that are identified as being critical to operations and their interaction with the environment. These include, but are not limited to, chemical management, quarantine compliance, water and waste water management, lighting and marine fauna management and waste management.

To demonstrate compliance to all required regulations, licences and the Company's Ministerial Conditions (Ministerial Statement No. 535), MMA compiles an Annual Environmental Compliance Report (AECR). The AECR details the results of extensive monitoring programs, including water and sediment monitoring, bio-monitoring and mangrove rehabilitation and monitoring. In addition to the compilation of the AECR, MMA has conducted a number of internal environmental compliance audits, whilst also being audited by clients and regulatory bodies.

Further to MMA's ministerial operating conditions, the introduction of the National Greenhouse and Energy Reporting Act (NGER) has seen MMA submit NGER reports to the Department of Climate Change and Energy Efficiency in October 2009 and 2010. MMA was above the reporting threshold in both of these reporting periods and is expected to exceed the threshold again in 2011. In addition to the NGER, in the 2009/2010 year MMA reached the threshold for reporting under the Energy Efficiency Opportunity Act 2006 and, as such, reporting for MMA under this Act will commence on 31 December 2011.

Impact of the Carbon Tax:

On 10 July 2011, the Australian Government announced a fixed price carbon pricing mechanism to be implemented from 1 July 2012, with a floating regime from 1 July 2015. The mechanism proposes a carbon price of $23 / tonne of carbon dioxide equivalent in the first year. Based on the draft legislation, MMA will be impacted by the carbon tax through a progressive reduction in the fuel tax credits it currently claims on diesel and other liquid fuels.

People and Community

MMA recognises that our people are our business. Our human resources strategy is coupled with an unwavering commitment to health, safety and environmental management.

We encourage performance excellence and understand that our success and ability to grow is contingent upon professional and diligent execution of our core business.

MMA values the strong company culture that exists and is based around a high level of performance, working together, respect, trust, commitment and initiative.

MMA is highly committed to offering its employees a supportive environment, where opportunity for advancement is possible. MMA supports and encourages the ongoing education, training and professional development of its employees.

MMA is an equal opportunity employer and recruits and manages on the basis of an individual's competence and performance. MMA is committed to promoting and maintaining diversity within the organisation and has recently issued a Diversity Policy, which was endorsed by the Board of Directors. In particular, MMA is committed to promoting gender diversity, and the Company has recently established a Diversity Committee and is in the process of setting targets for the number of women to be employed at various levels across the MMA Group, including on the MMA Board. MMA already encourages equal opportunity within the organisation however, the Diversity Policy formalises that commitment.

MMA is committed to supporting and engaging with the communities in which it operates, through a range of initiatives in Dampier, Broome and Perth. MMA's primary focus is on the Dampier/Karratha region, where our main operations centre is located. These initiatives include support for local community events, charities and sporting groups.

Corporate Governance Statement

The Board of Directors of Mermaid Marine Australia Limited (the "Company") is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Australian Securities Exchange Listing Rule 4.10.3 requires companies to disclose the extent to which they have complied with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (2nd Edition) released on 2 August 2007 and as amended on 30 June 2010 ("ASX Principles"). Where recommendations have not been followed, the Company must identify these recommendations and give reasons for not following them. The Company's corporate governance practices for the year ended 30 June 2011 are outlined in this Corporate Governance Statement. The following table lists each of the ASX Principles and the Company's assessment of its compliance with the ASX Principles:

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

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

Principle 3: Promote ethical and responsible decision-making	**Comply**
3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the company's integrity; • the practices necessary to take into account their legal obligations and reasonable expectations of their stakeholders; and • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	✓
3.2 Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them.	✓
3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them. (This requirement becomes effective for Annual Reports from 30 June 2012 onwards.)	✗

3.4 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in Senior Executive positions and women on the board.	✓
3.5 Companies should provide the information indicated in the Guide to reporting on Principle 3.	✓
Principle 4: Safeguard integrity in financial reporting	**Comply**
4.1 The Board should establish an Audit Committee.	✓
4.2 The audit committee should be structured so that it: • consists only of Non-Executive Directors; • consists of a majority of independent Directors; • is chaired by an independent Chair, who is not chair of the Board; and • has at least three members.	✓
4.3 The Audit Committee should have a formal charter.	✓
4.4 Companies should provide the information indicated in the Guide to reporting on Principle 4.	✓
Principle 5: Make timely and balanced disclosure	**Comply**
5.1 Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a Senior Executive level for that compliance and disclose those policies or a summary of those policies.	✓
5.2 Companies should provide the information indicated in the Guide to reporting on Principle 5.	✓
Principle 6: Respect the rights of shareholders	**Comply**
6.1 Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	✓
6.2 Companies should provide the information indicated in the Guide to reporting on Principle 6.	✓
Principle 7: Recognise and manage risk	**Comply**
7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	✓
7.2 The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	✓
7.3 The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with s.295A of the Corporations Act 2001 (Cth) is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	✓
7.4 Companies should provide the information indicated in the Guide to reporting on Principle 7.	✓

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

For further information on the corporate governance policies adopted by the Company, refer to the 'Corporate Governance' and 'Company Policies' section under the "Company" tab on the Company's website: www.mma.com.au

The Board and Board Structure

Details of the functions and responsibilities of the Board and the Chairman and the matters delegated to senior executives are set out in sections 1 to 3 of the Board Charter (a copy of which can be found under the Corporate Governance section of the Company's website). The roles and responsibilities of the Company's Board and Senior Executives are consistent with those set out in ASX Principle 1.

Details of the performance review process for Senior Executives are set out in the Remuneration Report, which forms part of the Directors' Report in this Annual Report. A performance evaluation for Senior Executives has taken place in the relevant reporting period in accordance with the process set out in the Remuneration Report.

Board Structure

The Board is currently comprised of 5 Directors, with:

- Three Non-Executive Directors, including the Chairman; and
- Two Executive Directors.

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

Board Independence

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

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

In the context of Director independence, "materiality" is considered from both the Company and individual Director's perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the Director in question to shape the direction of the Company's loyalty.

The Board assesses the independence of Directors upon their appointment and regularly reviews and assesses the independence of Non-Executive Directors.

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

Mr A Howarth

Chairman, Non-Executive Director

Mr M Bradley

Non-Executive Director

Mr A Edwards

Non-Executive Director

The Board has considered the independence of Mr Bradley who has previously been employed in an executive capacity by the Company. The Board considers Mr Bradley to be independent as there has been a period of over 8 years since Mr Bradley was employed in an executive capacity – which the Board considers is sufficient for Mr Bradley to be independent.

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

Mr J Weber

Managing Director

Mr J Carver

Executive Director

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

There are procedures in place, agreed by the Board, to enable Directors, in furtherance of their duties, to seek independent professional advice (if necessary) at the Company's expense.

The period of office held by each Director in office at the date of this Report is as follows:

Name	Period in Office
Mr J Carver	13 years
Mr M Bradley	11 years
Mr A Howarth	10 years
Mr J Weber	9 years
Mr A Edwards	1 year

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

Nomination and Remuneration Committee

The Board has established a Nomination and Remuneration Committee. Its role is to make recommendations to the Board about:

- the necessary and desirable competencies of Directors;
- effective induction programmes for new Directors;
- review of Board succession plans;
- developing, implementing and regularly re-assessing a process for the evaluation of the performance of the Board, its Committees and Directors;
- the selection, appointment and re-election of Directors;
- the Company's remuneration, recruitment, retention and termination policies and procedures for Senior Executives;
- Senior Executives remuneration and incentives;
- superannuation arrangements;
- the remuneration framework for Directors; and
- remuneration by gender.

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

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

The Nomination and Remuneration Committee comprised the following members throughout the year:

Mr M Bradley (Chairman)

Independent, Non-Executive Director

Mr A Howarth

Independent, Non-Executive Director

Mr J Carver

Executive Director
(stepped down 7 June 2011)

Mr A Edwards

Non-Executive Director
(appointed 7 June 2011)

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

Details of:

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

are set out in the Directors' Report.

The Board exercises its discretion to pay bonuses and grant options/rights commensurate with the overall performance of the Company and the performance of the individual during the period.

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

Performance Evaluation

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

Details of the number of meetings of the Nomination and Remuneration Committee held during the year and the attendance at those meetings is set out in the Directors' Report.

Audit and Risk Committee

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

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

The members of the Audit and Risk Committee during the year were:

Mr A Edwards (Chairman)

Independent, Non-Executive Director

Mr A Howarth

Independent, Non-Executive Director

Mr M Bradley

Independent, Non-Executive Director

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

The Chair of the Audit and Risk Committee is an independent, Non-Executive Director who is not Chair of the Board.

During the year, the Group conducted vessel operations in a number of countries. The Group consequently incurred and paid taxation consulting and compliance fees to the external auditor, Deloitte Touche Tohmatsu, during the year in gaining a full understanding of and meeting the Group's taxation obligations in each of those countries. Details of the fees paid to the external auditor for audit and non-audit services during the year are set out in Note 29.

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

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

Diversity

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

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

The Board is in the process of setting measurable objectives, which aim to achieve gender diversity and will work with the Diversity Committee to implement and achieve these objectives. These measurable objectives and the Company's progress towards achieving them will be detailed in the Annual Report of the Company for the financial year ending 30 June 2012.

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

- on the Board:- 0%;
- in Senior Executive positions:- 6%; and
- within the whole organisation:- 12%.

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

Policies, Declarations and Assurances

Details of the Company's:

- Directors' Code of Conduct and Corporate Code of Conduct are set out in Section 7 and Appendix D and G of the Board Charter respectively;
- Share Trading Policy is set out in Section 8 and Appendix E of the Board Charter;
- Communications Policy and Disclosure Policy are set out in Sections 9, 10, 11 and Appendix F of the Board Charter;
- Risk Management Policy (Summary) is set out in Section 13 and Appendix H of the Board Charter;
- Procedures for the selection, appointment and rotation of the external auditor are set out in Appendix I of the Board Charter;
- Procedures for the evaluation of the Board and its Committees are set out in Section 12 and Appendix J of the Board Charter; and
- Diversity Policy is set out in Section 14 and Appendix K of the Board Charter.

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

In accordance with ASX Principle 7.3, the Board has received the written assurances from the Managing Director and the Chief Financial Officer that the declaration provided in accordance with s.295A of the Corporations Act 2001 (Cth) is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks (see subsection (c) of the Directors' Declaration in this Annual Report).

Directors' Report

The Directors of Mermaid Marine Australia Limited (the "Company") submit herewith the Annual Report of the Company for the financial year ended 30 June 2011.

In order to comply with the provisions of the Corporations Act 2001 (Cth), the Directors report as follows:

Directors

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

Mr Anthony John Howarth AO

Chairman

Appointed as Non-Executive Director 5 July 2001

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

Mr Jeffrey Andrew Weber

Managing Director

Appointed 31 December 2002

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

Mr Mark Francis Bradley

Non-Executive Director

Appointed 22 September 2000

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

Mr James Henry Carver

Executive Director

Appointed 29 June 1998

Captain James Carver is a Ships' Master with over 30 years' direct experience in the marine industry. As Woodside Petroleum's first Ships' Master, he carried out marine operations in LNG development. Captain Carver, who has been involved in exploration, construction and production for most of the oil and gas projects on the North West Shelf, has an in-depth knowledge of the industry, its needs and its future. He established Mermaid Marine in 1982 and pursued a 'can do' attitude at sea and ashore. Under his direction, the fleet grew from one to 15 vessels and the base at Dampier was secured for its present expansion. Captain Carver stepped down as a member of the Company's Nomination and Remuneration Committee on 7 June 2011.

Mr Hugh Andrew Jon Edwards

Non-Executive Director

Appointed 18 December 2009

Andrew is a former Managing Partner of PriceWaterhouseCoopers, Perth Office (PWC), a former national Vice President of the Securities Institute of Australia (now the Financial Services Institute of Australasia) and a former President of the Western Australian division of that Institute. He is a Fellow of the Institute of Chartered Accountants in Australia and has served as State Chairman of the local Education Committee of the Institute and was a former member of its National Education Committee. Andrew currently serves as a Non-Executive Director of Nido Petroleum Limited and its subsidiaries (appointed 11 December 2009) and Aspire Mining Limited (appointed 1 July 2011). Andrew is Non-Executive Chairman of MACA Ltd (appointed 1 October 2010) and is a Board member of Activ Foundation Inc (appointed 27 October 2008) and Sungrid Limited (an unlisted company, appointed 30 April 2010). Andrew graduated from the University of Western Australia with a Bachelor of Commerce degree. He is the Chairman of the Company's Audit and Risk Committee and was appointed as a member of the Company's Nomination and Remuneration Committee on 7 June 2011.

Directors' Report

The above named Directors held office during the whole of the financial year and since the end of the financial year.

Directorships of Other Listed Companies

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

Name	Company	Period of Directorship
Mr A Howarth	Wesfarmers Limited	Since July 2007
Mr A Howarth	Alinta Holdings	Since April 2011
Mr A Howarth	Bank of Queensland Limited	December 2007 - July 2010
Mr A Howarth	AWB Limited	March 2005 – December 2010
Mr A Edwards	Nido Petroleum Limited	Since December 2009
Mr A Edwards	MACA Ltd	Since October 2010
Mr A Edwards	Aspire Mining Limited	Since July 2011

Directors' Shareholdings

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

Name	Fully paid ordinary shares direct	Fully paid ordinary shares indirect	Share options/rights direct
Mr A Howarth	433,668	208,134	-
Mr J Weber	557,153	720,000	4,002,331
Mr M Bradley	1,573,819	-	-
Mr J Carver	40,000	2,555,671	-
Mr A Edwards	-	10,067	-

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

Remuneration of Directors and Senior Management

Information about the remuneration of Directors and Senior Management is set out in the Remuneration Report of this Directors' Report on pages 32 to 42.

Share Options/Rights Granted to Directors and Senior Management

During and since the end of the financial year an aggregate of 745,018 performance rights were granted to the following Directors and key management personnel (including the five highest remunerated officers) of the Company as part of their remuneration:

Name	Number of options granted	Issuing entity	Number of ordinary shares under option
Mr J Weber	266,351	Mermaid Marine Australia Ltd	266,351
Mr D Ross	130,401	Mermaid Marine Australia Ltd	130,401
Mr P Raynor	130,401	Mermaid Marine Australia Ltd	130,401
Mr M Gillett	55,923	Mermaid Marine Australia Ltd	55,923
Mr D Lofthouse	44,114	Mermaid Marine Australia Ltd	44,114
Mr D Roberts	39,276	Mermaid Marine Australia Ltd	39,276
Mr J Rogers	39,276	Mermaid Marine Australia Ltd	39,276
Mr E Graham	39,276	Mermaid Marine Australia Ltd	39,276

Company Secretary

Mr Dylan Darbyshire-Roberts

Appointed 19 August 2008

Mr Dylan Darbyshire-Roberts held the position of Company Secretary of Mermaid Marine Australia Limited at the end of the financial year. He joined the Company in May 2007 in the role of Commercial Manager. Previously, he was a Senior Associate with the law firm DLA Phillips Fox where he practised in the areas of insurance, corporate and marine law. After obtaining a Bachelor of Commerce degree (1995) and a LLB degree (1997) at the University of Natal (PMB), Dylan qualified as a Solicitor in South Africa, New South Wales and Western Australia. Dylan has worked in a legal capacity in all of these jurisdictions as well as the UK over the past 10 years. Dylan is an Associate of the Institute of Chartered Secretaries and Administrators and Chartered Secretaries Australia.

Principal Activities

The consolidated entity's principal activities during the course of the financial year were the provision of marine logistics and supply base services to clients operating in the offshore oil and gas industry.

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

Review of Operations

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

Changes in State of Affairs

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

Subsequent Events

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

Future Developments

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

Environmental Regulations

The consolidated entity continues to conduct its operations within the parameters of the Department of Environmental and Conservation Licence and Ministerial requirements. There were no breaches of licence conditions for the year ended 30 June 2011.

Dividends

In respect of the financial year ended 30 June 2010, as detailed in the Directors' Report for that financial year, a final dividend of five (5) cents per share franked to 100% at 30% corporate income tax rate was paid to holders of fully paid ordinary shares on 28 September 2010.

In respect of the financial year ended 30 June 2011, an interim dividend of four (4) cents per share franked to 100% at 30% corporate income tax rate was paid to holders of fully paid ordinary shares on 25 March 2011.

In respect of the financial year ended 30 June 2011, the Directors are satisfied that the requirements under s.254T of the Corporations Act 2001 (Cth) have been met and have declared a final dividend of five (5) cents per share, franked to 100% at 30% corporate income tax rate, to be paid on the 23 September 2011 to holders of fully paid ordinary shares in the Company on the record date of 2 September 2011.

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

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

Issuing entity	Number of shares under option or rights	Class of shares	Exercise price of options/rights $	Expiry date of options/rights
Mermaid Marine Australia Ltd	970,040	Ordinary	1.83(a)	11 October 2012
Mermaid Marine Australia Ltd	1,283,149	Ordinary	1.83(b)	11 October 2012
Mermaid Marine Australia Ltd	266,868	Ordinary	1.83(b)	24 January 2013
Mermaid Marine Australia Ltd	1,385,432	Ordinary	1.60(c)	23 September 2013
Mermaid Marine Australia Ltd	1,277,584	Ordinary	1.60(c)	23 September 2013
Mermaid Marine Australia Ltd	441,930	Ordinary	0.00(d)	18 September 2014
Mermaid Marine Australia Ltd	3,112,047	Ordinary	3.05(e)	18 September 2014
Mermaid Marine Australia Ltd	1,488,356	Ordinary	3.05(e)	18 September 2014
Mermaid Marine Australia Ltd	776,198	Ordinary	0.00(f)	1 July 2013
Mermaid Marine Australia Ltd	266,351	Ordinary	0.00(f)	1 July 2013

a) These share options vest on 11 October 2010 and can only be exercised during their exercise period subject to the Company achieving certain performance criteria as detailed in note 25.

b) 15% of these share options vest 36 months after their issue date. The remaining 85% of these share options can only be exercised during their exercise period subject to the Company achieving certain performance criteria as detailed in note 25.

c) These share options vest on 23 September 2011 and can only be exercised during their exercise period subject to the Company achieving certain performance criteria as detailed in note 25.

d) These share options vest on 18 September 2012 and can only be exercised during their exercise period subject to the Company achieving certain performance criteria as detailed in note 25.

e) These share options vest on 18 September 2012 and can only be exercised during their exercise period subject to the Company achieving certain performance criteria as detailed in note 25.

f) These performance rights vest on 1 July 2013 – the percentage of performance rights vesting being calculated in accordance with the designated EPS and TSR performance criteria targets as detailed in note 25.

Holders of options/rights over unissued shares in the Company do not have the right, by virtue of the option/right, to participate in any share issue of the Company.

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

Issuing entity	Number of shares issued	Class of shares	Amount paid for shares $	Amount unpaid on shares $
Mermaid Marine Australia Ltd	950,000	Ordinary	0.48	Nil
Mermaid Marine Australia Ltd	1,043,275	Ordinary	1.83	Nil
Mermaid Marine Australia Ltd	102,481	Ordinary	1.83	Nil

Indemnification of Officers and Auditors

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

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

Directors' Meetings

The following table sets out the number of Directors' meetings (including meetings of Committees of Directors) held during the financial year and the number of meetings attended by each Director (while they were a Director or committee member). During the financial year, nine (9) Board meetings, five (5) Audit and Risk Committee meetings and three (3) Nomination and Remuneration Committee meetings were held.

Name	Board of Directors		Audit and Risk Committee		Nomination and Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended
Mr A Howarth	9	9	5	5	3	3
Mr J Weber	9	9	n/a	n/a	n/a	n/a
Mr M Bradley	9	9	5	5	3	3
Mr J Carver	9	7	n/a	n/a	2	1
Mr A Edwards	9	9	5	5	1	1

Proceedings on Behalf of the Company

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

Non-Audit Services

During the year, the Group conducted vessel operations in a number of countries. The Group consequently incurred and paid taxation consulting and compliance fees to the external auditor, Deloitte Touche Tohmatsu, during the year in gaining a full understanding of and meeting the Group's taxation obligations in each of those countries. Details of the amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 29 to the financial statements.

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

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

In view of the above, the Directors are of the opinion that the services as disclosed in note 29 to the financial statements do not compromise the external auditors independence, based on advice received from the Audit and Risk Committee, for the following reasons:

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

Auditor's Independence Declaration

The Auditor's Independence Declaration is included on page 43 of this Annual Report.

Rounding Off of Amounts

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

Remuneration Report

This Remuneration Report, which forms part of the Directors' Report, sets out information about the remuneration of the Company's Directors and its Senior Management for the financial year ended 30 June 2011. The prescribed details for each person covered by this report are detailed below under the following headings:

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

Director and Senior Management Details

The Directors of the Company during and since the end of the financial year were:

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

Mr J Weber (Managing Director)

Mr J Carver (Executive Director)

Mr M Bradley (Non-Executive Director)

Mr A Edwards (Non-Executive Director)

The term "Senior Management" is used in this Remuneration Report to refer to the following key management personnel of the consolidated entity (excluding the Managing Director who is named above). Except as noted, the following Senior Management personnel of the Company held their current position for the whole of the financial year and since the end of the financial year:

Mr D Ross (Chief Operating Officer)

Mr P Raynor (Chief Financial Officer)

Mr D Lofthouse (General Manager – Business Development)

Mr D Darbyshire-Roberts (Company Secretary)

Mr M Gillett (General Manager - Human Resources) – Appointed 11 October 2010

Mr J Rogers (General Manager - HSEQ)

Mr D Verboon (Slipway General Manager)

Mr S Lee (Supply Base General Manager)

Mr E Graham (General Manager – Corporate Development)

Ms T Vivian (General Manager - Marine Personnel) – Resigned 31 January 2011.

Remuneration Policy

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

In carrying out its review of the remuneration packages of the Managing Director and Senior Management, the Nomination and Remuneration Committee directly engaged the services of an independent remuneration consultant, Godfrey Remuneration Group Pty Ltd, to provide current market rates and industry benchmarking.

Non-Executive Directors' Fees

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

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

Key Management Personnel Remuneration

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

- Fixed annual remuneration comprising base salary and superannuation;
- Short-term incentive (STI) – an annual "at-risk" cash component designed to reward performance against key performance indicators (KPI's). These KPI's are designed to measure the achievement of strategic, financial and operating objectives of the Group. The maximum STI opportunity varies according to the role. The STI KPI's during the financial year were allocated as follows: Financial (40%); Growth (35%); Business improvement (10%); and Employee's health/safety and attraction and retention of staff (15%); and
- Long-term incentive (LTI) – the Company grants options or rights over its ordinary shares under the LTI. Performance rights were granted to the Managing Director and Senior Management during the financial year. The relevant performance criteria targets for these performance rights were set by the Board with due regard to the Company's long-term strategy. The table below sets out the relevant performance criteria for the performance rights granted during the 2011 financial year:

Performance criteria	Performance period	No. of performance rights which are subject to performance criteria	Performance criteria targets	Percentage of performance rights which vest if target met
Normalised Earnings per Share (EPS) growth	Beginning 1 July 2010 and ending 30 June 2013	20%	Below 6%	0%
			Between 6% and 10%	50% to 100% (on a straight line basis)
			Above 10%	100%
Company's Total Shareholder Return (TSR) percentile ranking over the performance period relative to a selected Peer Group	Beginning 1 July 2010 and ending 30 June 2013	80%	Below the 50th percentile	0%
			Between the 50th percentile & the 75th percentile	50% to 100% (on a straight line basis)
			Above the 75th percentile	100%

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

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

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

Worley Parsons Limited (ASX:WOR); Monadelphous Group Limited (ASX:MND); Clough Limited (ASX:CLO); Fleetwood Corporation Limited (ASX:FWD); Macmahon Holdings Limited (ASX:MAH); Miclyn Express Offshore Limited (ASX:MIO); Hastie Group Limited (ASX:HST); Industrea Limited (ASX:IDL); Programmed Maintenance Services Ltd (ASX:PRG); Ausenco Limited (ASX:AAX); Skilled Group Limited (ASX:SKE); Tox Free Solutions Limited (ASX:TOX); Imdex Limited (ASX:IMD); and Neptune Marine Services Limited (ASX:NMS).

Relationship between the Remuneration Policy and Company Performance

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

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

Having regard to the overall performance of the Company during the 2011 financial year, the Board has exercised its discretion to pay bonuses and grant performance rights to the Managing Director and Senior Management of the Company.

The table below sets out summary information about the Company's earnings and movements in shareholder wealth for the five years to 30 June 2011:

	30 June 2011 $'000	30 June 2010 $'000	30 June 2009 $'000	30 June 2008 $'000	30 June 2007 $'000
Revenue	289,125	194,434	163,881	149,364	103,124
Net profit before tax	58,160	41,826	33,555	25,400	17,560
Net profit after tax	43,150	37,889	26,524	17,897	12,513
Share price at start of the year	$2.54	$1.83	$1.55	$1.90	$0.60
Share price at end of the year	$3.19	$2.54	$1.83	$1.55	$1.90
Interim dividend (1)	4cps	3cps	2cps	Nil	Nil
Final dividend (1)	5cps	5cps	4cps	2cps	1cps
Basic earnings per share	21.09cps	20.40cps	14.50cps	11.82cps	8.91cps
Diluted earnings per share	20.72cps	20.00cps	14.36cps	11.63cps	8.78cps
3 year compound annual TSR (2)	30%	12%	46%	65%	79%

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

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

Remuneration of Directors and Senior Management

The following tables disclose the remuneration of the Directors and Senior Management of the consolidated entity for the financial year to which the Report relates and to the previous financial year:

2011	Short term employee benefits			Post employment benefits	Share based payment	Total
	Salary & fees	Bonus	Non-monetary[1]	Superannuation/ termination payments	Options & rights	
	$	$	$	$	$	$
Directors						
Mr A Howarth	220,000	-	1,595	19,800	-	241,395
Mr J Weber	775,000	475,000	1,885	25,000	514,556	1,791,441
Mr M Bradley	90,000	-	-	8,100	-	98,100
Mr J Carver	220,000	-	8,411	-	-	228,411
Mr A Edwards	100,000	-	-	9,000	-	109,000
Senior Management						
Mr D Ross	445,000	223,250	931	25,000	270,579	964,760
Mr P Raynor	445,000	223,250	2,585	25,000	270,579	966,414
Mr D Lofthouse	249,808	63,000	3,804	15,192	77,441	409,245
Mr D Roberts	220,743	47,187	1,226	17,345	38,427	324,928
Mr M Gillett [2]	154,520	47,187	50,937	15,192	16,766	284,602
Mr J Rogers	220,743	47,187	-	15,192	38,333	321,455
Mr S Lee	194,808	31,500	125,517	17,318	31,743	400,886
Mr D Verboon	169,725	37,000	64,723	17,351	30,095	318,894
Mr E Graham	187,858	47,187	2,402	48,077	91,534	377,058
Ms T Vivian [3]	125,704	-	748	56,900[4]	(16,407)[3]	166,945
Total	**3,818,909**	**1,241,748**	**264,764**	**314,467**	**1,363,646**	**7,003,534**

Remuneration of Directors and Senior Management (continued)

2010	Short term employee benefits			Post employment benefits	Share based payment	Total
	Salary & fees	Bonus	Non-monetary(1)(5)	Superannuation	Options & rights	
	$	$	$	$	$	$
Directors						
Mr A Howarth	140,000	-	1,284	12,600	-	153,884
Mr J Weber	710,000	325,237	1,758	25,000	225,912	1,287,907
Mr M Bradley	80,000	-	-	7,200	-	87,200
Mr J Carver	200,000	-	5,114	-	-	205,114
Mr J Mews	38,076	-	-	3,188	-	41,264
Mr A Edwards	46,038	-	-	4,143	-	50,181
Senior Management						
Mr D Ross	385,000	130,687	864	25,000	131,511	673,062
Mr P Raynor	385,000	130,687	2,751	25,000	131,511	674,949
Mr E Graham	170,500	44,100	2,071	50,000	45,120	311,791
Mr S Lee	157,500	23,625	110,033	16,470	15,808	323,436
Mr D Verboon	179,945	23,062	122,972	16,269	15,102	357,350
Mr D Lofthouse	185,539	40,000	3,618	14,461	32,308	375,926
Mr J Rogers	165,538	36,000	-	14,461	16,940	232,939
Ms T Vivian	206,038	44,100	1,502	14,461	43,578	309,679
Total	**3,049,174**	**797,498**	**251,967**	**228,253**	**657,790**	**4,984,682**

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

(2) Appointed 11 October 2010.

(3) Resigned 31 January 2011 - All of Ms Vivian's unvested options and rights held at this date have lapsed in accordance with the terms of the respective options and rights plans.

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

(5) The non-monetary benefits and allowances were incorrectly stated or omitted for 2010. The corrected figures are reported above.

No Director or Senior Management employee appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

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

Bonuses

Having regard to the overall performance of the Company during the respective financial years, the Managing Director and Senior Management personnel were granted cash bonuses for the 2011 and 2010 financial years as noted above. The respective amounts were subject to a number of specified key performance targets being achieved. These performance targets relate to the following areas of the business:

- Financial (40% - embracing a combination of EBITDA, NPAT and EPS growth);
- Growth (35%);
- Business improvement (10%); and
- Employees' health/safety and attraction/retention of staff (15%).

The bonuses were granted on 30 June each year.

The remuneration package of the Managing Director, Mr J Weber, included a cash bonus component of up to 59% of the base salary, non-monetary benefit and superannuation for the 2011 financial year (2010: 44%).

The remuneration packages of the other key management personnel for the 2011 financial year included a cash bonus component of up to 47% of the base salary, non-monetary benefit and superannuation (2010: 32%).

The key performance indicators for measurement of eligibility for short-term incentives were met during the year resulting in 100% of the cash bonus amounts being paid.

Employee share options and rights plans

The Company operates share option and rights schemes for the Managing Director, Senior Management and other employees. Each share option or right converts into one ordinary share of the Company on exercise or vesting. No amounts are paid or payable by the recipient on receipt of the options or rights. The options or rights carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. Refer to the table on page 33 for details of the performance criteria for the rights granted during the 2011 financial year.

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

Series	Number issued	Grant date	Expiry date	Exercise price $	Fair value at grant date $	Vesting date
(1) 19 May 2006 (a)	2,115,000	19 May 2006	19 May 2011	0.48	0.21	24 mths after date of issue
(2) 22 Nov 2007 (b)	970,040	22 Nov 2007	11 Oct 2012	1.83	0.39	11 October 2010
(3) 23 Oct 2007 (c)	2,576,788	23 Oct 2007	11 Oct 2012	1.83	0.45	36 mths after date of issue
(4) 24 Jan 2008 (c)	487,714	24 Jan 2008	24 Jan 2013	1.83	0.45	36 mths after date of issue
(5) 23 Sep 2008 (d)	1,385,432	23 Sep 2008	23 Sep 2013	1.60	0.26	36 mths after date of issue
(6) 27 Nov 2008 (e)	1,277,584	27 Nov 2008	23 Sep 2013	1.60	0.08	36 mths after date of issue
(7) 22 Sep 2009 (f)	475,705	22 Sep 2009	18 Sep 2014	0.00	1.43	36 mths after date of issue
(8) 22 Sep 2009 (g)	3,112,047	22 Sep 2009	18 Sep 2014	3.05	0.46	36 mths after date of issue
(9) 1 Dec 2009 (h)	1,488,356	1 Dec 2009	18 Sep 2014	3.05	0.47	36 mths after date of issue
(10) 20 Oct 2010 (i)	780,082	20 Oct 2010	1 Jul 2013	0.00	1.62	1 July 2013
(11) 25 Nov 2010 (i)	266,351	25 Nov 2010	1 Jul 2013	0.00	1.62	1 July 2013

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

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

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

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

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

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

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

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

(i) In accordance with the terms of the Mermaid Marine Australia Limited Performance Rights Plan – 2010 and the Mermaid Marine Australia Limited Managing Director's Performance Rights Plan – 2010 (as approved by shareholders at the Company's AGM on 25 November 2010), the number of performance rights which vest will depend on the growth in the earnings per share of Mermaid Marine Australia Limited and the total shareholder return of the Company relative to a selected peer group of companies in accordance with the table on page 33.

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

Name	Performance rights	During the financial year				
		Number granted	Number vested	% of grant vested	% of grant forfeited	% of compensation for the year consisting of rights
Mr J Weber	Issued 25 November 2010	266,351	-	-	-	28.7%
Mr D Ross	Issued 20 October 2010	130,401	-	-	-	28.0%
Mr P Raynor	Issued 20 October 2010	130,401	-	-	-	28.0%
Mr D Lofthouse	Issued 20 October 2010	44,114	-	-	-	18.9%
Mr D Roberts	Issued 20 October 2010	39,276	-	-	-	11.8%
Mr M Gillett	Issued 20 October 2010	55,923		-	-	5.9%
Mr J Rogers	Issued 20 October 2010	39,276	-	-	-	11.9%
Mr S Lee	Issued 20 October 2010	17,479	-	-	-	7.9%
Mr D Verboon	Issued 20 October 2010	15,398	-	-	-	9.4%
Mr E Graham	Issued 20 October 2010	39,276	-	-	-	24.3%
Ms T Vivian	Issued 20 October 2010	16,231 (1)	-	-	100%	-

(1) These performance rights have lapsed in accordance with the terms of the Mermaid Marine Australia Limited Performance Rights Plan – 2010.

During the financial year, the following Directors and Senior Management exercised options and rights that were granted to them as part of their compensation. Each option converts into one ordinary share of Mermaid Marine Australia Limited.

Name	Number of options and rights exercised	Number of ordinary shares of Mermaid Marine Australia Ltd	Amount paid	Amount unpaid
			$	$
Mr P Raynor	200,000	200,000	96,000	Nil
Mr D Ross	200,000	200,000	96,000	Nil
Mr D Roberts	64,908	64,908	118,782	Nil
Mr S Lee	100,000	100,000	48,000	Nil
Mr E Graham	132,629	132,629	107,711	Nil
Ms T Vivian	135,670	135,670	248,276	Nil

The following table summarises the value of options and rights granted, exercised or lapsed to Directors and Senior Management during the financial year.

Name	Value of options and rights granted at grant date	Value of options and rights exercised at exercise date	Value of options and rights lapsed at lapse date
	$	$	$
Mr J Weber	432,628	-	-
Mr D Ross	210,763	546,000	-
Mr P Raynor	210,763	546,000	-
Mr D Lofthouse	71,301	-	-
Mr D Roberts	63,480	184,988	-
Mr M Gillett	90,386	-	-
Mr J Rogers	63,480	-	-
Mr S Lee	28,251	310,000	-
Mr D Verboon	24,888	-	-
Mr E Graham	63,480	423,218	-
Ms T Vivian(1)	26,233	424,647	1,303,155

(1) Resigned 31 January 2011 - All of Ms Vivian's unvested options and rights held at this date have lapsed in accordance with the terms of the respective options and rights plans.

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

Key Terms of Employment Contracts

Except as noted below, the following Executives and Senior Management are employed under employment contracts, none of which are of fixed-term duration.

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

Jeff Weber – Managing Director

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

David Ross – Chief Operating Officer

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

Peter Raynor – Chief Financial Officer

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

David Lofthouse – General Manager – Business Development

- Remuneration consists of an annual base salary and statutory superannuation contributions.
- The employee may participate in the Company's incentive scheme, but this is a privilege and not a right. The invitation to participate is at the absolute discretion of the Company.
- The Company and employee are required to provide 30 days notice of termination.
- No termination benefits are payable.

Dylan Roberts – Company Secretary

- Remuneration consists of an annual base salary and statutory superannuation contributions.
- The employee may participate in the Company's incentive scheme, but this is a privilege and not a right. The invitation to participate is at the absolute discretion of the Company.
- The Company and employee are required to provide 30 days notice of termination.
- No termination benefits are payable.

Michael Gillett – General Manager – Human Resources

- Remuneration consists of an annual base salary and statutory superannuation contributions.
- The employee may participate in the Company's incentive scheme, but this is a privilege and not a right. The invitation to participate is at the absolute discretion of the Company.
- The Company and employee are required to provide 30 days notice of termination.
- No termination benefits are payable.

Jeff Rogers – General Manager – HSEQ

- Remuneration consists of an annual base salary and statutory superannuation contributions.
- The employee may participate in the Company's incentive scheme, but this is a privilege and not a right. The invitation to participate is at the absolute discretion of the Company.
- The Company and employee are required to provide 6 weeks notice of termination.
- No termination benefits are payable.

Shaun Lee – Supply Base General Manager

- Remuneration consists of an annual base salary and statutory superannuation contributions.
- The employee may participate in the Company's incentive scheme, but this is a privilege and not a right. The invitation to participate is at the absolute discretion of the Company.
- The Company and employee are required to provide 30 days notice of termination.
- No termination benefits are payable.

Dirk Verboon – Slipway General Manager

- Remuneration consists of an annual base salary and statutory superannuation contributions.
- The employee may participate in the Company's incentive scheme, but this is a privilege and not a right. The invitation to participate is at the absolute discretion of the Company.
- The Company and employee are required to provide 30 days notice of termination.
- No termination benefits are payable.

Edward Graham – General Manager – Corporate Development

- Remuneration consists of an annual base salary and statutory superannuation contributions.
- The employee may participate in the Company's incentive scheme, but this is a privilege and not a right. The invitation to participate is at the absolute discretion of the Company.
- The Company and employee are required to provide 30 days notice of termination.
- No termination benefits are payable.

Treena Vivian – General Manager – Marine Personnel (resigned 31 January 2011)

- Remuneration consists of an annual base salary and statutory superannuation contributions.
- The employee may participate in the Company's incentive scheme, but this is a privilege and not a right. The invitation to participate is at the absolute discretion of the Company.
- The Company and employee are required to provide 30 days notice of termination.
- No termination benefits are payable.

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

On behalf of the Directors

Tony Howarth

Chairman

Fremantle, 14 September 2011

Auditor's Independence Declaration

Deloitte.

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

14 September 2011

Dear Directors

Auditors Independence Declaration to Mermaid Marine Australia Limited

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

As lead audit partner for the audit of the financial statements of Mermaid Marine Australia Limited for the financial year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Kathleen Bozanic

Kathleen Bozanic
Partner
Chartered Accountants

Audit Report

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

Report on the Financial Report

We have audited the accompanying financial report of Mermaid Marine Australia Limited, which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 50 to 96 and 46.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Deloitte.

Auditor's Independence Declaration

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

Opinion

In our opinion:

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

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

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

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

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 32 to 42 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Mermaid Marine Australia Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Kathleen Bozanic

Kathleen Bozanic
Partner
Chartered Accountants
Perth, 14 September 2011

Directors' Declaration

The Directors declare that:

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

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

c) in the Directors' opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board as stated in note 2; and

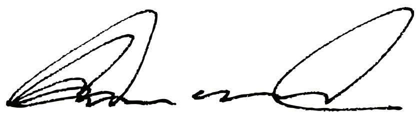
d) the Directors have been given the declarations required by s.295A of the Corporations Act 2001 (Cth).

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

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

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

On behalf of the Directors



Tony Howarth

Chairman

Fremantle, 14 September 2011


MERMAID VOYAGER
IMO 9560211

The Mermaid Vision has recently been transformed into an offshore desalination plant and has the potential to produce 2,000,000 litres of water per day to deliver to Barrow Island for the Gorgon Project.

Mermaid Marine's Projects Department managed the design and commissioning of the desalination plant.

Financial Statements 2011

Consolidated Statement of Comprehensive Income for the Year Ended 30 June 2011

	Note	2011 $'000	2010 $'000
Revenue	4(a)	289,125	194,434
Loss on disposal	4(b)	(358)	(645)
Share of profits/(losses) of associates accounted for using the equity method	10	(59)	1,127
Vessel expenses		(168,840)	(112,656)
Supply Base expenses		(27,958)	(18,665)
Slipway expenses		(12,321)	(4,438)
Administration expenses		(9,751)	(7,717)
Finance costs	4(c)	(11,678)	(9,614)
Profit before tax		58,160	41,826
Income tax expense	5	(15,010)	(3,937)
PROFIT FOR THE YEAR		**43,150**	**37,889**
Other Comprehensive Income			
Exchange differences on translation of foreign operations	20	(24,901)	(2,419)
Loss on cashflow hedges	20	(2,760)	(729)
Transfer of cashflow hedge loss to initial carrying amount of fixed asset	20	1,148	1,972
Income tax relating to components of other comprehensive income	20	-	(373)
Other comprehensive income for the year, net of tax		(26,513)	(1,549)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**16,637**	**36,340**
Profit attributable to owners of the Company		43,150	37,889
Total comprehensive income attributable to owners of the Company		16,637	36,340
Earnings per share			
- Basic (cents per share)	27	21.09	20.40
- Diluted (cents per share)	27	20.72	20.00

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

Consolidated Statement of Financial Position as at 30 June 2011

	Note	2011 $'000	2010 $'000
Current Assets			
Cash and cash equivalents	22(a)	55,090	26,789
Trade and other receivables	7	64,396	42,820
Inventories	8	2,153	2,192
Current tax assets	5(d)	-	2,256
Other	9	5,278	1,078
Total Current Assets		**126,917**	**75,135**
Non-Current Assets			
Investments accounted for using the equity method	10	4,659	4,719
Other financial assets	11	750	750
Property, plant and equipment	12	334,684	303,643
Total Non-Current Assets		**340,093**	**309,112**
Total Assets		**467,010**	**384,247**
Current Liabilities			
Trade and other payables	14	23,275	16,245
Unearned revenue	15	7,708	-
Borrowings	16	30,260	26,876
Other financial liabilities	17	1,612	-
Provisions	18	4,216	2,187
Current tax liabilities	5(d)	10,958	-
Total Current Liabilities		**78,029**	**45,308**
Non-Current Liabilities			
Unearned revenue	15	5,262	-
Borrowings	16	104,085	131,358
Provisions	18	942	684
Deferred tax liabilities	5(e)	8,966	9,844
Total Non-Current Liabilities		**119,255**	**141,886**
Total Liabilities		**197,284**	**187,194**
Net Assets		**269,726**	**197,053**
Equity			
Issued capital	19	186,416	112,954
Reserves	20	(27,159)	(1,135)
Retained earnings	21	110,469	85,234
Total Equity		**269,726**	**197,053**

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

Consolidated Statement of Changes in Equity for the Year Ended 30 June 2011

	Ordinary shares	Employee equity settled benefits reserve	Hedging reserve	Foreign currency translation reserve	Retained earnings	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2009	**108,489**	**670**	**(870)**	**(392)**	**60,342**	**168,239**
Profit for the year	-	-	-	-	37,889	37,889
Other comprehensive income for the year	-	-	870	(2,419)	-	(1,549)
Total comprehensive income for the year	**-**	**-**	**870**	**(2,419)**	**37,889**	**36,340**
Payment of dividends	-	-	-	-	(12,997)	(12,997)
Issue of shares under dividend reinvestment plan (note 19)	3,695	-	-	-	-	3,695
Issue of shares under employee option plans (note 19)	770	-	-	-	-	770
Recognition of share based payments (note 20)	-	1,006	-	-	-	1,006
Balance at 30 June 2010	**112,954**	**1,676**	**-**	**(2,811)**	**85,234**	**197,053**
Profit for the year	-	-	-	-	43,150	43,150
Other comprehensive income for the year	-	-	(1,612)	(24,901)	-	(26,513)
Total comprehensive income for the year	**-**	**-**	**(1,612)**	**(24,901)**	**43,150**	**16,637**
Payment of dividends	-	-	-	-	(17,915)	(17,915)
Issue of shares under dividend reinvestment plan (note 19)	7,077	-	-	-	-	7,077
Issue of shares under employee option plans (note 19)	1,290	-	-	-	-	1,290
Issue of shares under share placement (note 19)	35,000	-	-	-	-	35,000
Issue of shares under share purchase plan (note 19)	29,237	-	-	-	-	29,237
Share issue costs	(1,147)	-	-	-	-	(1,147)
Related income tax	350	-	-	-	-	350
Transfer of share capital (note 19)	1,655	(1,655)	-	-	-	-
Recognition of share based payments (note 20)	-	2,144	-	-	-	2,144
Balance at 30 June 2011	**186,416**	**2,165**	**(1,612)**	**(27,712)**	**110,469**	**269,726**

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

Consolidated Statement of Cash Flows for the Year Ended 30 June 2011

	Note	2011 $'000	2010 $'000
Cash flows from operating activities			
Receipts from customers		307,746	206,946
Interest received		2,489	661
Payments to suppliers and employees		(216,996)	(141,131)
Income tax paid		(2,501)	(5,179)
Interest and other costs of finance paid		(11,237)	(9,614)
Net cash provided by operating activities	22(c)	**79,501**	**51,683**
Cash flows from investing activities			
Payments for property, plant and equipment		(78,225)	(97,065)
Proceeds from sale of property, plant and equipment		63	364
Amounts received from associate		-	550
Net cash used in investing activities		(78,162)	(96,151)
Cash flows from financing activities			
Proceeds from issue of shares		64,602	770
Payment for share issue costs		(141)	-
Proceeds from borrowings		800	61,269
Repayment of borrowings		(26,047)	(19,689)
Dividends paid		(10,838)	(9,308)
Net cash provided by financing activities		28,376	33,042
Net increase/(decrease) in cash and cash equivalents		29,715	(11,426)
Cash and cash equivalents at the beginning of the financial year		26,789	38,383
Effects of exchange rate changes on the balance of cash held in foreign currencies		(1,414)	(168)
Cash and cash equivalents at the end of the financial year	22(a)	**55,090**	**26,789**

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

Notes to the Financial Statements for the Year Ended 30 June 2011

1. Adoption of New and Revised Accounting Standards

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

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

Standards affecting presentation and disclosure	
Amendments to AASB 101 "Presentation of Financial Statements"	The amendments (part of AASB 2010-4 "Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project") clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.
Standards and Interpretations affecting the reported results or financial position	
There are no new and revised Standards and Interpretations adopted in these financial statements affecting the reporting results or financial position.	

1.2 Standards and Interpretations adopted with no effect on financial statements

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

AASB 2009-5 "Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project"	A number of the amendments are largely technical, clarifying particular terms, or eliminating unintended consequences. The application of AASB 2009-5 has not had any material effect on amounts reported in the financial statements.
AASB 2009-8 "Amendments to Australian Accounting Standards – Group Cash Settled Share Based Payment Transactions"	The application of AASB 2009-8 makes amendments to AASB 2 "Share Based Payment" to clarify the scope of AASB 2, as well as the accounting for group cash settled share based payments transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award.
AASB 2009-10 "Amendments to Australian Accounting Standards – Classification of Rights Issues"	The application of AASB 2009-10 makes amendments to AASB 132 "Financial Instruments: Presentations" to address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments.
AASB 2010-4 "Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project"	Except for the amendments to AASB 101 described earlier in this section, the application of AASB 2010-4 has not had any material effect on amounts reported in the financial statements.
Interpretation 19 "Extinguishing Financial Liabilities with Equity Instruments"	This Interpretation provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. In particular, the equity instruments issued under such arrangements will be measured at their fair value and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in the profit or loss. To date, the Group has not entered into transactions of this nature.

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

1.3 Standards and Interpretations in issue not yet adopted

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

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 "Financial Instruments", AASB 2009-11 "Amendments to Australian Accounting Standards arising from AASB 9" and AASB 2010-7 "Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)"	1 January 2013	30 June 2014
AASB 124 "Related Party Disclosures" (Revised December 2009), AASB 2009-12 "Amendments to Australian Accounting Standards"	1 January 2011	30 June 2012
AASB 1054 "Australian Additional Disclosures"	1 July 2011	30 June 2012
AASB 2009-14 "Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement"	1 January 2011	30 June 2012
AASB 2010-5 "Amendments to Australian Accounting Standards"	1 January 2011	30 June 2012
AASB 2010-6 "Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets"	1 July 2011	30 June 2012
AASB 2010-8 "Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets"	1 January 2012	30 June 2013
AASB 2011-1 "Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project"	1 July 2011	30 June 2012
AASB 2011-2 "Amendments to the Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements"	1 July 2011	30 June 2012

2. Significant Accounting Policies

Statement of compliance

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

The financial statements comprise the consolidated financial statements of the Group.

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

The financial statements were authorised for issue by the Directors on 14 September 2011.

Basis of preparation

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

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

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

a. Basis of consolidation

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

2. Significant Accounting Policies (continued)

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

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

b. Interests in joint ventures

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

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

c. Foreign currency

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

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

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

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

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

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

d. Revenue recognition

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

Rendering of services

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

Rental income

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

Dividend and interest income

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

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

2. Significant Accounting Policies (continued)

e. Leasing

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

Group as lessor

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

Group as lessee

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

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

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

f. Borrowing costs

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

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

g. Employee benefits

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

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

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

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

h. Share based payments

Equity settled share based payments to employees and others providing similar services are measured at fair value of the equity instrument at grant date. Details regarding the determination of fair value of equity settled share based transactions are set out in note 25.

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

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

i. Income tax

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

2. Significant Accounting Policies (continued)

Current tax

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

Deferred tax

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

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

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

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

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

Current and deferred tax for the period

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

j. Inventories

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

k. Property, plant and equipment

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

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

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

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

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

2. Significant Accounting Policies (continued)

The following rates are used in the calculation of depreciation:

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

l. Impairment of tangible assets

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

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

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

m. Financial assets

All financial assets are initially measured at fair value.

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

Effective interest rate method

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

Loans and receivables

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

Impairment of financial assets

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

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

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

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

2. Significant Accounting Policies (continued)

Derecognition of financial assets

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

n. Financial liabilities and equity instruments issued by the Group

All financial liabilities are initially measured at fair value.

Classification as debt or equity

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

Equity instrument

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

Financial guarantee contract liabilities

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

- The amount of the obligation under the contract, as determined under AASB 137 "Provisions, Contingent Liabilities and Contingent Assets"; and
- The amount initially recognised less, where appropriate, cumulative amortisation in accordance with the revenue recognition policies described in note 2(d).

Financial liabilities

Financial liabilities are classified as other financial liabilities.

Other financial liabilities

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

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

Derecognition of financial liabilities

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

o. Derivative financial instruments

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

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

Hedge accounting

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

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

2. Significant Accounting Policies (continued)

Cash flow Hedge

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

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

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

p. Provisions

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

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

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

q. Goods and services tax

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

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

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

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

Cash flows are included in the 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 investing and operating cash flows respectively.

3. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

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

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

3.1 Key sources of estimation uncertainty

Useful lives of property, plant and equipment

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

4. Profit from Operations

	2011 $'000	2010 $'000
a) Revenue from continuing operations consisted of the following items:		
Rendering of services	259,455	180,487
Rental revenue	25,813	13,286
Interest – other entities	2,567	661
Net foreign exchange gain	1,290	-
	289,125	**194,434**
b) Other losses		
Net foreign exchange loss	-	(149)
Loss on disposal of:		
Property, plant and equipment	(358)	(645)
c) Finance costs		
Interest expense – other entities	8,788	6,735
Finance charges – lease finance charges	2,890	3,323
Total interest expenses	11,678	10,058
Less: amounts included in the cost of qualifying assets	-	(444)
	11,678	**9,614**
d) Profit for the year		
Profit for the year before income tax has been arrived at after charging the following:		
(i) Depreciation		
Depreciation of non-current assets:		
Leasehold buildings and improvements	3,221	2,755
Vessels	12,097	6,394
Vessels – hire purchase	3,022	3,687
Plant and equipment	1,329	1,000
Plant and equipment – hire purchase	687	587
	20,356	**14,423**
(ii) Impairment losses		
Impairment loss recognised on trade receivables	139	210
Reversal of impairment losses recognised on trade receivables	(15)	(276)
(iii) Employee benefits		
Post employment benefits:		
Defined contribution plans	4,258	3,162
Share based payments:		
Equity settled share based payments	2,144	1,006
Termination benefits	41	-
Other employee benefits	109,835	76,896
	116,278	**81,064**

5. Income Taxes

	2011 $'000	2010 $'000
(a) Income tax recognised in profit or loss		
Tax expense comprises:		
Current tax expense in respect of the current year	15,661	2,162
Deferred tax expense relating to origination and reversal of temporary differences	(528)	1,729
Adjustment recognised in the current year in relation to the current tax of prior years	(123)	46
Total tax expense	**15,010**	**3,937**
The income tax expense for the year can be reconciled to accounting profit as follows:		
Profit from operations	**58,160**	**41,826**
Income tax expense calculated at 30%	17,448	12,548
Effect of revenue that is exempt from taxation	(2,922)	(2,627)
Effect of expenses that are not deductible in determining taxable profit	644	334
Effect of investment allowance	-	(6,364)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(37)	-
	15,133	3,891
Adjustment recognised in the current year in relation to the current tax of prior years	(123)	46
	15,010	**3,937**

During the financial year, the Group was subject to taxes in both Australia and Singapore. The tax rate used in the above reconciliation for operations in Australia on taxable profits under Australian tax law is the corporate tax rate of 30%. The tax rate payable by Singaporean corporate entities under Singaporean tax law is 17%.

	2011 $'000	2010 $'000
(b) Income tax recognised directly in other comprehensive income		
Deferred tax		
Arising on income and expenses recognised in other comprehensive income:		
Revaluations of financial instruments treated as cash flow hedges	-	(373)
	-	**(373)**
c) Income tax recognised directly in equity		
Current tax		
Share issue costs	(350)	-
Total income tax recognised directly in equity	**(350)**	**-**
d) Current tax assets and liabilities		
Current tax assets		
Tax refund receivable	-	2,289
	-	**2,289**
Current tax liability		
Income tax payable	(10,958)	(33)
	(10,958)	(33)
	(10,958)	**2,256**
e) Deferred tax balances		
Deferred tax assets	7,032	3,424
	7,032	3,424
Deferred tax liabilities	(15,998)	(13,268)
	(15,998)	(13,268)
	(8,966)	**(9,844)**

5. Income Taxes (continued)

A deferred tax asset totalling $978,000 relating to unused tax losses has been recognised. The utilisation of this is dependent on future taxable profits in excess of the profits arising from the reversal of existing temporary differences. The Group expects to derive sufficient profits to utilise these losses.

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

	Opening balance	Recognised in profit or loss	Recognised in equity / other comprehensive income	Closing balance
	$'000	$'000	$'000	$'000
2011				
Gross deferred tax liabilities:				
Property, plant and equipment	(12,600)	(2,748)	-	(15,348)
Inventory	(579)	19	-	(560)
Receivables	(45)	(8)	-	(53)
Other	(44)	7	-	(37)
	(13,268)	(2,730)	-	(15,998)
Gross deferred tax assets:				
Provisions	941	722	-	1,663
Share issue costs	220	(186)	350	384
Unearned revenue	-	3,891	-	3,891
Unused tax losses	2,176	(1,198)	-	978
Other	87	29	-	116
	3,424	3,258	350	7,032
	(9,844)	**528**	**350**	**(8,966)**
2010				
Gross deferred tax liabilities:				
Property, plant and equipment	(8,714)	(3,886)	-	(12,600)
Inventory	(408)	(171)	-	(579)
Receivables	(459)	414	-	(45)
Other	(44)	-	-	(44)
	(9,625)	(3,643)	-	(13,268)
Gross deferred tax assets:				
Provisions	1,146	(205)	-	941
Share issue costs	349	(129)	-	220
Unused tax losses	-	2,176	-	2,176
Revaluation of financial instruments	373	-	(373)	-
Other	15	72	-	87
	1,883	1,914	(373)	3,424
	(7,742)	**(1,729)**	**(373)**	**(9,844)**

5. Income Taxes (continued)

Tax consolidation

Relevance of tax consolidation to the Group

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

Nature of tax funding arrangements and tax sharing agreements

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

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

6. Dividends Provided for or Paid

	2011 $'000	2010 $'000
Adjusted franking account balance	18,585	12,914
Impact on franking account balance of dividends not recognised	(4,629)	(4,004)

	2011		2010	
	Cents Per Share	Total $'000	Cents Per Share	Total $'000
Recognised Amounts				
Fully paid ordinary shares				
Interim dividend:				
Fully franked at a 30% tax rate	4	8,551	3	5,583
Final dividend:				
Fully franked at a 30% tax rate	5	9,364	4	7,413
Unrecognised Amounts				
Fully paid ordinary shares				
Final dividend:				
Fully franked at a 30% tax rate	5	10,801	5	9,342

On 17 August 2011, the Directors declared a fully franked final dividend of five cents per share in respect of the financial year ended 30 June 2011 to the holders of fully paid ordinary shares, to be paid on 23 September 2011. The dividend will be paid to all shareholders on the register of members on 2 September 2011. This dividend has not been included as a liability in these financial statements.

7. Trade and Other Receivables

	2011 $'000	2010 $'000
Trade receivables	61,943	35,628
Allowance for doubtful debts	(171)	(47)
Other receivables	1,507	6,316
Goods and services tax recoverable	1,117	923
	64,396	**42,820**

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

Of the trade receivables balance at the end of the year, $19.0 million (30 June 2010: $8.2 million) is outstanding from the Group's largest debtor and $8.9 million (30 June 2010: $3.8 million) from the Group's second largest debtor.

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

Ageing of past due but not impaired

	2011 $'000	2010 $'000
31-60 days	11,139	3,784
61-90 days	4,666	3,293
91-120 days	2,452	242
121-150 days	4,962	89
Over 150 days	12	29
Total	**23,231**	**7,437**

Movement in the allowance for doubtful debts

Balance at the beginning of the year	47	276
Impairment losses recognised on receivables	141	210
Amounts written off as uncollectible	(2)	(163)
Amounts recovered during the year	(15)	(276)
Balance at the end of the year	**171**	**47**

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

8. Inventories

	2011 $'000	2010 $'000
Fuel – at cost	1,867	1,931
Work in progress	286	261
	2,153	**2,192**

9. Other Current Assets

	2011 $'000	2010 $'000
Prepayments	**5,278**	**1,078**

10. Investments Accounted For Using The Equity Method

Name of Entity	Principal Activity	Country of Incorporation	Ownership Interest		Consolidated Carrying Amount	
			2011 %	2010 %	2011 $'000	2010 $'000
Associates						
Toll Mermaid Logistics Broome Pty Ltd	Supply base services in Broome for the offshore oil and gas industry.	Australia	50	50	4,659	4,719
Total					**4,659**	**4,719**

Pursuant to a shareholder agreement, the Company has the right to cast 50% of the votes at TMLB shareholder meetings.

Summarised financial information in respect to the Group's associates is set out below:

	2011 $'000	2010 $'000
Financial position:		
Total assets	11,179	13,226
Total liabilities	(1,861)	(3,788)
Net assets	9,318	9,438
Group's share of associates' net assets	4,659	4,719
Financial performance:		
Total revenue	9,479	16,482
Total profit/(loss) for the year	(148)	3,233
Group's share of associates' profit/(loss) before tax	(74)	1,616
Group's share of associates' income tax benefit/(expense)	15	(489)
Group's share of associates' profit/(loss)	(59)	1,127

Contingent liabilities and capital commitments

The Group's share of the contingent liabilities, capital commitments and other expenditure commitments of the associate entities are nil (2010: nil).

11. Other Financial Assets Non-Current

	2011 $'000	2010 $'000
Loans and receivables		
Loans to associate	**750**	**750**

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

12. Property, Plant and Equipment

	Leasehold Buildings and Improvements at cost	Vessels at cost	Vessels – Hire Purchase at cost	Plant and Equipment at cost	Plant and Equipment – Hire Purchase at cost	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000
Gross carrying amount:						
Balance at 1 July 2009	76,549	83,530	72,941	7,458	4,816	245,294
Additions	24,037	76,394	1,609	4,575	2,783	109,398
Disposals	-	(2,306)	-	(145)	(51)	(2,502)
Transfers	-	12,782	(12,782)	-	-	-
Net currency exchange differences	-	(2,158)	(109)	(1)	-	(2,268)
Balance at 1 July 2010	100,586	168,242	61,659	11,887	7,548	349,922
Additions	6,876	57,653	-	5,708	1,544	71,781
Disposals	(12)	(30)	-	(2,132)	(82)	(2,256)
Transfers	-	(602)	602	-	-	-
Net currency exchange differences	-	(21,406)	-	(32)	-	(21,438)
Balance at 30 June 2011	**107,450**	**203,857**	**62,261**	**15,431**	**9,010**	**398,009**
Accumulated depreciation:						
Balance at 1 July 2009	(7,936)	(11,787)	(9,815)	(3,509)	(284)	(33,331)
Disposals	-	1,421	(21)	69	22	1,491
Transfers	-	(4,659)	4,659	-	-	-
Depreciation expense	(2,755)	(6,394)	(3,687)	(1,000)	(587)	(14,423)
Depreciation capitalised in assets	-	-	-	-	(7)	(7)
Net currency exchange differences	-	(106)	97	-	-	(9)
Balance at 1 July 2010	(10,691)	(21,525)	(8,767)	(4,440)	(856)	(46,279)
Disposals	13	30	-	1,783	9	1,835
Transfers	-	502	(502)	-	-	-
Depreciation expense	(3,221)	(12,097)	(3,022)	(1,329)	(687)	(20,356)
Depreciation capitalised in assets	-	-	-	(5)	-	(5)
Net currency exchange differences	-	1,472	-	8	-	1,480
Balance at 30 June 2011	**(13,899)**	**(31,618)**	**(12,291)**	**(3,983)**	**(1,534)**	**(63,325)**
Net book value:						
As at 30 June 2010	89,895	146,717	52,892	7,447	6,692	303,643
As at 30 June 2011	**93,551**	**172,239**	**49,970**	**11,448**	**7,476**	**334,684**

13. Assets Pledged as Security

In accordance with the security arrangements of liabilities, as disclosed in note 16 to the financial statements, all non-current assets of the Group have been pledged as security, except deferred tax assets.

14. Trade and Other Payables

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

	2011 $'000	2010 $'000
Trade payables	6,071	2,355
Other payables and accruals	15,368	12,346
Goods and services tax payable	1,836	1,544
	23,275	**16,245**

15. Unearned Revenue

Current	7,708	-
Non-current	5,262	-
	12,970	**-**

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

16. Borrowings

Secured – at amortised cost		
Current		
Hire purchase liability (i)	12,014	11,260
Bank loans (ii)	18,246	15,616
	30,260	**26,876**
Non-Current		
Hire purchase liability (i)	18,313	29,079
Bank loans (ii)	85,772	102,279
	104,085	**131,358**

Summary of borrowing arrangements:

(i) Secured by hire purchase assets, the borrowings are a mix of variable and fixed interest rate debt with repayment periods not exceeding 5 years. The current weighted average effective interest rate on the hire purchase liabilities is 7.83% (2010: 7.82%) - refer note 34.

(ii) The bank loans are 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 Dampier Supply Base lease. The borrowings are variable interest rate debt with repayment periods not exceeding 9 years. The current weighted average effective interest rate on the bank loans is 7.72% (2010: 7.25%) – refer note 34.

New debt facility

In August 2011, the Group restructured the bank loans whereby a number of individual loans with varying maturity dates were consolidated into a single loan facility for a term of 5 years. The new loan facility continues to be fully secured by fixed and floating charges given by certain controlled entities within the Group, registered ship mortgages over a number of vessels owned by certain controlled entities, a real property mortgage, and a mortgage by way of sub-demise over the Dampier Supply Base lease.

17. Other Financial Liabilities

	2011 $'000	2010 $'000
Derivatives		
Foreign currency forward contracts	**1,612**	**-**

18. Provisions

	2011 $'000	2010 $'000
Current		
Employee benefits	**4,216**	**2,187**
Non-current		
Employee benefits	**942**	**684**

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

19. Issued Capital

	2011 $'000	2010 $'000
215,376,756 fully paid ordinary shares (2010: 186,844,825)	**186,416**	**112,954**

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

	2011 No.'000	2011 $'000	2010 No.'000	2010 $'000
Fully Paid Ordinary Shares				
Balance at beginning of financial year	186,844	112,954	183,701	108,489
Issue of shares under share option incentive plan (note 25)	1,416	1,290	1,735	770
Issue of shares under share purchase plan	11,202	29,237	-	-
Issue of shares under dividend reinvestment plan	2,505	7,077	1,408	3,695
Issue of shares under share placement	13,410	35,000	-	-
Share issue costs	-	(1,147)	-	-
Related income tax	-	350	-	-
Transfer from employee equity settled benefits reserve (note 20)	-	1,655	-	-
Balance at end of financial year	**215,377**	**186,416**	**186,844**	**112,954**

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

Share Options & Rights

As at 30 June 2011, executives and employees held options and rights over 11,947,274 ordinary shares (2010: 12,416,797) in aggregate. Please refer to note 25 for details of these options and rights.

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

20. Reserves

	2011 $'000	2010 $'000
Employee equity settled benefits	2,165	1,676
Cash flow hedging	(1,612)	-
Foreign currency translation	(27,712)	(2,811)
Balance at end of financial year	**(27,159)**	**(1,135)**
Employee equity settled benefits reserve		
Balance at beginning of financial year	1,676	670
Share based payment	2,144	1,006
Transfer to share capital	(1,655)	-
Balance at end of financial year	**2,165**	**1,676**

The employee equity settled benefits reserve arises on the grant of share options and rights to executives and employees under the Company's share option and rights plans. Amounts are transferred out of the reserve and into issued capital when the options vest. Further information about share based payments to employees is included in note 25.

	2011 $'000	2010 $'000
Hedging reserve		
Balance at beginning of financial year	-	(870)
Loss on cashflow hedges	(2,760)	(729)
Transfer of cashflow hedge loss to initial carrying amount of fixed asset	1,148	1,972
Income tax related to losses recognised in equity	-	(373)
Balance at end of financial year	**(1,612)**	**-**

The hedging reserve represents hedging gains or losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

	2011 $'000	2010 $'000
Foreign currency translation reserve		
Balance at beginning of financial year	(2,811)	(392)
Translation of foreign operations	(24,901)	(2,419)
Balance at end of financial year	**(27,712)**	**(2,811)**

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

21. Retained Earnings

	2011 $'000	2010 $'000
Balance at beginning of financial year	85,234	60,342
Net profit attributable to members of the Company	43,150	37,889
Dividend provided for or paid (note 6)	(17,915)	(12,997)
Balance at end of financial year	**110,469**	**85,234**

22. Notes to the Statement of Cash Flows

(a) Reconciliation of cash and cash equivalents

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

	2011 $'000	2010 $'000
Cash and cash equivalents	**55,090**	**26,789**

(b) Non cash financing and investing activities

During the financial year, the Group acquired property, plant and equipment with an aggregate value of $1.4 million (2010: $18.5 million), which was financed by bank finance and hire purchase agreements. These acquisitions will be reflected in the statement of cash flows over the term of the finance facilities via repayments.

In addition, the Company issued shares to the value of $7.1 million (2010: $3.7 million) under the Dividend Reinvestment Plan.

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

	2011 $'000	2010 $'000
Profit for the year	43,150	37,889
Depreciation of non-current assets	20,356	14,423
Loss on sale of property, plant and equipment	358	645
Allowance for doubtful debts	139	47
Bad debts	2	163
Reversal of impairment losses on trade receivables	(15)	(276)
Equity settled share based payment	2,144	1,006
Increase/(decrease) in current tax liability	13,214	(3,074)
Share of associates' (profit)/loss	59	(1,127)
Increase/(decrease) in deferred tax liabilities	(878)	2,102
Change in net assets and liabilities:		
Current trade and other receivables	(21,942)	(3,487)
Prepayments	(299)	813
Inventories	39	(632)
Provisions	2,287	599
Trade and other payables	7,917	2,592
Unearned revenue	12,970	-
Net cash flows from operating activities	**79,501**	**51,683**

22. Notes to the Statement of Cash Flows (continued)

(d) Financing facilities

	2011 $'000	2010 $'000
Secured loan facilities with various maturity dates through to 2020 and which may be extended by mutual agreement:		
- Amount used	104,018	117,895
- Amount unused	1,606	3,573
	105,624	**121,468**
Secured bank overdraft:		
- Amount used	-	-
- Amount unused	4,000	4,000
	4,000	**4,000**

23. Commitments for Expenditure

(a) Lease commitments

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

(b) Capital expenditure commitments

	2011 $'000	2010 $'000
Leasehold Improvements:		
Not longer than 1 year	579	1,087
Vessels:		
Not longer than 1 year	31,562	-
	32,141	**1,087**

24. Leases

(a) Hire purchase contracts (accounted for as finance leases)

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Not later than 1 year	14,178	14,096	12,014	11,260
Later than 1 year and not later than 5 years	20,237	32,509	18,233	28,695
Later than 5 years	81	404	80	384
Minimum future payments	34,496	47,009	30,327	40,339
Less future finance charges	(4,169)	(6,670)	-	-
Present value of minimum lease payments	**30,327**	**40,339**	**30,327**	**40,339**
Included in the financial statements as:				
Borrowing - current - note 16			12,014	11,260
Borrowing – non-current - note 16			18,313	29,079
			30,327	**40,339**

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

24. Leases (continued)

(b) Operating leases

	2011 $'000	2010 $'000
Payments recognised as an expense		
Minimum lease payment	19,794	1,974
Non-cancellable operating leases committed		
Not later than 1 year	16,004	4,798
Later than 1 year and not later than 5 years	10,030	4,968
Later than 5 years	3,961	1,463
Aggregate lease expenditure contracted for at balance date	**29,995**	**11,229**
Aggregate operating lease commitments comprise:		
Office rental commitments (i)	3,557	3,593
Supply Base rental commitments (ii)	8,774	2,582
Vessel charter fee commitments (iii)	14,865	2,542
Other (iv)	2,799	2,512
	29,995	**11,229**

(i) Office Rental Commitments:

The Company entered into a lease for new office premises at 1 Mews Road, Fremantle commencing on 5 August 2010. The Company is committed under a 5 year arrangement, with a 5 year option term commencing 5 August 2015. The current rental amount of $824,000 per annum is subject to an annual 3.5% increase for the first four years of the lease and a market review on the fifth anniversary of the lease.

(ii) Supply Base Rental Commitments:

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

The 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).

(iii) Vessel Charter Commitments:

As of 30 June 2011, the Company had 9 vessels under bare boat agreements. Vessel charter commitments represent charter fee payments to be made to the owners of these vessels. These leases are all on commercial terms for periods between 1 and 3 years.

(iv) Other Lease Commitments:

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

24. Leases (continued)

(c) The Group as lessor

The Group has entered into sub lease agreements and equipment rental agreements at the Dampier Supply Base for periods between 1.5 years to 3 years with options to extend.

	2011 $'000	2010 $'000
Non-cancellable operating lease receivables		
Not later than 1 year	28,144	19,139
Later than 1 year and not later than 5 years	43,397	43,085
Later than 5 years	-	-
	71,541	**62,224**

25. Share Based Payments

25.1 Share option and rights incentive plans

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

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

The options or rights are not quoted on the ASX.

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

Series	Number Issued	Grant Date	Expiry Date	Exercise Price $	Fair Value at Grant Date $
(1) Issued 15 November 2005 (a)	600,000	15 Nov 2005	15 Nov 2009	0.40	0.13
(2) Issued 7 December 2005 (a)	600,000	7 Dec 2005	7 Dec 2009	0.40	0.18
(3) Issued 19 May 2006 (b)	2,115,000	19 May 2006	19 May 2011	0.48	0.21
(4) Issued 25 August 2006 (b)	205,000	25 Aug 2006	25 Aug 2011	0.62	0.28
(5) Issued 22 November 2007 (c)	970,040	22 Nov 2007	11 Oct 2012	1.83	0.39
(6) Issued 23 October 2007 (d)	2,576,788	23 Oct 2007	11 Oct 2012	1.83	0.45
(7) Issued 24 January 2008 (d)	487,714	24 Jan 2008	24 Jan 2013	1.83	0.45
(8) Issued 23 September 2008 (e)	1,385,432	23 Sep 2008	23 Sep 2013	1.60	0.26
(9) Issued 27 November 2008 (f)	1,277,584	27 Nov 2008	23 Sep 2013	1.60	0.08
(10) Issued 22 September 2009 (g)	475,705	22 Sep 2009	18 Sep 2014	0.00	1.43
(11) Issued 22 September 2009 (h)	3,112,047	22 Sep 2009	18 Sep 2014	3.05	0.46
(12) Issued 1 December 2009 (i)	1,488,356	1 Dec 2009	18 Sep 2014	3.05	0.47
(13) Issued 20 October 2010 (j)	780,082	20 Oct 2010	1 Jul 2013	0.00	1.62
(14) Issued 25 November 2010 (j)	266,351	25 Nov 2010	1 Jul 2013	0.00	1.62

25. Share Based Payments (continued)

(a) In accordance with the terms of the Managing Director and Senior Executive Share Option Plans, the options granted on 15 November 2005 and 7 December 2005 vested upon their issue. At year end, all options have been exercised.

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

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

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

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

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

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

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

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

(j) In accordance with the terms of the Mermaid Marine Australia Limited Performance Rights Plan – 2010 and the Mermaid Marine Australia Limited Managing Director's Performance Rights Plan – 2010 (as approved by the shareholders at the Company's AGM on 25 November 2010), the number of performance rights which vest following the end of the performance period will depend on the growth in the Earnings per Share of the Company and the Total Shareholder Return relative to a selected peer group of companies in accordance with the table below.

25. Share Based Payments (continued)

Performance criteria	Performance period	No. of performance rights which are subject to performance criteria	Performance criteria targets	Percentage of performance rights which vest if target met
Normalised Earnings per Share (EPS) growth	Beginning 1 July 2010 and ending 30 June 2013	20%	Below 6%	0%
			Between 6% and 10%	50% to 100% (on a straight line basis)
			Above 10%	100%
Company's Total Shareholder Return (TSR) percentile ranking over the performance period relative to a selected Peer Group	Beginning 1 July 2010 and ending 30 June 2013	80%	Below the 50th percentile	0%
			Between the 50th percentile & the 75th percentile	50% to 100% (on a straight line basis)
			Above the 75th percentile	100%

25.2 Fair value of share rights granted in the year

The weighted average fair value of the rights granted during the year was $1.62 (2010: $0.55). The rights were priced using a binomial option pricing model. Where relevant, the fair value of the rights has been adjusted for any market related vesting conditions.

	2011		2010		
Inputs into the model	**Series (13)**	**Series (14)**	**Series (10)**	**Series (11)**	**Series (12)**
Grant date share price	$2.73	$2.77	$2.92	$2.92	$2.93
Exercise price	$0.00	$0.00	$0.00	$3.05	$3.05
Expected volatility	40%	40%	38%	38%	38%
Life of options/rights	2.7 years	2.6 years	5 years	5 years	5 years
Dividend yield	3%	3%	2.33%	2.33%	2.39%
Risk free rate	4.90%	5.10%	5.09%	5.09%	5.08%

25.3 Movement in share options and rights during the period

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

	2011		2010	
Employee Share Option and Right Plans	**Number of options/rights**	**Weighted average exercise price $**	**Number of options/rights**	**Weighted average exercise price $**
Balance at the beginning of the financial year	12,416,797	2.06	9,224,893	1.36
Granted during the financial year	1,046,433	0.00	5,076,108	2.76
Exercised during the financial year	(1,416,437)	0.92	(1,735,000)	0.43
Forfeited during the financial year	(99,519)	0.80	(149,204)	1.83
Balance at the end of the financial year	11,947,274	2.02	12,416,797	2.06
Exercisable at end of the financial year	3,199,376	1.83	975,000	0.48

25. Share Based Payments (continued)

25.4 Share options exercised during the year

The following share options were exercised during the financial year:

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

2010 - Options – Series	Number exercised	Exercise date	Weighted average share price at exercise date
(1) Issued 15 Nov 2005	600,000	9 Sep 2009	$2.85
(2) Issued 7 Dec 2005	600,000	9 Sep 2009	$2.85
(3) Issued 19 May 2006	435,000	Various	$2.84
(4) Issued 25 Aug 2006	100,000	9 Sep 2009	$2.85

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

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

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

2010 – Options/Rights - Series	Number	Exercise price $	Expiry Date
(3) Issued 19 May 2006	975,000	0.48	19 May 2011
(5) Issued 22 Nov 2007	970,040	1.83	11 Oct 2012
(6) Issued 23 Oct 2007	2,341,675	1.83	11 Oct 2012
(7) Issued 24 Jan 2008	390,958	1.83	24 Jan 2013
(8) Issued 23 Sep 2008	1,385,432	1.60	23 Sep 2013
(9) Issued 27 Nov 2008	1,277,584	1.60	23 Sep 2013
(10) Issued 22 Sep 2009	475,705	0.00	18 Sep 2014
(11) Issued 22 Sep 2009	3,112,047	3.05	18 Sep 2014
(12) Issued 1 Dec 2009	1,488,356	3.05	18 Sep 2014
Total	**12,416,797**		

26. Subsequent Events

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

27. Earnings Per Share

	2011 Cents per Share	2010 Cents per Share
Basic earnings per share	21.09	20.40
Diluted earnings per share	20.72	20.00

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:

	2011 $'000	2010 $'000
Net Profit	43,150	37,889

	2011 No.'000	2010 No.'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	204,614	185,737

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:

	2011 $'000	2010 $'000
Net Profit	43,150	37,889

	2011 No.'000	2010 No.'000
Weighted average number of ordinary shares used in the calculation of basic earnings per share	204,614	185,737
Shares deemed to be issued for no consideration in respect of employee options	3,682	3,755
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	208,296	189,492

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

	2011 No.'000	2010 No.'000
Employee options	4,600	4,600

28. Key Management Personnel Compensation

The Directors and other key management personnel of the Group during the year were:

Mr A Howarth (Chairman / Non-Executive Director)

Mr J Weber (Managing Director)

Mr M Bradley (Non-Executive Director)

Mr J Carver (Executive Director)

Mr A Edwards (Non-Executive Director)

Mr D Ross (Chief Operating Officer)

Mr P Raynor (Chief Financial Officer)

Mr E Graham (General Manager – Corporate Development)

Mr S Lee (Supply Base General Manager)

Mr D Verboon (Slipway General Manager)

Ms T Vivian (General Manager – Marine Personnel) resigned 31 January 2011

Mr M Gillett (General Manager – Human Resources) appointed 11 October 2010

Mr J Rogers (General Manager – HSEQ)

Mr D Lofthouse (General Manager – Business Development)

Mr D Darbyshire Roberts (Company Secretary)

Key management personnel compensation policy

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

Key management personnel compensation

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

	2011 $	2010 $
Short term employee benefits	5,325,421	4,098,639
Post employment benefits	314,467	228,253
Share based payments	1,363,646	657,790
	7,003,534	**4,984,682**

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

29. Remuneration of Auditors

	2011 $	2010 $
Auditor of the Parent Entity		
Audit or review of the financial statements	257,625	251,320
Taxation compliance services	87,326	86,015
Taxation consultancy services	155,436	170,532
	500,387	**507,867**
Other Auditor		
Audit of subsidiary financial statements	8,375	8,375
Taxation compliance services	23,412	20,681
Taxation consultancy services	36,360	4,167
	68,147	**33,223**

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

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

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

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

30. Related Party Transactions

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

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

30.1 Loans to related parties

	2011 $'000	2010 $'000
Loan to associate entity	750	750

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

The loan is unsecured and repayable on demand.

30.2 Other related party transactions

(a) Equity interests in related parties

Equity interests in subsidiaries

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

Equity interests in associates and joint ventures

Details of interests in associates and joint ventures are disclosed in note 10 to the financial statements.

30. Related Party Transactions (continued)

Equity interests in other related parties

There are no equity interests in other related parties.

(b) Transaction with key management personnel

Key management personnel compensation

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

Key management personnel equity holdings

Fully paid ordinary shares of Mermaid Marine Australia Limited:

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

*Ms Vivian resigned as General Manager – Marine Personnel on 31 January 2011. This table reflects movements in Ms Vivian's equity holdings in the Company up until this date.

30. Related Party Transactions (continued)

2010	Balance at 1 July 2009	Granted as compensation	Received on exercise of options	Net other change	Balance at 30 June 2010	Balance held nominally
	No.	No.	No.	No.	No.	No.
Mr A Howarth	828,142	-	-	22,201	850,343	-
Mr J Weber	1,077,153	-	600,000	(200,000)	1,477,153	-
Mr M Bradley	3,073,819	-	-	-	3,073,819	-
Mr J Carver	6,562,217	-	-	(2,178,149)	4,384,068	-
Mr A Edwards	-	-	-	-	-	-
Mr J Mews*	749,306	-	-	-	749,306	-
Mr D Ross	57,153	-	300,000	-	357,153	-
Mr P Raynor	587,417	-	300,000	410	887,827	-
Mr E Graham	267,154	-	-	(11,090)	256,064	-
Mr S Lee	97,153	-	-	-	97,153	-
Mr D Verboon	137,408	-	100,000	-	237,408	-
Mr J Rogers	-	-	-	-	-	-
Ms T Vivian	27,000	-	-	(17,000)	10,000	-
Mr D Lofthouse	-	-	-	5,390	5,390	-

*Mr J Mews resigned as a Director on 24 November 2009. This table reflects movements in Mr Mews' equity holdings of the Company up until this date.

Share options and rights of Mermaid Marine Australia Limited:

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

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

30. Related Party Transactions (continued)

2010	Balance at 1 July 2009	Granted as compensation	Exercised	Net other change	Balance at 30 June 2010	Balance vested at 30 June 2010	Vested but not exercisable	Vested & exercisable	Options vested during year
	No.	No.	No.	No.	No.	No.	No.	No.	No.
Mr J Weber	2,847,624	1,488,356	(600,000)	-	3,735,980	-	-	-	-
Mr D Ross	1,414,204	691,866	(300,000)	-	1,806,070	200,000	-	200,000	-
Mr P Raynor	1,414,204	691,866	(300,000)	-	1,806,070	200,000	-	200,000	-
Mr E Graham	426,845	223,253	-	-	650,098	100,000	-	100,000	-
Mr S Lee	165,190	106,311	-	-	271,501	100,000	-	100,000	-
Mr D Verboon	168,295	95,680	(100,000)	-	163,975	-	-	-	-
Mr J Rogers	-	182,248	-	-	182,248	-	-	-	-
Ms T Vivian	309,886	223,253	-	-	533,139	-	-	-	-
Mr D Lofthouse	154,347	202,497	-	-	356,844	-	-	-	-

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

During the financial year 833,207 share options (2010:1,300,000) were exercised by key management personnel at a weighted average exercise price of 86 cents per option for 833,207 ordinary shares in Mermaid Marine Australia Ltd (2010: 1,300,000). No amounts remain unpaid on the options exercised during the financial year at year end.

Further details of the share based payment arrangements during the 2011 and 2010 financial years are contained in note 25 to the financial statements.

Other transactions with key management personnel of the Group

Consultancy services

During the year, Sawtell Pty Ltd, an entity of which Mr J Carver is a Director and shareholder, provided consultancy services to the Company upon negotiated commercial terms. Consultancy services charged during the financial year amounted to $220,000 (2010: $200,000), based upon an agreed market day rate.

(c) Transactions with other related parties

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

31. Segment Information

31.1 Products and services from which reportable segments derive their revenues

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

- Vessel Operations
- Supply Base
- Slipway

31. Segment Information (continued)

31.2 Segment revenues and results

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

	Revenue from external customers		Inter-segment revenue		Total segment revenue	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Segment Revenues						
Vessels	211,528	149,901	139	177	211,667	150,078
Supply Base	58,386	38,743	3,045	2,178	61,431	40,921
Slipway	15,353	5,385	8,415	7,746	23,768	13,131
Total	285,267	194,029	11,599	10,101	296,866	204,130
Eliminations					(11,599)	(10,101)
Unallocated					3,858	405
Total consolidated revenue					**289,125**	**194,434**

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

	2011 $'000	2010 $'000
Segment Profit		
Vessels	33,811	29,189
Supply Base	28,200	18,554
Slipway	2,842	987
Eliminations	132	(60)
Total for continuing operations	64,985	48,670
Investment revenue	2,567	661
Other losses	(358)	(645)
Unallocated foreign currency gain/(loss)	1,290	(256)
Central administration costs	(9,751)	(7,717)
Share of profit/(loss) of associates	(59)	1,127
Unallocated finance costs	(514)	(14)
Profit before income tax	**58,160**	**41,826**

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of investment revenue, other gains and losses, unallocated foreign currency gains and losses, central administration costs, share of profits of associates, unallocated finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

31. Segment Information (continued)

31.3 Segment assets

	2011 $'000	2010 $'000
Segment assets		
Vessels	277,247	231,383
Supply Base	111,199	105,723
Slipway	13,890	10,298
Unallocated	64,674	36,843
Total	**467,010**	**384,247**

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

31.4 Other segment information

	Depreciation and amortisation		Finance costs		Additions to non-current assets		Carrying value of equity accounted investments	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Vessels	15,275	10,256	8,878	8,056	57,673	77,895	-	-
Supply Base	4,215	3,341	2,227	1,524	9,713	28,827	-	-
Slipway	549	481	58	20	1,799	728	-	-
Unallocated	317	345	515	14	2,596	1,948	4,659	4,719
Total	**20,356**	**14,423**	**11,678**	**9,614**	**71,781**	**109,398**	**4,659**	**4,719**

31.5 Revenue from major services

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

	2011 $'000	2010 $'000
Vessel services	210,659	149,583
Property and equipment rental	25,813	13,286
Supply base services	32,508	25,225
Slipway services	15,354	5,385
Others	4,791	955
	289,125	**194,434**

31.6 Geographical information

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

During the year the Group operated vessels in a number of countries outside of Australia.

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets* by location of assets are detailed in the following table.

31. Segment Information (continued)

	Revenue from external customers		Non-current assets*	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Australia	260,463	166,245	288,363	242,759
Other	24,804	27,784	46,321	60,884
Total	**285,267**	**194,029**	**334,684**	**303,643**

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

31.7 Information about major customers

Included in revenues arising from vessel and supply base services are revenues of approximately $57.3 million (2010: $3.9 million) which arose from sales to the Group's largest customer and revenues of approximately $47.0 million (2010: $59.1 million) which arose from sales to the Group's second largest customer.

32. Subsidiaries

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

	Note	Country of Incorporation	Ownership Interest	
			2011 %	2010 %
Parent Entity				
Mermaid Marine Australia Limited	(i)	Australia		
Subsidiaries				
Mermaid Marine Group Pty Ltd	(ii) (iii) (iv)	Australia	-	100
Mermaid Marine Vessel Operations Pty Ltd	(ii) (iii)	Australia	100	100
Mermaid Marine Pty Ltd	(ii) (iii) (iv)	Australia	-	100
Mermaid Marine Offshore Pty Ltd	(ii) (iii) (iv)	Australia	-	100
Mermaid Marine Charters Pty Ltd	(ii) (iii)	Australia	100	100
Mermaid Supply Base Pty Ltd	(ii) (iii)	Australia	100	100
Dampier Stevedoring Pty Ltd	(ii) (iii) (iv)	Australia	-	100
Mermaid Manning and Management Pty Ltd	(ii) (iii) (iv)	Australia	-	100
Mermaid Labour and Management Pty Ltd		Australia	99	99
Mermaid Marine Asia Pte Ltd		Singapore	100	100

(i) Mermaid Marine Australia Limited is the head entity within the tax consolidated group.

(ii) These companies are members of the tax consolidated group.

(iii) Pursuant to ASIC Class Order 98/1418, relief has been granted to these wholly owned controlled entities from the Corporations Law requirements for preparation, audit and lodgement of the financial statements. 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.

(iv) These dormant entities were all deregistered during the year.

32. Subsidiaries (continued)

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

	2011 $'000	2010 $'000
INCOME STATEMENT		
Revenue	271,102	168,636
Dividend revenue	-	3,000
Other gains and losses	(358)	(645)
Share of net profits/(losses) of associate accounted for using the equity method	(59)	1,127
Vessel expenses	(161,434)	(98,458)
Supply Base expenses	(27,959)	(18,665)
Slipway expenses	(12,321)	(4,438)
Administrative expenses	(9,751)	(7,716)
Finance costs	(11,676)	(9,614)
Profit before income tax expense	47,544	33,227
Income tax expense	(12,664)	(5,639)
Profit for the year	**34,880**	**27,588**

32. Subsidiaries (continued)

	2011 $'000	2010 $'000
STATEMENT OF FINANCIAL POSITION		
Current Assets		
Cash and cash equivalents	25,137	19,321
Trade and other receivables	54,071	33,531
Inventories	2,153	2,192
Current tax assets	-	1,037
Other	5,160	2,289
Total Current Assets	**86,521**	**58,370**
Non-Current Assets		
Investments accounted for using the equity method	4,659	4,719
Other financial assets	143,420	93,337
Property, plant and equipment	225,577	206,842
Total Non-Current Assets	**373,656**	**304,898**
Total Assets	**460,177**	**363,268**
Current Liabilities		
Trade and other payables	20,901	14,278
Unearned revenue	7,708	-
Borrowings	30,260	26,876
Other financial liabilities	1,612	-
Provisions	4,192	2,161
Current tax payables	10,974	-
Total Current Liabilities	**75,647**	**43,315**
Non-Current Liabilities		
Trade and other payables	356	1,251
Unearned revenue	5,262	-
Borrowings	104,085	131,358
Deferred tax liabilities	8,346	684
Provisions	942	10,774
Total Non-Current Liabilities	**118,991**	**144,067**
Total Liabilities	**194,638**	**187,382**
Net Assets	**265,539**	**175,886**
Equity		
Issued capital	186,808	113,167
Reserves	(376)	577
Retained earnings	79,107	62,142
Total Equity	**265,539**	**175,886**
Retained Earnings		
Retained earnings at beginning of the financial year	62,142	47,549
Net profit	34,880	27,588
Dividend provided for or paid	(17,915)	(12,995)
Retained earnings at end of the financial year	**79,107**	**62,142**

33. Parent Company Information

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

	2011 $'000	2010 $'000
Financial Position		
Assets		
Current assets	25,529	19,486
Non-current assets	287,024	232,822
Total Assets	**312,553**	**252,308**
Liabilities		
Current liabilities	18,334	7,176
Non-current liabilities	56,274	63,813
Total Liabilities	**74,608**	**70,989**
Net Assets	**237,945**	**181,319**
Equity		
Issued capital	186,429	112,968
Retained earnings	49,363	66,675
Reserves:		
Employee equity settled benefits	2,153	1,676
Total Equity	**237,945**	**181,319**
Financial Performance		
Profit for the year	1,747	3,116
Other comprehensive income	-	-
Total Comprehensive Income	**1,747**	**3,116**
Guarantees provided under the deed of cross guarantee	119,860	116,393
Contingent liabilities of the parent entity	-	-
Commitments for the acquisition of property, plant and equipment by the parent entity	-	-

34. Financial Instruments

34.1 Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns, while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2010.

The capital structure of the Group consists of net debt (borrowings as detailed in note 16 offset by cash at bank) and equity of the Group (comprising issued capital, reserves and retained earnings as detailed in notes 19, 20 and 21).

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

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

34.1.1 Gearing ratio

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

	2011 $'000	2010 $'000
Debt (i)	134,345	158,234
Cash and cash equivalents	(55,090)	(26,789)
Net debt	79,255	131,445
Equity (ii)	269,726	197,053
Net debt to equity ratio	29%	67%

(i) Debt is defined as long and short-term borrowings, as detailed in note 16.

(ii) Equity includes all capital and reserves of the Group that are managed as capital.

34.2 Categories of financial instruments

	2011 $'000	2010 $'000
Financial assets		
Cash and cash equivalents	55,090	26,789
Loans and receivables	65,146	43,570
Financial liabilities		
Derivative instrument in designated hedge accounting relationship	1,612	-
Payables and borrowings at amortised cost	157,620	174,479

34.3 Financial risk management objectives

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

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

There has been no change to the manner in which it manages and measures risk.

34. Financial Instruments (continued)

34.4 Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group entered into foreign exchange forward contracts to hedge the foreign currency risk arising on:

- the purchase of vessels denominated by US Dollars contracts;
- the purchase of a crane denominated by a Japanese Yen contract.

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

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

34.5 Foreign currency risk management

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

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

	Liabilities		Assets	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
US Dollars	817	569	23,922	13,308
Singapore Dollars	529	166	9	80

34.5.1 Foreign currency sensitivity analysis

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

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

	US Dollar impact		Singapore Dollar impact	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Profit or loss	2	(31)	3	7
Equity (i)	(3,383)	(1,127)	44	-

(i) This is mainly attributable to the balance of US Dollars cash at reporting date and changes in fair value of derivative instruments designated as hedging instruments in cash flow hedges.

The Group's sensitivity to foreign currency has increased at the end of the current period mainly due to increased foreign currency denominated monetary items.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period does not reflect the exposure during the year. The year end US Dollar cash at bank balance was above normal operating balances pending the purchase of two vessels in July 2011.

34. Financial Instruments (continued)

34.5.2 Forward foreign exchange contracts

The Group entered into forward foreign exchange contracts to cover specific foreign currency payments required under vessel purchase contracts denominated in US Dollars and the purchase of a crane denominated in Japanese Yen.

The following table details the forward foreign currency contracts outstanding at the end of the reporting period:

Outstanding Contracts	Average exchange rate		Foreign currency		Contract value		Fair value	
	2011 $'000	2010 $'000	2011 FC'000	2010 FC'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Buy US Dollars								
6 to 12 months	0.935	-	15,164	-	16,221	-	(1,612)	-
							(1,612)	**-**

At reporting date the aggregate amount of unrealised losses under forward foreign exchange contracts relating to the construction cost of a new vessel was $1,612,000 (2010: nil). In the 2011 financial year, these unrealised losses were deferred in the hedging reserve. It is anticipated these payments relating to the construction of the new vessel will be made in the last 6 months of the 2012 financial year, at which time, the amount deferred in equity will be included in the carrying value of the new vessel.

34.6 Interest rate risk management

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings.

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

34.6.1 Interest rate sensitivity analysis

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

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

- Net profit would decrease / increase by $1,040,176 (2010: decrease / increase by $1,179,000). This is mainly attributable to the Group's exposure to interest rates on its variable borrowings.

The Group's sensitivity to interest rates has decreased during the current year, due to the reduction in variable rate debt instruments.

34.7 Credit risk management

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

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

Apart from the largest and second largest trade receivables (refer note 7), the Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities.

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

34. Financial Instruments (continued)

34.8 Liquidity risk management

The Group manages liquidity risk by maintaining adequate cash reserves, overdraft facilities and borrowing facilities, by continuously monitoring forecast and actual cash flows, and managing credit terms with customers and suppliers. Note 22(d) sets out details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

34.8.1 Liquidity and interest risk tables

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

The tables below includes the weighted average effective interest rate as an example of summary quantitative data about exposure to interest rates at the end of the reporting period that may be provided internally to key management personnel.

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
	%	$'000	$'000	$'000	$'000	$'000	$'000
30 June 2011							
Non-interest bearing	-	23,275	-	-	-	-	23,275
Finance lease liability	7.83	569	1,103	12,506	20,237	81	34,496
Variable interest rate instruments	7.72	630	5,317	19,825	95,684	1,558	123,014
		24,474	6,420	32,331	115,921	1,639	180,785
30 June 2010							
Non-interest bearing	-	16,245	-	-	-	-	16,245
Finance lease liability	7.82	654	1,295	12,147	32,509	404	47,009
Variable interest rate instruments	7.25	668	5,390	17,644	117,434	1,694	142,830
		17,567	6,685	29,791	149,943	2,098	206,084

34. Financial Instruments (continued)

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

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
	%	$'000	$'000	$'000	$'000	$'000	$'000
30 June 2011							
Non-interest bearing	-	35,451	12,044	16,901	-	-	64,396
Variable interest rate instruments	2.91	44,473	9	43	750	-	45,275
Fixed interest rate instruments	5.87	-	10,882	-	-	-	10,882
		79,924	22,935	16,944	750	-	120,553
30 June 2010							
Non-interest bearing	-	32,774	6,088	3,958	-	-	42,820
Variable interest rate instruments	3.78	26,870	-	-	750	-	27,620
		59,664	6,088	3,958	750	-	70,440

The Group has access to financing facilities as described in note 22(d), of which $5.6 million were unused at the end of the reporting period (2010: $7.6 million). The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

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

	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years
	$'000	$'000	$'000	$'000	$'000
30 June 2011					
Net settled:					
Foreign exchange contracts	-	-	(2,101)	-	-
30 June 2010					
Net settled:					
Foreign exchange contracts	-	-	-	-	-

34. Financial Instruments (continued)

34.9 Fair value of financial instruments

34.9.1 Fair value of financial instruments carried at amortised cost

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

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

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

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

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

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

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

	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
30 June 2011				
Financial liabilities at fair value:				
Derivative (cashflow hedge)	-	1,612	-	1,612
Total	**-**	**1,612**	**-**	**1,612**
30 June 2010				
Financial liabilities at fair value:				
Derivative (cashflow hedge)	-	-	-	-
Total	**-**	**-**	**-**	**-**

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

The above table only includes financial liabilities. There were no financial assets measured at fair value at 30 June 2011.

Additional Securities Exchange Information for the Year Ended 30 June 2011

Ordinary Share Capital (as at 8 September 2011)

216,056,075 fully paid ordinary shares are held by 7,449 individual shareholders. All issued ordinary shares carry one vote per share.

Substantial shareholders (as at 8 September 2011)	Number of shares	% of issued capital
Invesco Australia Limited	9,476,445	5.07
Eley Griffiths Group Pty Ltd	9,376,222	5.02

Distribution of Holders of Ordinary Shares (as at 31 August 2011)

Size of holding	Number of ordinary shareholders
1 to 1,000	1,883
1,001 to 5,000	2,711
5,001 to 10,000	1,279
10,001 to 100,000	1,484
100,001 and over	113
Total	**7,470**

Twenty largest shareholders (as at 8 September 2011)	Number of shares	% of issued capital
National Nominees Limited	37,603,616	17.40
J P Morgan Nominees Australia Limited	26,373,457	12.21
HSBC Custody Nominees (Australia) Limited	23,943,973	11.08
Cogent Nominees Pty Limited	11,268,518	5.22
Citicorp Nominees Pty Limited	11,124,611	5.15
Argo Investments Limited	6,026,838	2.79
JP Morgan Nominees Australia Limited	4,898,715	2.27
Evelin Investments Pty Limited	3,500,000	1.62
Sawtell Pty Ltd <Jim Carver's A/C>	2,555,671	1.18
UBS Nominees Pty Ltd	1,823,327	0.84
RBC Dexia Investor Services Australia Nominees Pty Limited <Pipooleo A/C>	1,817,677	0.84
Mr Mark Francis Bradley	1,573,819	0.73
The Australian National University	1,505,747	0.70
Mirrabooka Investments Limited	1,442,228	0.67
AMP Life Limited	1,216,670	0.56
Akir Pty Ltd	1,138,665	0.53
Citicorp Nominees Pty Ltd <Cwlth Bank Off Super A/C>	1,009,099	0.47
Mrs Marina Katy Carver	800,000	0.37
Citicorp Nominees Pty Ltd <Colonial First State Inv A/C>	774,162	0.36
Osson Pty Ltd <Private A/C>	753,449	0.35
Total	**141,150,242**	**65.33**

Additional Securities Exchange Information for the Year Ended 30 June 2011

Unmarketable Parcels (as at 31 August 2011)

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

Minimum parcel size	Number of ordinary shareholders	Units
154	596	6,871

Voting Rights

All ordinary shares carry one vote per share without restriction.

Unquoted Options (as at 8 September 2011)

11,267,955 unlisted options are held by 106 individual option holders.

Shareholder Enquiries

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

Computershare Investor Services Pty Ltd
GPO Box 2975EE
Melbourne
Victoria 3000 Australia

Enquiries:
(within Australia): 1300 850 505
(outside Australia): 61 3 9415 4000
Facsimile: 61 3 9473 2500

web.queries@computershare.com.au

www.computershare.com.au

Change of Address

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

Securities Exchange Listing

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

Publications

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

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Overleaf: Aerial photo of the Burrup Peninsular showing MMA's Supply Base in the foreground.

Spanning 17 hectares, MMA's Dampier Supply Base has a 6 berth wharf facility, open sealed laydown areas, undercover storage and offices capable of servicing the array of vessels engaged in offshore support activities.

Aerial photo of the Burrup Peninsular showing MMA's Supply Base in the foreground.

MERMAID MARINE
AUSTRALIA LTD

Mermaid Marine Australia Limited

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