ADSTEAM MARINE LIMITED
ABN 87 065 888 440
An ISO 9002 Quality Assured Firm

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To:	**The Manager,** **Company Announcements Office**
Company:	**Australian Stock Exchange Sydney**
From:	Dominic Smith
Company:	Adsteam Marine Limited
Phone:	(+612) 9369 9200
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Date:	24 August 2006
Number of pages inclusive of header:	**135**

RE: ADSTEAM MARINE LIMITED (ADZ)
ANNOUNCEMENT OF FY2006 RESULTS, RELEASE OF APPENDIX 4E AND 2006 ANNUAL REPORT

Please find attached:

1. ASX/media release on the FY2006 financial results;

2. Appendix 4E and Annual Report for the year ended 30 June 2006; and

3. A copy of the presentation to be made by the Managing Director to Analysts following the release of the Company's results.

The above documents will be posted on the Company's web page: www.adsteam.com.au following receipt of this correspondence by the ASX.

In addition, please find attached ASIC form 911.

Printing of the 2006 Annual Report should be completed by mid-September following which the Annual Report and notice of meeting relevant to the Company's 2006 Annual General Meeting will be sent to all shareholders.

As previously advised to the ASX, at 10.00 am (AEST) today, Thursday 24 August 2006, Mr John Moller, Managing Director of Adsteam Marine Limited will hold an Analysts' Briefing which will be webcast via the Adsteam website.

All shareholders and interested investors are invited to listen to the webcast presentation.

The Company advises shareholders and interested investors to allow extra time prior to the briefing to ensure their computer is compatible for access to the webcast. An online archive of the broadcast will be available after the briefing.

Yours sincerely
ADSTEAM MARINE LIMITED

DOMINIC D SMITH
GENERAL COUNSEL & COMPANY SECRETARY
att.

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ASX/media release

24 August 2006

ADSTEAM MARINE FY2006 RESULTS (12 months to 30 June 2006)

Net profit after tax $43.1 million – up 15%

Adsteam Marine Limited (ASX:ADZ) today announced net profit after tax of $43.1 million for the 12 months to 30 June 2006, up 15 per cent on last year. The result is in line with previous guidance.

Mr John Moller, Managing Director of Adsteam Marine said, "The Australian business is performing well and has benefited from continuing growth in domestic port activity. Cost savings are now also being realised from the significant restructuring activity and workplace reforms undertaken by management over the past three years.

"Overall, this is a good result in line with our expectations."

Highlights from the FY2006 results include:

- Revenue from services of $321.5 million and EBITDA $98.5 million
- Improved Australasian earnings with EBITDA of $61.3 million (before one-off and non-core items), up 10 per cent on last year on a like-for-like basis
- EBITDA for the UK (before one-off and non-core items) of $35.2 million, down 3 per cent on a like-for-like basis
- Net profit before tax of $47.9 million, up 22 per cent on last year
- Net profit after tax of $43.1 million, up 15 per cent on last year
- Earnings per share increased 13 per cent to 16.0 cents
- Solid balance sheet and stronger operating cash flows.

Financial results

Earnings before interest, tax and depreciation (EBITDA) for the 12 months ended 30 June 2006 was $98.5 million on revenue from services of $321.5 million.

During the year, Adsteam incurred significant items relating to redundancy, tug charter costs and non-recurring costs which totalled $6.9 million before tax. These costs were primarily incurred in the UK.

As previously detailed, Adsteam made a one-off gain of $5.3 million (before tax) as compensation for unwinding a previous agreement to provide management services to Flinders Ports and a gain on the Northland divestment of $3.6 million (before tax).

Before one-off and non-core items, EBITDA on a like-for-like basis was $96.5 million, up 5 per cent compared to last year.

Net profit after tax on a like-for-like basis was $40.5 million, up 10 per cent on last year.

Cash flow from operations was strong at $49.1 million, up 10 per cent on last year.

Net debt as at 30 June 2006 was $297 million, similar to the same time last year. Gearing (net debt / net debt + equity) improved to 46 per cent, compared to 51 per cent last year.

Australian operations

Adsteam's Australian operations delivered EBITDA (before one-off and non-core items) of $61.3 million for the 12 months to 30 June 2006, up 10 per cent on the previous year on a like-for-like basis.

Mr Moller said, "The Australian business is performing well and is benefiting from increased shipping activity in ports. Tug utilisation improved and tug jobs grew 3 per cent compared to last year."

In regard to licences, Adsteam was awarded a new non-exclusive licence in the port of Fremantle following a competitive tender process and the company has been granted preferred bidder status for a new licence in the port of Mackay, to commence in 2007.

In Albany, the company's licence was extended by two years, and in Gladstone the licence will be extended by three years, until 2010.

Mr Moller said, "In Darwin, our operations at the LNG terminal commenced two months ahead of schedule to coincide with the early start up of the terminal. This enabled us to earn income in the second half of the year.

"In June, Adsteam signed a five year contract with the Australian Maritime Safety Authority to provide emergency towage services around much of the Australian coast. This underlines the size and capability of our Australian operations."

UK operations

In local currency, Adsteam's UK business generated EBITDA (before one-off and non-core items) of GBP14.7 million, slightly above the previous year, on a like-for-like basis.

Mr Moller said, "Following restructuring changes made in the first half of the financial year at Gravesend, costs savings began to be realised in the second half.

"This offset the impact of lower overall volumes in the UK, down some 4 per cent compared to last year."

A stronger Australian dollar reduced like-for-like EBITDA to $35.2 million, down $1.1 million compared with last year.

Overall, significant labour reform has been achieved in the UK, including four to three person crewing and changes at Gravesend. However, further incremental labour reform will be required at a number of UK ports over the next 12 months to enhance the competitive position of Adsteam's business in the UK. This will involve further restructuring and redundancy costs. The details and quantum of these costs are still to be finalised.

Debt refinancing

In April 2006 Adsteam refinanced its previous syndicated debt facilities for a new five year term. This is expected to result in annualised interest cost savings of $2.3 million compared to FY2006 at existing debt levels.

Update on SvitzerWijsmuller offer

On 3 July 2006, SvitzerWijsmuller made a cash offer of $2.54 per share (inclusive of any dividend) for all of the issued shares in Adsteam Marine Limited. After carefully considering SvitzerWijsmuller's offer, the Adsteam Board recommended that, in the absence of a higher offer and after the regulatory conditions to the offer have been satisfied or waived, shareholders accept the offer.

Currently, the offer remains open, subject to the following conditions being satisfied:
- Competition approval in the United Kingdom
- 90 per cent minimum acceptance.

Under the terms of the offer from SvitzerWijsmuller, the consideration of $2.54 cash per share is inclusive of any dividend, if one is declared or paid. The Board has resolved to defer the decision to pay any dividend while it waits upon the outcome of the offer.

Should the takeover not proceed, the Company's existing dividend policy will continue to apply. This is the payout of approximately 50 per cent of net profit after tax by way of dividends.

The SvitzerWijsmuller offer is scheduled to close at 7pm on Friday 29 September 2006, unless extended or withdrawn.

For further information, please contact

John Moller
Managing Director
Adsteam Marine Limited
02 9369 9200

Dominic Smith
General Counsel and Company Secretary
Adsteam Marine Limited
02 9369 9200

Paula Wilson – Media
Manager, Corporate Communications
Adsteam Marine Limited
02 9369 9257 / 0419 489 959

Troy Cairns – Investor Relations
Director
CHANNEL Financial Communication
02 9221 0008 / 0417 661 875

Adsteam Marine Limited

Results for the 12 months to 30 June 2006

(in A$m)	June 2006	June 2005
Revenue		
– revenue from services	321.5	320.8
– other revenue	17.7	10.3
Total revenue	**339.2**	**331.1**
Earnings before interest, income tax, depreciation, significant items, non-core items and non-recurring costs	**96.5**	**92.2**
One-off redundancies and tug charter costs	(5.3)	(2.3)
Non-recurring costs	(1.6)	(5.1)
Non-core items	8.9	7.1
Earnings before interest, income tax and depreciation	**98.5**	**91.9**
Depreciation and other amortisation expense	(25.2)	(23.9)
Earnings before interest and income tax	**73.3**	**68.0**
Net interest expense	(25.4)	(28.7)
Profit before income tax expense	**47.9**	**39.3**
Income tax benefit/(expense)	(4.8)	(1.8)
Net profit after tax attributable to members of Adsteam Marine Limited	**43.1**	**37.5**
Earnings per share – cents per share		
Basic earnings per share	16.0	14.1

Adsteam Marine Limited
Results for the 12 months to 30 June 2006

Significant items

(in A$m)	Profit before tax		Income tax		Profit after tax	
	June 2006	June 2005	June 2006	June 2005	June 2006	June 2005
One-off redundancies and tug charter costs						
Redundancy expenses	(1.8)	(2.8)	0.1	0.8	(1.7)	(2.0)
Reversal of redundancy provisions no longer required	1.3	0.5	(0.2)	(0.1)	1.1	0.4
Tug charter costs	(2.9)	–	0.6	–	(2.3)	–
Restructuring costs in Gravesend	(1.9)	–	0.1	–	(1.8)	–
Total one-off redundancies and tug charter costs	**(5.3)**	**(2.3)**	**0.6**	**0.7**	**(4.7)**	**(1.6)**
Non-recurring costs						
Gisborne (sale of business 1H05)	–	(0.2)	–	0.1	–	(0.1)
Retirement benefits expense	(0.1)	(0.7)	–	0.2	(0.1)	(0.5)
Tonnage tax costs	(0.1)	(1.4)	–	–	(0.1)	(1.4)
Consultancy	(1.1)	(1.5)	0.3	0.3	(0.8)	(1.2)
Asset sale program costs	–	(0.3)	–	0.1	–	(0.2)
Contract set up costs	(0.2)	(0.7)	–	–	(0.2)	(0.7)
Costs associated with the take over offer	(0.1)	–	–	–	(0.1)	–
Write off of non-current asset	–	(0.3)	–	0.1	–	(0.2)
Total non-recurring costs	**(1.6)**	**(5.1)**	**0.3**	**0.8**	**(1.3)**	**(4.3)**
Non-core items						
Northland	3.6	3.4	(0.2)	(0.5)	3.4	2.9
AdEgis (sold December 2005)	5.7	0.7	(0.1)	(0.1)	5.6	0.6
UK hedge gain/(loss)	(0.4)	3.0	–	–	(0.4)	3.0
Total non-core items	**8.9**	**7.1**	**(0.3)**	**(0.6)**	**8.6**	**6.5**
Total significant items	**2.0**	**(0.3)**	**0.6**	**0.9**	**2.6**	**0.6**

Segment reporting – significant items						
Australasia	**4.5**	**(4.8)**	**0.1**	**1.4**	**4.6**	**(3.4)**
UK	**(6.1)**	**1.1**	**0.7**	**–**	**(5.4)**	**1.1**
US	**3.6**	**3.4**	**(0.2)**	**(0.5)**	**3.4**	**2.9**
Total significant items	**2.0**	**(0.3)**	**0.6**	**0.9**	**2.6**	**0.6**

Adsteam Marine Limited
Appendix 4E
Preliminary final report for the 12 months ended 30 June 2006

ABN 87 065 888 440

Previous corresponding period

12 months ended 30 June 2005

Results for announcement to the market

For the 12 months ended 30 June 2006		%		A$000
Revenue from services	Up	0.2%	to	321,523
Net profit for the period attributable to members	Up	15.0%	to	43,130

Dividend distributions	Amount per security	Franked amount per security
Interim dividend paid	3.9 ¢	3.9 ¢
Final dividend (i)	- ¢	- ¢

(i) Due to the off-market takeover offer by Svitzer Wijsmuller Marine Pty Limited for all the ordinary shares in the Company, as announced on 3 July 2006, the Board of Directors has resolved to defer the decision to pay a final 2006 dividend while it waits upon the outcome of the offer.

As at 30 June	Consolidated	
	2006	2005
Net tangible assets per security		
Net tangible assets per security (cents per share)	37.8	12.8

Preliminary final report is based on financial statements that are audited.

ASIC registered agent number 16411
lodging party or agent name DOMINIC SMITH, ADSTEAM MARINE LIMITED
office, level, building name **or** PO Box no. PO BOX 644
street number & name BONDI JUNCTION
suburb/city NSW state/territory NSW postcode 1355
telephone (02)9369 9200
facsimile (02)9369 9288
DX number - suburb/city -

ASS. CASH. PROC. REQ-A REQ-P

Australian Securities & Investments Commission

form **911**

Corporations Act 2001

verification or certification of a document

Regulation 1.0.16

corporation name ADSTEAM MARINE LIMITED
A.C.N. or A.R.B.N. 065 888 440

Details of the attached document

document title ADSTEAM MARINE 2006 ANNUAL REPORT

relevant section or subsection of the Corporations Act 2001

Signature

☐ *I verify that the attached document marked ( ) is the original document.*

☒ *I certify that the attached document marked (A) is a true copy of the original document.*

print name DOMINIC SMITH capacity COMPANY SECRETARY

sign here date 24 / 8 /06

Small Business (less than 20 employees), please provide an estimate of the time taken to complete this form

Include

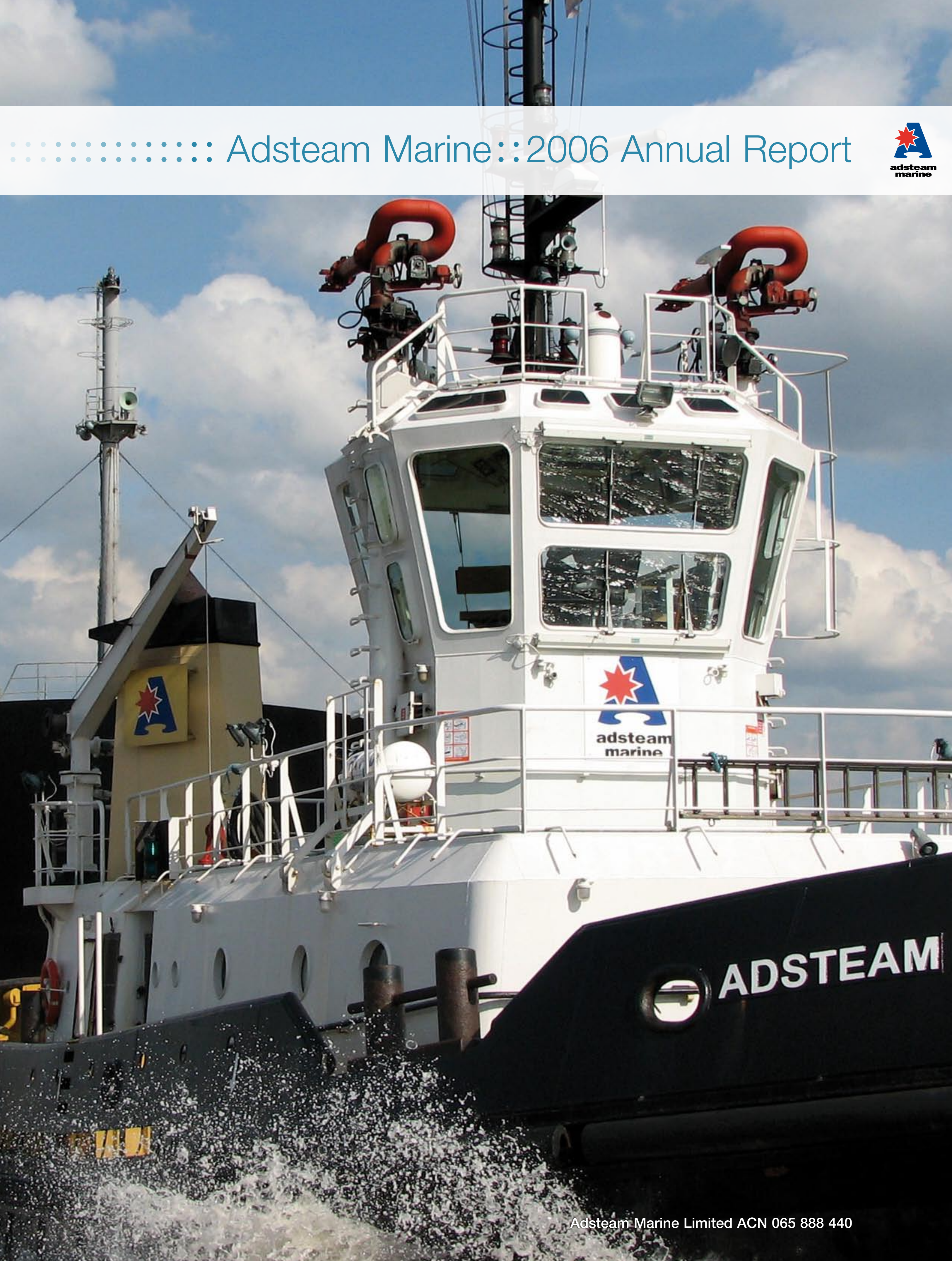
- The time actually spent reading the instructions, working on the question and obtaining the information
- The time spent by all employees in collecting and providing this information

hrs mins

The following is the Annexure "A" of 116 pages referred to in the ASIC Form 911 signed by me and dated 24 August 2006

Dominic Smith
Secretary, Adsteam Marine Limited, ACN 065 888 440
24 August 2006

Adsteam Marine :: 2006 Annual Report



Adsteam Marine Limited ACN 065 888 440

Contents

Cover: *Adsteam Laceby* is one of four tugs assisting *Tian Hua Feng* to berth at the British Steel Corporation berth at Immingham on the River Humber in the United Kingdom. *Adsteam Laceby*, a 59 bollard pull Voith Schneider tug, is one of the most powerful tugs in Adsteam Marine's fleet. Photography by Paula Wilson.

2005 : : 2006 Final Results

Summary

12 months to 30 June	**2006** **$m**	2005 $m
Revenue from services	**321.5**	320.8
EBITDA (like-for-like basis)	**96.5**	92.2
EBITDA	**98.5**	91.9
EBIT	**73.3**	68.0
Profit before tax	**47.9**	39.3
NPAT	**43.1**	37.5
EPS (cents per share)	**16.0**	14.1
Cash flow from operations	**49.1**	44.7
Net debt	**297.3**	296.6

Chairman's Letter

Adsteam Marine delivered an improved financial result for the 12 months ended 30 June 2006, in line with the previous guidance given in February 2006 when the Company announced its half year results.

The results achieved during the 2005-06 financial year were pleasing and flow from the transformation program adopted by the Board some three years ago. The management team's implementation of this program has been outstanding. Whilst there remains considerable labour reform to be completed, especially in our UK business, the operations of the Company are much fitter and more robust.

As communicated to the Australian Stock Exchange on 3 July 2006, the Company has received a takeover offer from SvitzerWijsmuller. Given the improvements made to the Adsteam Marine business and the quality and breadth of our service offering, it is perhaps not surprising that SvitzerWijsmuller was attracted to our business. I will provide more detail about this offer shortly.

Financial performance
For the financial year ended 30 June 2006, Adsteam Marine reported a net profit after tax of $43.1 million. This is an increase of 15 per cent when compared to the net profit after tax of $37.5 million achieved in the previous financial year (on an AIFRS basis).

The improvement in financial performance has been driven by solid volume increases in Australia, further cost savings both in Australia and the UK and includes the cost of essential changes to work practices in Gravesend.

This is the first full year of reporting under the international accounting standards. These changes have an impact on Adsteam Marine in two important ways. First, goodwill amortisation has ceased. The carrying value of assets (including intangibles) is now subject to a strict impairment test. Second, the net deficit of Adsteam Marine's pension funds is shown as a liability on the balance sheet.

Earnings per share were 16.0 cents per share, an increase of 13 per cent compared to the previous financial year.

Operational performance
John Moller, our Managing Director, provides a detailed review of our operations, which begins on page 8. I commend his review to you.

Divestments
In September 2005, the Company finalised the divestment of the fuel business of Northland Holdings Inc. and exited the North American market. The final proceeds from the divestment were approximately $3.4 million (after tax) higher than book value and the proceeds from the sale were used to retire debt.

This completed the divestment of non-core businesses, which commenced in May 2003.

Debt
At 30 June 2006, net debt was $297.3 million.

During the year, the Company refinanced $173 million of syndicated debt with a new $300 million, five year syndicated debt facility.

The gearing of the Company at 30 June 2006 improved to 46 per cent, down from 51 per cent at the same time last year.

Tonnage Tax
Following the Company's exit from Tonnage Tax in the UK in June 2006, our UK operations will adopt the legislative transitional provisions providing a one-off adjustment of assets to market value with no balancing charge.

Based on the existing profit levels, we expect there will be no significant cash tax liability in respect of our UK earnings until 2014.

Takeover offer
As noted, the Company made a joint announcement to the Australian Stock Exchange on 3 July 2006 that SvitzerWijsmuller, a Danish towage company, had made a cash offer of $2.54 per share (inclusive of any dividend) for all of the issued shares in Adsteam Marine Limited.

After carefully considering SvitzerWijsmuller's offer, the Board recommended, that in the absence of a higher offer, shareholders accept the offer after the regulatory conditions to the offer have been satisfied or waived.

The offer was subject to a number of conditions. The conditions outstanding as at the date of this Annual Report are:

- 90 per cent minimum acceptance
- Competition approval in the United Kingdom.

The terms and conditions of the offer are described in more detail in the Bidder's Statement from SvitzerWijsmuller and our Target's Statement, which were mailed to shareholders on 26 July 2006. A copy of these documents can be found on the Company's website. The offer period is now open and will close at 7pm AEST on 29 September 2006, unless extended or withdrawn.

Noting that SvitzerWijsmuller's offer was at a 30.6% premium to the volume weighted average share price in the month prior to the offer and, after careful assessment of other relevant considerations, the Board recommended the offer to its shareholders. Your Directors considered the following matters in making this recommendation:

- The offer values Adsteam higher than its shares have traded in the last three years
- The offer is at a significant premium to recent trading
- It is possible that the Adsteam share price might fall below SvitzerWijsmuller's offer price if the offer fails and in the absence of a higher offer
- The offer consideration will be paid in cash providing certainty of value and removing risks currently borne by shareholders
- No alternative offers have been announced as at the date of this Report
- It is important to note there is further labour restructuring required in the United Kingdom.

Dividends

A fully franked interim dividend of 3.9 cents per ordinary share was paid in April 2006 in respect of the half year ended 31 December 2005.

Under the terms of the offer from SvitzerWijsmuller, the consideration of $2.54 cash per share is inclusive of any dividend, if one is declared or paid. The Board has resolved to defer the decision to pay any dividend while it waits upon the outcome of the offer. As stated above, the offer will close at 7pm AEST on 29 September 2006, unless extended or withdrawn.

Should the takeover not proceed, the Company's existing dividend policy will continue to apply. This is the payout of approximately 50% of net profit after tax by way of dividends.

Board

On 12 May, the Board welcomed Peter Dexter, AM as a Non-Executive Director of the Company. Peter is the Chairman of Wallenius Wilhelmsen Oceania and Wilh. Wilhelmsen Investments Pty Ltd and the Honorary Consul General (NSW) for Norway. Peter has a long history within the shipping and maritime industry and brings a wealth of knowledge with him to assist Adsteam Marine.

His appointment increases the Board of Directors to six members.

While Peter's appointment was only seven weeks before the takeover proposal was announced, he has already made a significant contribution to the Board's activities.

Appreciation

Finally, I would like to extend my sincere gratitude to my fellow Directors, the management team and all employees across Adsteam Marine for their dedication and hard work during the year. This hard work has made Adsteam an attractive enterprise, resulting in the takeover offer from SvitzerWijsmuller. While we wait for the outcome of the offer, the Board and all employees continue to work for Adsteam Marine as usual. Should the takeover proceed, it is SvitzerWijsmuller's current intention that our operations will continue in substantially the same manner. Our crews will continue to operate our tugs, servicing our many shipping customers with the same high level of service.

Should the offer not proceed, our business will continue with the Company focussing on cost, growth and development opportunities.

Bruce Corlett
Chairman

24 August 2006

Our Business

We have made excellent progress over the past three years to transform Adsteam Marine. Costs have been reduced, non-core assets have been divested and we are now a business fully focussed on delivering high quality ship assist services to our customers.

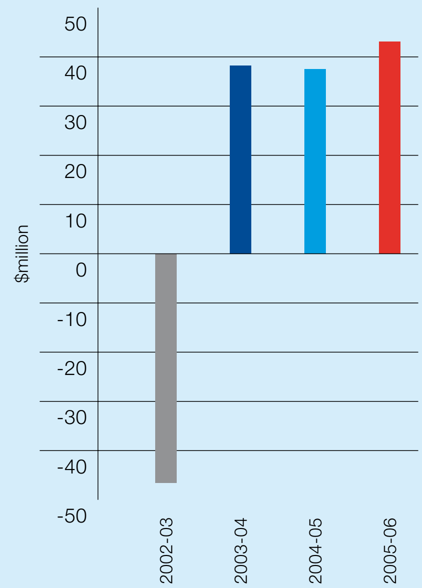
John Moller, Managing Director and Chief Executive Officer

Our Results

NPAT $43.1m

The Company reported net profit after tax of $43.1 million. This is a 15 per cent improvement compared to the result achieved in the 2004-05 financial year.

Net profit after tax (pre goodwill) for the years ended 30 June 2003 – 2006[1]



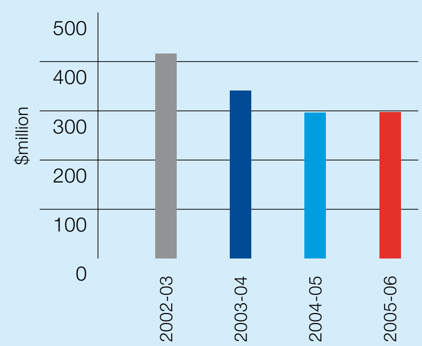
3.9 cents per share

A fully franked interim dividend of 3.9 cents per ordinary share was paid in April 2006 in respect of the half year ended 31 December 2005. Under the terms of the offer from SvitzerWijsmuller, the consideration of $2.54 cash per share is inclusive of any dividend, if one is declared or paid. The Board has resolved to defer the decision to pay any dividend while it waits upon the outcome of the offer. The offer will close at 7pm AEST on 29 September 2006, unless extended or withdrawn.

Debt management

At 30 June 2006, net debt was $297.3 million. During the year, the Company refinanced its syndicated debt facilities with a new $300 million, five year syndicated debt facility. The gearing of the Company at 30 June 2006 improved to 46 per cent.

Net debt at 30 June 2003 – 2006[1]



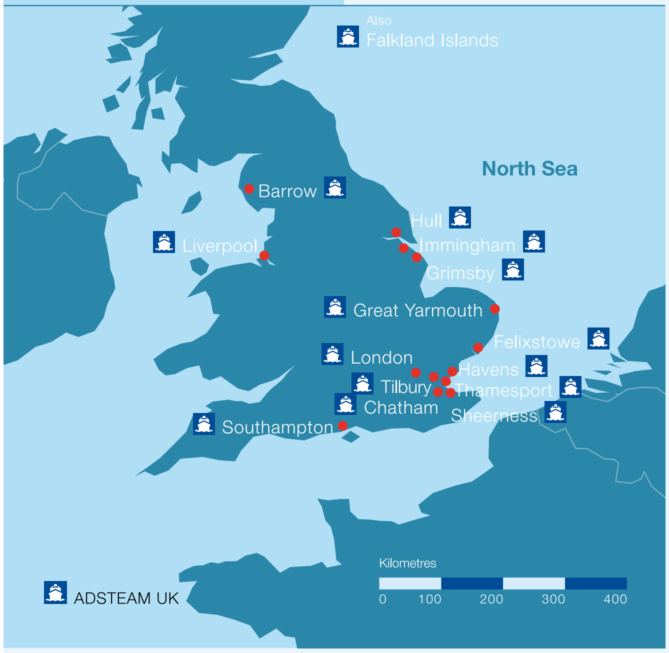
Leader in 57 ports

Adsteam Marine provides towage and related services in 57 ports across Australia, the Pacific and the UK. Leading category share in ship assist is held in all ports where the Company operates.

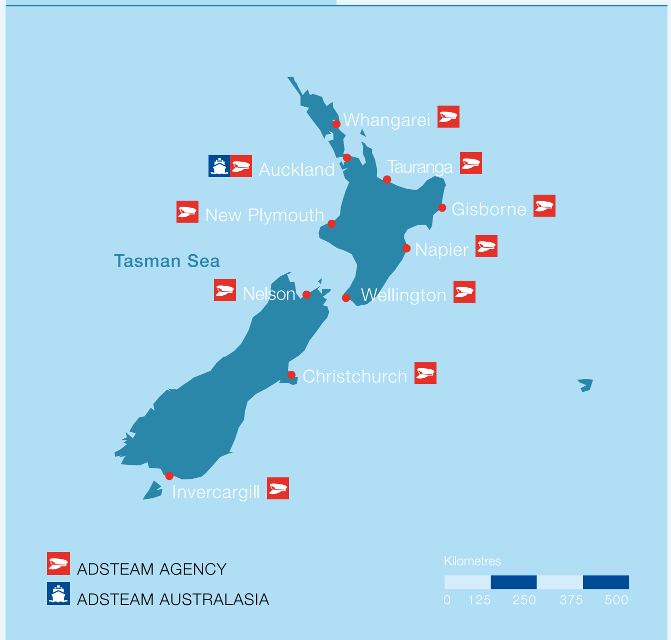
[1] Results for the 2005 and 2006 financial years use Australian Equivalents to International Financial Reporting Standards (AIFRS). Prior period results have not been restated using AIFRS.

Our Operations

UK

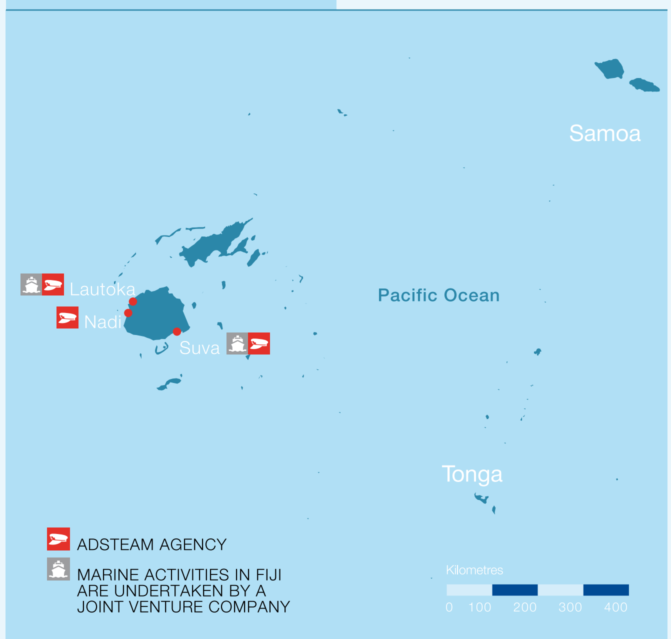


New Zealand



India

Fiji



Global : : Local

Australia and Papua New Guinea

Managing Director's Report

Overall the business is much fitter and the underlying profitability of the business has greatly improved.

The Company has made excellent progress over the past three years to transform Adsteam Marine however, there is still further work needed in the UK with regard to labour reform.

Our business strategy of focusing on the ship assist business, reducing costs, divesting non-core assets, securing and building on our strong businesses in Australasia and the United Kingdom has proven successful.

The 2005-06 financial year saw the benefits from the transformation program delivered to the bottom line, with net profit after tax up 15 per cent compared to the 2004-05 financial year.

The year also saw significant change in the maritime industry with global consolidation occurring in both the shipping and port services sector. Some of the major mergers included Maersk and P&O Nedlloyd, Hapag-Lloyd and CP Ships, DP World and P&O Ports and Toll and Patrick.

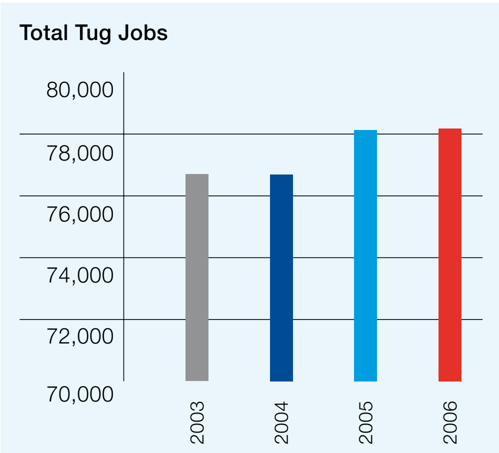
Consolidation is now occurring in the towage industry with SvitzerWijsmuller (part of the A.P. Moller – Maersk Group) offering $2.54 per share for Adsteam Marine. The offer from SvitzerWijsmuller recognises both the strategic position Adsteam has in the global towage industry and the substantially improved business which Adsteam Marine is today.

Financial results

For the year ended 30 June 2006, Adsteam Marine Limited reported a net profit after tax of $43.1 million, an improvement of 15 per cent over the previous financial year. This result reflects a good performance from our Australian business, as well as a number of significant operational improvements, which I will expand on shortly.

Operational improvements in our core business and workplace reform in the UK saw consolidated EBITDA on a like-for-like basis up 5 per cent on last year. Also contributing to this result were increased prices and volumes, the commencement of our contracts for the Darwin and Medway LNG terminals and project work in the UK.

Consolidated result	Year to 30 June 2006 $ million	Change %
Earnings before interest, tax, depreciation and amortisation (EBITDA)	98.5	7
Earnings before interest, tax, depreciation and amortisation excluding non-core businesses (EBITDA like-for-like basis)	96.5	5
Earnings before interest and tax (EBIT)	73.3	8
Net profit (NPAT) attributable to Adsteam Marine Limited	43.1	15



The chart above shows the number of tug jobs performed by the Company for the previous four financial years. The small increase in volume of tug jobs for the 2005-06 financial year was due to an increase in the number of ship calls and increased usage of tugs.

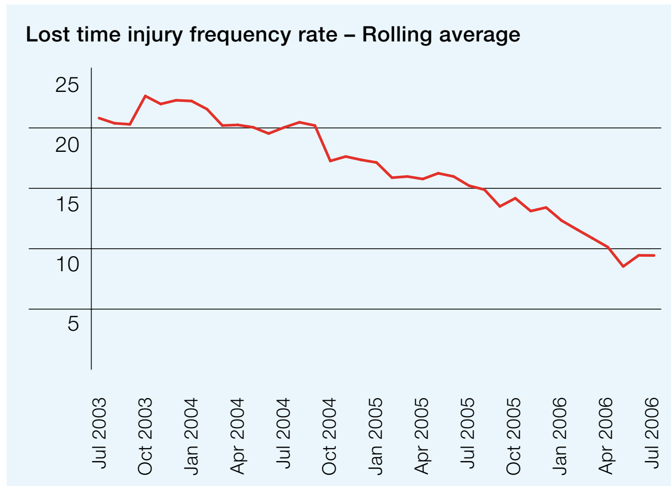
Business fitness

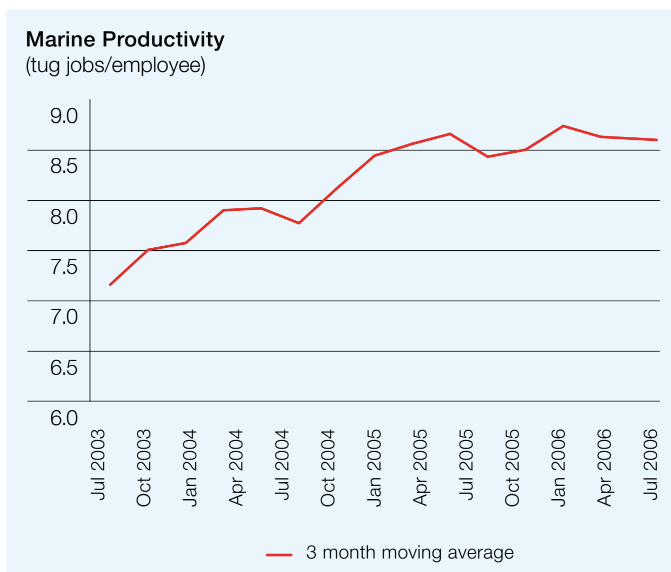
Over the past three years, we have substantially improved the fitness of the business. Specific improvements during this time include:

- Debt was reduced by $119 million and we have recently refinanced the business with a five year facility on a more cost effective basis, with some headroom to fund acquisitions
- The fleet has been substantially upgraded with 11 new tugs. Six new tugs are scheduled to be delivered in the 2006-07 financial year, with more underway
- Wide ranging workplace reforms in Australia and the UK were introduced with minimum disruption
- Non-core and underperforming assets have been divested, above book value
- The management structure has been changed and is now flatter and more responsive
- The corporate entity structure of the Company was simplified
- Performance management and individual performance plans have been introduced
- The Tonnage Tax issue in the UK was resolved satisfactorily.

Overall the business is much fitter, and the underlying profitability of the business has greatly improved.

We have also made good progress in delivering growth with the start up of operations at the Darwin and Medway LNG terminals during the 2005-06 year. Opportunities are also available in the offshore market and other geographies such as China, India, Europe and Asia. Each of these opportunities require significant levels of capital and management expertise to develop, and we have been evaluating various opportunities, some of which we would pursue in the normal course of business going forward.





The improvements in the Company's safety performance and marine productivity are indicative of the fitness of the business. Not only have we improved the ratio of tug jobs per employee by reforming our work practices in

Australia and the UK, but we have done so while lifting the safety of our operations. Our goal is zero accidents, and while there is still some way to go, this is achievable.

Adsteam Australasia

The Australasian operations delivered an improved performance for the year ended 30 June 2006. EBITDA (before one-off and non-core items) was $61.3 million, an increase of 10 per cent on the previous financial year. The Australian business is performing well and is benefiting from increased shipping and export activity. As a result, the number of tug jobs grew by three per cent, and tug utilisation improved.

Five new tugs were delivered during the year, including three for Australia – *Adsteam Ginga* and *Adsteam Larrakia* in Darwin and *Adsteam Meringa* in Newcastle. These tugs incorporate the latest in technology and offer improved power, efficiency and performance in towage.

Adsteam Ginga and *Adsteam Larrakia* were built for our contract at ConocoPhillip's LNG terminal at Wickham Point, Darwin. They are 55 tonne bollard pull tractor tugs (AZT) with fire fighting and oil spill response capability and recovery equipment.

Adsteam Meringa is a 70 tonne bollard pull reverse tractor (ASD) tug. *Adsteam Meringa* joins sister tug *Barunga* in Newcastle, with the Company now providing Voith and Z peller technology, a combination which is excellent to service the port.

In June 2006, the Australian Government announced Adsteam Marine had been awarded a contract for the provision of emergency towage services around much of the Australian coast. This was the final part of the Australian Government's upgrading of emergency response capabilities to ensure comprehensive coverage is available around the Australian coastline.

We are pleased to be part of the solution to supply these services over a five year period which covers the following areas: Southern Western Australia, South Australia, Victoria-Tasmania, New South Wales, Southern and Central Queensland and Northern Australia.

In December 2005, Adsteam Marine signed a new seven year agreement with Fremantle Ports for the provision of towage services in the inner and outer harbours of Fremantle, Western Australia. The new non-exclusive licence came into effect on 1 June 2006.

In June 2006, the Mackay Port Authority announced that Adsteam was the preferred tenderer of towage operations in the port. The exclusive five year licence is being formalised but will involve the supply of two new tugs for the port. These will be sourced from the existing Adsteam Marine fleet.

The awarding of both licences confirms the Company's position as the premier provider of harbour towage services in Australia.

Overall, Australia is currently experiencing strong investment in port infrastructure. More than $1 billion is being spent on infrastructure and capacity expansion. This includes the ports of Newcastle (expansion of Kooragang by approximately 18 million tonnes), Gladstone (RG Tanna and Wiggins coal terminal expansions), Port Kembla (multi user berth and car terminal), Adelaide (channel deepening) and Sydney (four new berths at Port Botany), plus a number smaller port expansion projects.

For Adsteam this means the ports will handle greater volumes of cargo and larger ships, which should result in increased work for our fleet. These activities, coupled with continued trade growth, underpin our positive outlook for continuing growth from our Australian business into the future.

Adsteam UK

EBITDA (before one-off and non-core items) for the UK business was down slightly to $35.2 million. Work practice reform in the UK led to cost savings in the second half of the year, which partially offset the impact of lower overall volumes in the UK.

During the year, significant labour reform was achieved in the UK, including the implementation of three person crewing. We built on this reform to implement further restructuring changes at Gravesend. This change was effected with no time lost or interruption to service.

There is still room to improve our industrial relations practices and we will be looking to implement further changes in the new financial year. Further incremental labour reform will be required at a number of UK ports over the next 12 months to enhance the competitive position of Adsteam's business in the United Kingdom. This will Involve further restructuring and redundancy costs, the details and quantum of which are still to be finalised.

Two new tugs were delivered to our Medway operations, *Adsteam Harty* and *Adsteam Warden*. Both are new technology, 70 tonne bollard pull reverse tractor (ASD) tugs which will enhance our service offering to all our customers on the Thames and Medway, including the ships visiting the Isle of Grain LNG terminal on the River Medway.


ADSTEAM LACEBY

A project undertaken in the UK during the year was to barge sea dredged aggregate to replenish the beaches of Heacham, Norfolk. Over a period of six months, more than 400,000 tonnes of the aggregate was barged from an offshore location to the site, working within strict environmental guidelines, tidal windows and the weather. Two tugs and two multi-cats were used on the project, crewed by 26 employees, for the 458 barge movements.

Escort towing is predicted to be a growing market. The use of tugs to escort certain ships in restricted waterways first commenced in the United States in 1975, and today there is a mandated requirement for tug escort of tankers in a number of countries. In Australia and the UK, this activity is small, but we believe escort towing will become a growing requirement into the future. Adsteam undertook its own escort towing trials during the year with the short term charter of *Boxer* into our Thames and Medway operation. Adsteam is currently working with oil majors, other towage operators, equipment suppliers, tug builders, naval architects and port/terminal designers on an international project to develop the optimum tug design for terminal and escort towing, particularly in offshore and sensitive locations.

Adsteam Agency

In August 2005, Adsteam Agency formed a 50/50 joint venture company with Beaufort Shipping Agency Company, a trading division of P&O Maritime Services Pty Ltd. The joint venture is Oceania Maritime Services Pty Ltd and comprises the Australian bulk agency operations of Adsteam Agency only. All other activities of Adsteam Agency continue to operate without change.

Adsteam Agency is one of the leading ship agencies in Australia and the new company will see cost savings and benefits from the merged operations.

Non-core divestments

In September 2005, the Company completed its divestment program with the announcement that Northland Fuel LLC (55% owned by Adsteam) had sold its fuel business. The business, which comprised Yukon Fuel Company (a marine based fuel distribution business) based in Anchorage, Alaska and Service Oil & Gas (a land based fuel distribution business) based in Glennallen, Alaska, was sold to Crowley Marine Services, Inc., a subsidiary of Crowley Maritime Corporation. The final proceeds from the divestment were approximately A$3.4 million (after tax) higher than book value, and the proceeds from the sale were used to retire debt.

SvitzerWijsmuller offer

On 3 July 2006, Adsteam and SvitzerWijsmuller issued a joint announcement about SvitzerWijsmuller's proposed takeover of Adsteam Marine. The SvitzerWijsmuller offer price of $2.54 per share is inclusive of any dividend, if one is declared or paid.

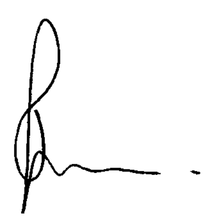
The Board has recommended the offer to shareholders, in the absence of a higher offer and after the regulatory conditions to the offer have been satisfied or waived. In his letter to shareholders on page 2 of this Annual Report, Chairman Bruce Corlett outlines the main conditions to the offer and the reasons for the Board's recommendation.

The shipping industry is consolidating which leads to the consolidation of port services, including towage. I believe the SvitzerWijsmuller offer reflects well on what we have achieved during the past three years to transform Adsteam Marine. The Company is much fitter, costs have been reduced, non-core assets have been divested and we are now a business fully focussed on delivering high quality ship assist services to our customers.

Finally

I thank the Directors, the leadership team and employees for their efforts during the year. It has been another busy year for everyone, with the hard work of the past three years coming to fruition.

I would also like to thank our customers for their continued support.



John Moller
Managing Director and Chief Executive Officer

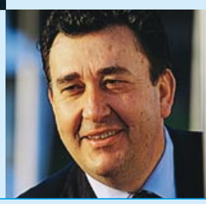
24 August 2006

Directors and Group Leadership Team

Directors



Directors photos
Top row: Bruce Corlett, Peter Dexter, David Mortimer.
Bottom row: John Moller, Achim Drescher, Ken Moss.



The Directors of Adsteam Marine Limited in office at the date of this Report (unless otherwise noted) are listed below.

Robert Bruce Corlett BA, LLB
Chairman and Non-Executive Director
Bruce joined the Board in March 1997 and was appointed Chairman in 2002. Bruce is a former chairman of the Australian Maritime Safety Authority (1995-98). Current directorships include Servcorp Limited (Chairman), Stockland Trust Group Limited, Trust Company of Australia Limited (Chairman) and Tooth & Co Limited. He is Chairman of the Company's Nomination and Remuneration Committee. Bruce was last elected at the 2003 Annual General Meeting. His current term will expire no later than the close of the 2006 Annual General Meeting. Bruce's term may be extended for a further three years by receiving shareholder approval at the Company's 2006 Annual General Meeting. Former listed company directorships held in the last three years: None. Age 61 years, resident Sydney.

John Moller BE, MFinance, GradDipMktg
Managing Director and Chief Executive Officer
John joined the Board in January 2003 on his appointment to the position of Managing Director and Chief Executive Officer. He is a Director of various Adsteam Marine managed and non-managed joint venture companies. John was previously Executive Vice President, Asia Pacific for James Hardie Industries. As Managing Director, John is not required to seek re-election to the Board. Former listed company directorships held in the last three years: None. Age 47 years, resident Sydney.

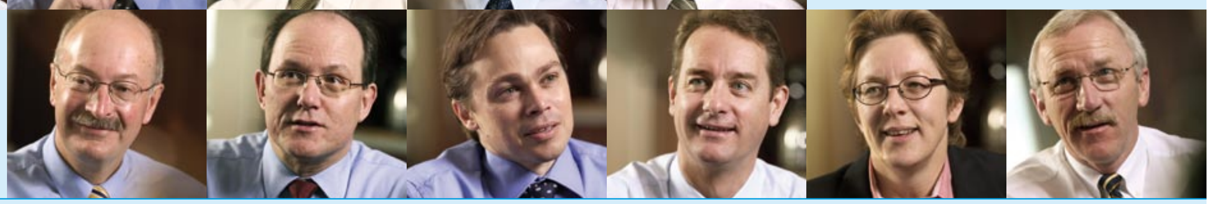
Peter Dexter, AM FAICD
Non-Executive Director
Peter Dexter joined the Board of Adsteam Marine Limited in May 2006. Peter is the Chairman of Wallenius Wilhelmsen Oceania and Wilh. Wilhelmsen Investments Pty Ltd. He has extensive maritime industry experience, initially with ANL and then Wallenius Wilhelmsen and its subsidiary companies. Peter is the Honorary Consul General (NSW) for Norway, a Director of a number of other companies associated with the Wilhelmsen Group in Oceania and a Director of The Australian National Maritime Foundation. Peter was named a Member (AM) in the Order of Australia for service to the development of the shipping and maritime industries through leadership roles, to international relations, and to the community in 2005. As Peter was appointed to the Board during the year, his current term will expire no later than the close of the 2006 Annual General Meeting. His term may be extended for a further three years by receiving shareholder approval at the Company's 2006 Annual General Meeting. Former listed company directorships held in the last three years: None. Age 63 years, resident Sydney.

Achim Drescher BEc
Non-Executive Director
Achim joined the Board in September 2001. Achim was the Managing Director of Columbus Line Australia Pty Ltd until January 2002, when he became Chairman of that company. He is a Director of a number of companies including Leighton Holdings Ltd and Sword Securitisation Ltd. He is a member of the Company's Audit and Risk Committee and the Nomination and Remuneration Committee. Achim was last re-elected at the 2004 Annual General Meeting. His current term will expire no later than the close of the 2007 Annual General Meeting. Former listed company directorships held in the last three years: Austal Limited, 1998-2005. Age 65 years, resident Sydney.

David Mortimer, AO BEc (Hons), FCPA
Non-Executive Director
David joined the Board in April 1997. David held the position of Chief Executive of the TNT Group until late 1996. He is presently the Deputy Chairman of Australia Post and a Director of Leighton Holdings, Petsec Energy Ltd and Sigma Pharmaceuticals Limited. David is the Chairman of the Company's Audit and Risk Committee and a member of the Nomination and Remuneration Committee. David was last re-elected at the 2005 Annual General Meeting. His current term will expire no later than the close of the 2008 Annual General Meeting. Former listed company directorships held in the last three years: Citect Corporation Limited, MIA Group Limited, Virgin Blue Holdings Limited. Age 61 years, resident Sydney.

Ken Moss BE (Hons), PhD, Hon.FIEAust, CPEng, FAICD
Non-Executive Director
Ken joined the Board in September 2001. Ken was with Howard Smith Limited for 26 years including the position of Managing Director between 1993 and 2000. He is currently Chairman of Boral Limited and Centennial Coal Limited. He is a Director of GPT RE Limited, Macquarie Capital Alliance Group and a board member of the Australian Maritime Safety Authority. He is a member of the Company's Audit and Risk Committee and the Nomination and Remuneration Committee. Ken was last re-elected at the 2004 Annual General Meeting. His current term will expire no later than the close of the 2007 Annual General Meeting. Former listed company directorships held in the last three years: National Australia Bank Limited, 2000-04. Age 61 years, resident Sydney.

Group Leadership Team



Group Leadership Team photos
Top row: John Moller, Ben Burns, Stephen Eastwood, Stephen Fraser, David Grbin. Bottom row: Peter McConnell, Jan Schot, Dominic Smith, Melos Sulicich, Andrea Wilkinson, Tony Wilks.

The Group Leadership Team of Adsteam Marine, each a Senior Executive, is set out below.

John Moller BE, MFinance, GradDipMktg
Managing Director and Chief Executive Officer
John manages and oversees all activities of the Company. He is responsible for developing the business plans, establishing the conditions and providing the leadership to deliver the business plan. He has previously held senior positions at James Hardie Industries and Honeywell.

Ben Burns Master Mariner
General Manager, Operations and Fleet
Ben is responsible for leading the development of the Company's operating standards and fleet planning. He joined Adsteam Marine following the Company's 1999 acquisition of Hunter Towage Services in Newcastle. Ben has also held management and seagoing positions with BHP, Brambles and Australian Offshore Services.

Stephen Eastwood BSc(Hons), IChemE
Chief Executive Europe
Stephen joined the Company in March 2004 to lead the Company's UK business and develop operations in Europe. He has extensive senior management experience in safety critical and capital intensive manufacturing and service businesses.

Stephen Fraser BBus, MBA, CPA, FAICD
General Manager, Investments
Stephen joined the Company with responsibility to lead the divestment of the Company's non-core assets, as announced by the Managing Director in May 2003. He is also responsible for all of the Company's divestment and acquisition activity and contributes to business development opportunities.

David Grbin BEc(Hons), CA
Chief Financial Officer
David is responsible for the management and leadership of the Group's finance function. He is a chartered accountant who has worked with Adsteam Marine since 1994.

Peter McConnell BE Elec (Hons), FIEAust, GAICD
General Manager, Technical and Planning
Peter is responsible for the business planning process across the Company. He is also responsible for the information technology function. Prior to joining Adsteam, Peter worked as a management consultant and was the General Manager of Honeywell's Industrial Group in Australia and New Zealand.

Jan Schot
General Manager, Adsteam Agency
Jan manages and oversees all activities and operations of Adsteam Agency, including joint venture companies, as well as business development.

Dominic Smith BA, LLB, LLM, DipLegS, FCIS, FAICD
General Counsel and Company Secretary
Dominic is responsible for the management and leadership of the Company's legal, company secretarial, corporate affairs, insurance and superannuation functions. He is a fellow of Chartered Secretaries Australia and a qualified lawyer and solicitor admitted to practice in NSW and the Federal and High Court of Australia. He joined Adsteam Marine in 1997 as General Counsel and Company Secretary. Prior to joining Adsteam Marine, he was General Counsel and Company Secretary to a variety of publicly listed companies including The Adelaide Steamship Company Limited and Tooth & Co Limited, and large non-listed public companies such as Industrial Equity Limited and Metro Meat Limited.

Melos Sulicich BBus(Mktg)
Executive General Manager, Australasia
Melos joined the Company in September 2003 to lead and manage the Australian and Pacific towage business. His responsibilities have since been expanded to include the salvage and offshore activities in the Australasian region. He was previously Group General Manager – Marketing with Mayne Group and has held marketing and management positions with Colonial Limited and Shell.

Andrea Wilkinson BSc(Hons)
General Manager, Strategic Marketing
Andrea is responsible for leading and managing the strategic marketing and communication functions of the Company. She joined Adsteam Marine four years ago as Deputy Chief Executive for Adsteam UK. Prior to joining Adsteam Marine, Andrea held various general management positions with ACTA Shipping, P&O Containers and P&O Nedlloyd in Australia and internationally.

Tony Wilks
General Manager, Human Resources
Tony is responsible for the management and leadership of the Company's industrial relations and human resources functions. He is a former Commissioner of the Australian Industrial Relations Commission.

Paul Bendy, General Manager, Oceans and Terminals, resigned from the Company on 29 July 2005.

Directors' Report

The Directors present their report of Adsteam Marine Limited ACN 065 888 440 and its subsidiaries for the year ended 30 June 2006.

Principal activities

The principal activities of the Company and its subsidiaries (the Group) during the year were:

- Ship assist services including marine towage and lines
- Workboat and offshore services
- Salvage and emergency response
- Agency and related services
- Tug barging

Review of operations

A review of the Group's operations is contained in the Managing Director's Report commencing on page 8.

Results

The net amount of profit of the Group for the 12 months ended 30 June 2006 after income tax expense was $43.1 million.

Dividends

A fully franked interim dividend of 3.9 cents per ordinary share was paid in April 2006 in respect of the half year ended 31 December 2005.

Under the terms of the offer from SvitzerWijsmuller, which was announced to the market on 3 July 2006, the consideration of $2.54 cash per share, payable under the terms of the offer, is inclusive of any dividend, if one is declared or paid. The Board has resolved to defer the decision to pay any further dividends while it waits upon the outcome of the offer.

Post balance date events

The Company is currently subject to takeover offer from SvitzerWijsmuller. A description of the likely developments, should the takeover proceed, is set out in SvitzerWijsmuller's Bidder's Statement which, along with the Company's Target's Statement, was posted to all shareholders on 26 July 2006. A copy of the Bidder's Statement and Target's Statement can be found on the Company's website at www.adsteam.com.au

Future developments

Likely developments in the operations of the Group in future financial years and the expected results of those operations are referred to generally in the Managing Director's Report. Future operations and results are likely to depend on the outcome of the SvitzerWijsmuller takeover offer.

Further information on likely developments including expected results would, in the Directors' opinion, result in unreasonable prejudice to the Company and has therefore not been included in this Report.

Environmental regulations

The Company's Australian operations are subject to a range of Commonwealth, State and Territory laws governing the protection of the environment.

The Group has in place a safety and environmental policy. Safety and compliance checks are undertaken periodically and management reports monthly to the Board on the environmental performance of the Group. As at the date of this Report, the Company is not aware of any environmental issues which would materially affect the business as a whole.

Options

During the year, the Company granted rights to 667,496 shares to its Senior Executives. Vesting of shares is dependant on the achievement of specific hurdles being met. Further details are set out in the Remuneration Report which begins on page 21.

Indemnity and insurance

Under Article 12 of the Company's Constitution, each of the Company's Directors and the Secretary are indemnified to the full extent permitted by the law for all losses or liabilities incurred by the person as an officer of the Company or of its related bodies corporate including reasonable costs and expenses incurred in relation to legal proceedings.

Under the Company's Constitution, the Directors may also indemnify other officers or former officers and any auditor or former auditor of the Company and its related bodies corporate and in each case to the extent they so determine. The Directors have not exercised their discretion under Article 12 to indemnify any auditor of the Company, or its related bodies corporate.

During the year, the Group paid or has agreed to pay an insurance premium insuring its Directors and executive officers against liabilities. Due to confidentiality contained in the insurance contracts the Company is prohibited from disclosing both the nature of the liability and the amount of the premiums paid.

Proceedings on behalf of the Company

There have been no proceedings brought on behalf of the Company, nor any application made in respect of the Company under Section 237 of the Corporations Act 2001.

Directors and Company Secretary

On 12 May 2006, the Company announced the appointment of Mr Peter Dexter, AM as a Non-Executive Director of the Company.

Details of current Directors' qualifications, experience, age and special responsibilities are set out on page 14. Details of the Company Secretary and his qualifications and experience are set out on page 15.

Directors' and Senior Executives' emoluments

Details of the nature and amount of each element of the emolument of each Director and each of the five executive officers of the Company and the Group receiving the highest emolument for the financial year are set out in the Remuneration Report on pages 21 to 37 of this Annual Report.

Directors' interests and benefits

Details of Directors' shareholdings in the Company as at the date of this Report are as follows.

Particulars of Directors' shareholdings

Director	Number of ordinary shares
R B Corlett	20,624
Uvira Holdings (employee superannuation fund of which Mr Corlett is a beneficiary)	265,554
J L Moller[1]	46,088
Lawncage Pty Ltd (a family company of which Mr Moller is a director)	6,194
P Dexter, AM	nil
Invia Custodian Fund Pty Ltd (a superannuation fund of Mr Dexter's)	30,000
A Drescher	32,291
D A Mortimer, AO	101,194
Tendwine Pty Ltd (a company associated with Mr Mortimer)	71,841
K J Moss	19,604
Total	**593,390**

[1] Mr Moller has also been granted rights to acquire shares in accordance with his service agreement. The details of Mr Moller's service agreement were announced to the market on 11 November 2002 and are also set out in the Remuneration Report which begins on page 21.

No Director of the Company, since the end of the previous financial year, has received or become entitled to receive a benefit by reason of a contract made by the Company or a related body corporate or a company within the Group with the Director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest other than:

- benefits included in the aggregate amount of emoluments received or due and receivable by Directors shown in the accounts, or the fixed salary of a full time employee of the Company or of a related body corporate;
- as identified in the Financial Report.

Directors' meetings

Set out below is a schedule which provides details of Board and Committee meetings held during the financial year.

	Board		Nomination and Remuneration Committee		Audit and Risk Committee	
Directors	Number of meetings held whilst a Director	Number of meetings attended	Number of meetings held whilst a Director and Committee member	Number of meetings attended	Number of meetings held whilst a Director and Committee member	Number of meetings attended
R B Corlett	16	16	3	3	n/a	n/a[1]
J L Moller	16	16	n/a	n/a	n/a	n/a
P Dexter, AM	5	5	0	0	0	0
A Drescher	16	15	3	3	4	4
D A Mortimer, AO	16	15	3	2	4	4[1]
K J Moss	16	16	3	3	4	4

[1] Mr Corlett acted as proxy Chairman for Mr Mortimer for two Audit and Risk Committee meetings. In the meetings at which Mr Corlett acted as proxy Chairman, Mr Mortimer is recorded as being in attendance.

In addition to the meetings detailed above, a Committee of the Board comprising Mr Corlett and Mr Moller met on three occasions.

Remuneration Report

The Company's Remuneration Report, which forms part of this Directors' Report, is on pages 21 to 37.

Corporate governance

A statement describing the Company's main corporate governance practices is on pages 38 to 43 of this Annual Report.

Declarations

The Managing Director and the Chief Financial Officer have provided to the Board a written declaration that the Financial Report complies with accounting standards, the Corporations Act 2001, other mandatory professional reporting requirements and give a true and fair view in all material respects of the financial position and performance of the Group.

Auditor's independence

The auditor has provided to the Board a written declaration that, to the best of the auditor's knowledge and belief, there have been no contraventions of the auditor independence requirements of the applicable provisions of Professional Statement F1 Professional Independence or the Corporations Act 2001 applicable to the conduct of the audit for Adsteam Marine's financial year ended 30 June 2006.

Non-audit services

During the year, Ernst & Young, the Company's auditor, performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001.

The Board was satisfied that the non-audit services provided did not undermine the general principles relating to auditor independence as set out in Professional Statement F1 Professional Independence, as they did not involve 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 risks and rewards.

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 20 of this Annual Report.

Details of the amounts paid to the auditor of the Company, Ernst & Young, and its related practices, for audit and non-audit services provided during the year are set out in note 33 of the Financial Report.

Rounding off

The amounts contained in this Report and in the Financial Report have been rounded off to the nearest thousand dollars, unless otherwise indicated under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the Class Order applies.

This Report is made out and signed in accordance with a resolution of the Directors.

On behalf of Directors

R B Corlett
Chairman

J L Moller
Managing Director and Chief Executive Officer

Sydney, 24 August 2006

Independence Declaration

ERNST & YOUNG

Ernst & Young Centre
680 George Street
Sydney NSW 2000
Australia

GPO Box 2646
Sydney NSW 2001

Tel 61 2 9248 5555
Fax 61 2 9248 5959
DX Sydney Stock Exchange 10172

Auditor's Independence Declaration to the Directors of Adsteam Marine Limited

In relation to our audit of the financial report of Adsteam Marine Limited for the year ended 30 June 2006, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Rob Lewis
Partner
Date: 24 August 2006

2006 Remuneration Report

The Directors of the Company present the 2006 Remuneration Report, prepared in accordance with Section 300A of the Corporations Act 2001, for the Company and its subsidiaries for the year ended 30 June 2006.

The Remuneration Report forms part of the Directors' Report.

Purpose

This Remuneration Report seeks to go beyond the minimum Corporations Act requirements so as to provide shareholders and other stakeholders with a sound appreciation of the approach the Board has applied in determining the quantum and structure of Non-Executive Director and Executive remuneration and related employment terms.

The Board believes it is important for Executive remuneration to have a strong link to performance which leads Executives to becoming shareholders in the Company. The Australian Stock Exchange Listing Rules require Non-Executive Director remuneration to be fixed sums. This fundamental difference in the remuneration of Executives and Non-Executive Directors makes it necessary to report on these two groups in separate sections of this Remuneration Report.

The information provided under the above headings includes remuneration disclosures that are required under Accounting Standard AASB 124 *Related Party Disclosures*. These disclosures have been transferred from the Financial Report, are included in sections 2 to 4 and have been audited.

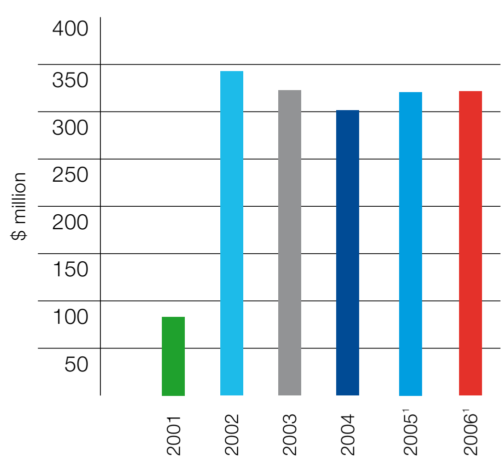
Section 1 Company Performance

Over the last six years, the Company has undergone significant change. The Company has more than doubled in size and has become one of the largest independent harbour towage companies in the world.

The acquisition of Howard Smith Towage in 2001, comprising towage operations in Australia and the UK significantly increased the Company's revenue. Graph 1A illustrates the change in revenue from services over the last six years.

Graph 1A

Revenue from services



[1] These results have been accounted for in accordance with Australian Equivalents to International Financial Reporting Standards, which are applicable to Adsteam Marine from the financial year ended 30 June 2006.

In May 2003, the newly appointed Managing Director, John Moller, conducted a major operational review of the Company and its businesses on behalf of the Board.

In broad terms, the review confirmed that the fundamental tug business remained strong however there were a number of initiatives which needed to be implemented to improve the business.

As a result of the review, the Company implemented a three year business plan to transform and strengthen the business. The transformation program was successful and is now substantially complete.

As part of the review process, the entire Senior Executive team structure was reviewed. Individuals were assessed against experience, expertise and cultural fit. The basis for rewarding Executives was changed, having regard to the size and nature of the Company, the expertise needed and market data for the particular roles.

The new management structure was implemented based on the principle of team based leadership. This involved the establishment of a Group Leadership Team (also known as Senior Executives) to provide executive management and leadership for the Company. A number of external appointments were made at this time, to introduce high level skills from outside the maritime industry to broaden and invigorate the Company's management abilities. The members of the Group Leadership Team are listed on page 15.

Integral to creating the appropriate management structure was the drive towards a culture of performance where financial rewards are directly linked to performance and agreed outcomes. The remuneration mechanisms which underpin this performance culture are set out in this Remuneration Report.

Graphs 1B and 1C set out the Company's earnings before interest, tax and goodwill amortisation (EBITA) and earnings per share (EPS) pre goodwill amortisation over the last six years.

As part of the drive towards a performance culture, a meaningful component of a Senior Executive's remuneration is put at risk, with the reward payable on achieving direct financial measures being linked to the creation of shareholder wealth. Measures include the use of EBITA and economic profit targets in short term incentives (refer section 3.3) and earnings per share targets for vesting of long term incentives under the current long term incentive plan (refer section 3.4).

Graph 1D illustrates the changes in the Company's market capitalisation since June 2000.

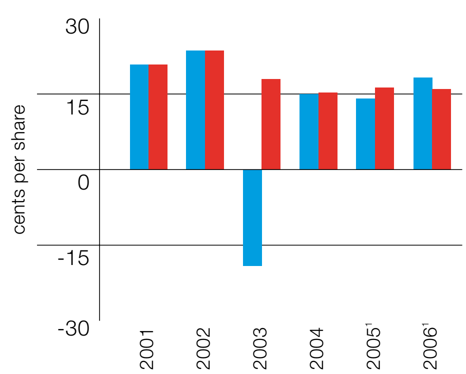
Details of the dividends paid to shareholders and further details of the financial performance of the Company during the year are set out in the Managing Director's Report and the Directors' Report which begin on pages 8 and 16 respectively.

Graph 1B

EBITA

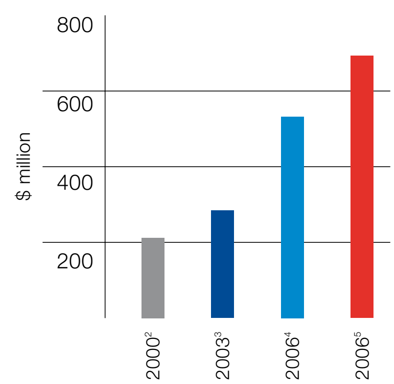
Graph 1C

EPS



Graph 1D

Market Capitalisation – Adsteam Marine



pre restructuring charges   post restructuring charges

[1] These results have been accounted for in accordance with Australian Equivalents to International Financial Reporting Standards, which are applicable to Adsteam Marine from the financial year ended 30 June 2006.

[2] As at 30 June 2000, based on an issued capital base of 94 million shares, the Company was capitalised at approximately $212 million.

[3] As at 30 June 2003 the Company was capitalised at approximately $284 million (based on an issued capital base of 229 million shares and share price average for the month of June 2003 of $1.24).

[4] As at 30 June 2006, the Company was capitalised at approximately $532 million (based on the current issued capital base of 273 million shares and the share price average for the month of June 2006 of $1.95).

[5] On 3 July 2006, Adsteam Marine and SvitzerWijsmuller made a joint announcement to the Australian Stock Exchange which advised the market of SvitzerWijsmuller's cash offer of $2.54 per share, subject to conditions, for all of the issued shares of Adsteam Marine Limited. Based on the offer price, the market capitalisation of the Company as at 3 July 2006 was approximately $693 million.

Section 2 Key Management Personnel: Non-Executive Director Remuneration

2.1 Board policy

Remuneration (Board fees, committee fees and superannuation contributions) of Non-Executive Directors for Board work is subject to an aggregate fees limit of $600,000, which was approved by shareholders at the 2005 Annual General Meeting held on 8 November 2005. Shareholders will be asked from time to time to approve increases in the aggregate fees limit to allow the remuneration policy to be operated as intended for all of the Company's Non-Executive Directors.

Within the aggregate fees limit, the actual amount of remuneration is determined by reference to the Company's policy of positioning remuneration between the 50th and 75th percentiles of market practice as extrapolated to the relevant remuneration year.

Benchmark market data and related advice is periodically obtained from reputable independent professional service firms that practice in the field of director remuneration. The benchmark data is for non-executive director roles from a robust sample of ASX listed companies which are comparable to Adsteam Marine in terms of size and/or industry sector.

Details of the membership and responsibilities of the Audit and Risk Committee and the Nomination and Remuneration Committee are on pages 40 and 42 respectively of this Annual Report.

The Committee fees paid during the financial year are set out in table 2B on page 24.

A Non-Executive Director share plan has not been introduced. However, Non-Executive Directors are encouraged to maintain a shareholding in the Company, the details of which are on page 17.

Non-Executive Directors are entitled to a base fee for acting as a Non-Executive Director. Non-Executive Directors (but not the Chairman) who sit on the Board's Committees receive committee fees in recognition of the additional work required to fulfil these responsibilities.

The current level of annual fees, exclusive of superannuation contributions, is shown in table 2A.

Table 2A
Directors' fees

Role	Annual fee (excluding superannuation)
Chairman	$175,000
Director	$70,000
Audit and Risk Committee – Chair	$15,000
Audit and Risk Committee – Member	$10,000
Nomination and Remuneration Committee – Member	$5,000
Member of an Adsteam subsidiary board	$10,000

Superannuation contributions are also made on behalf of the Non-Executive Directors in accordance with the Company's statutory obligations.

As required by the ASX Listing Rule 10.17.2, the remuneration of Non-Executive Directors is expressed as a fixed sum and, therefore, is not at risk based on performance.

2.2 Retirement benefits

As advised to shareholders in last year's Annual Report, retirement benefits, in addition to those funded by superannuation contributions, have been discontinued with effect from 1 July 2004. The amounts accrued when the policy change took effect will be paid unindexed when Directors retire.

As a consequence of the decision to grandfather retirement benefits, the total amounts payable to a particular Director on retirement have been capped at the following amounts:

R B Corlett	$360,000
A Drescher	$165,000
D A Mortimer, AO	$165,000
K J Moss	$165,000

Mr Peter Dexter, AM was appointed as a Director on 12 May 2006. No retirement benefit will be paid to Mr Dexter. This is in accordance with the Company's policy which is not to pay retirement benefits to new Directors appointed after 1 July 2004.

A retirement benefit will not, however, be paid in circumstances where a Director is considered by the Board to have acted unlawfully or not in the best interests of the Company during his tenure with the Company.

A provision has been made in the current year Financial Report to reflect the discounted value of retirement benefits payable to current Directors.

2.3 Remuneration

Details of Non-Executive Directors' remuneration for the current financial year are set out in table 2B. All values are in Australian dollars unless otherwise stated.

Table 2B

Non-Executive Directors' remuneration

	Primary			Post Employment			
in $	Directors' fees	Committee fees	Fees for extra services	Superannuation contributions[1]	Retirement benefit paid	Accrued retirement benefit[2]	Total
R B Corlett Chairman							
2006	175,000	–	–	17,400	–	58,573	250,973
2005	147,500	–	–	13,275	–	174,778	335,553
A Drescher							
2006	70,000[3]	15,000	–	8,062	–	–	93,062
2005	56,250	10,000	–	11,875	–	165,000	243,125
D A Mortimer, AO							
2006	70,000[3]	20,000	–	9,638	–	12,455	112,093
2005	62,500	12,500	–	5,625	–	80,111	160,736
K J Moss							
2006	70,000[3]	15,000	10,000	8,963	–	12,455	116,418
2005	62,500	10,000	10,000	6,525	–	80,111	169,136
P Dexter, AM							
2006	9,439	2,023	–	1,032	–	–	12,494
2005	n/a	n/a	n/a	n/a	n/a	n/a	n/a
C Little[4]							
2005	27,083	–	–	2,438	165,000	–	194,521
Total							
2006	394,439	52,023	10,000	45,095	–	83,483	585,040
2005	355,833	32,500	10,000	39,738	165,000	500,000	1,103,071

[1] This includes superannuation contributions made on behalf of Non-Executive Directors to satisfy the Company's obligations under applicable superannuation legislation and also amounts salary sacrificed by individual Directors.
[2] The amounts expensed for the 2004-05 financial year represent the discounted value of total retirement benefits payable as at 30 June 2005. The amounts expensed for the 2005-06 financial year represent the increase in the discounted value of the total retirement benefits payable as at 30 June 2006. Actual amounts payable on retirement are set out in section 2.2.
[3] Due to a payroll error, Mr Drescher, Mr Mortimer and Dr Moss were each overpaid $834 during the 2005-06 financial year. This amount has been reversed from Directors' fees in the 2006-07 financial year.
[4] Mr Little (deceased) held office from 1 July 2004 until 29 November 2004.

Section 3 Key Management Personnel: Executive Director and Senior Executive Remuneration

3.1 Board Policy

The Nomination and Remuneration Committee of the Board has recommended, and the Board has adopted, a remuneration policy for the Managing Director and Senior Executives (together the Key Management Personnel, listed on page 15 of this Annual Report). This policy is designed to:

- underpin a performance, results oriented culture among Executives;
- reinforce the short, medium and long term objectives of the Company as set out in the business plans endorsed by the Board;
- provide a common interest for managers, employees and shareholders by aligning the rewards that accrue to management to the creation of value for shareholders;
- be competitive in the markets in which the Company operates in order to attract, motivate and retain high calibre employees; and
- put a significant quantum of an Executive's remuneration at risk.

The total remuneration packages of the Senior Executives are composed of three main elements: fixed remuneration (salary, superannuation contributions and other benefits), short term incentives (STI) and long term incentives (LTI).

Benchmark market data of Senior Executive remuneration and related advice is obtained from reputable independent professional service firms who practice in the field of executive remuneration. The benchmark data for executive roles is primarily from a robust sample of ASX listed companies which are comparable to Adsteam Marine in terms of size and/or industry sector. This data is supplemented with survey data and advice where different perspectives need to be taken to ensure that the relevant market is properly understood.

3.2 Fixed Remuneration

The terms of employment for all Senior Executives contain a fixed remuneration component (comprised of base salary, superannuation and the notional value of motor vehicle benefit).

The Company's policy in relation to fixed remuneration is aligned with the 50th percentile of market practice. A range of +/- 20 per cent typically is applied around the policy level to recognise individual competence and market factors.

In addition to fixed remuneration, a Senior Executive may receive other benefits such as relocation allowance, spouse travel and medical checkups.

3.3 Short Term Incentives

The short term incentive scheme (STI) operates over individual financial years and involves the selection of performance measures, weighting of those measures to reflect relative priority and standards of performance for each measure. These components are derived from the Company business plans and budgets approved by the Board. They are tailored to each Executive role and aim to provide balance between overall Company performance, business unit performance and individual performance.

Typically, STI payouts are calculated after the end of each financial year and are then paid in full.

The Company's STI scheme links specific targets with the opportunity to earn cash incentives based on a percentage of fixed remuneration. In relation to Senior Executives, this generally comprises an amount ranging from 25 per cent to 50 per cent of Senior Executives' fixed remuneration for target performance. Table 3A sets out the STI components for Senior Executives.

Table 3A

STI components for Senior Executives[1]

Position	Business unit financial component	Company financial component	Individual objectives component	Maximum STI available as a % of fixed remuneration
Managing Director	nil	50%[2]	50%	50%
Ship assist business unit manager	50%	20%	30%	25%
Functional manager	nil	60%	40%	25% or 30%
General Manager, Adsteam Agency	50%	20%	30%	25%

[1] To illustrate the above, if a ship assist business unit manager's total fixed annual remuneration is $300,000, then he/she can earn an additional STI up to a maximum of $90,000, being 30 per cent of his/her total fixed annual remuneration. In respect of the possible STI of $90,000, $45,000 of the STI (being 50 per cent of the total STI) will be assessed against the achievement of financial objectives of the business unit for which they are responsible. $18,000 of the STI (being 20 per cent of the total STI that could be paid) will be assessed against Adsteam's financial performance and the remaining $27,000 assessed against set individual objectives (being 30 per cent of the total STI that could be paid).

[2] In respect to the payment of a financial bonus, under Mr Moller's contract of employment, if there is an over achievement of a key performance indicator relating to the financial performance of the Company, the financial component of the STI payment will be increased in proportion to that achievement.

At least 50 per cent of a Senior Executive's STI payment is directly linked to the financial performance of the Company (in the case of business unit managers this would include a component for financial performance of the business unit).

The exact proportion of the STI payable will vary, depending on whether the Executive has a direct or indirect influence on the achievement of financial objectives for an individual business unit and/or the Company as a whole, or both.

Typically, this financial performance component is tested against performance hurdles based on earnings before interest and tax (EBIT) and the amount of economic profit (EP) delivered by:

- a business unit, and the Company as a whole, in the case of business unit managers; or
- the Company as a whole, in the case of the Managing Director and functional managers.

EP is an amount determined by calculating the sum of net after tax operating profit (pre interest) minus a capital charge (weighted average cost of capital multiplied by invested capital).

Before any financial component of a STI is payable, 100 per cent of the Group's EBIT target for the year must be achieved. If this hurdle is achieved, the EP target level calculation can proceed. If this hurdle is not achieved, no financial component STI is paid, subject to the views of the Board which may vary according to the circumstances of the Company at the time.

To assess performance above or below the 100 per cent EP target level, the Board sets out thresholds on a sliding scale from 50 per cent of achieved EP to 100 per cent of achieved EP. No financial component STI is paid for below 50 per cent of target EP.

Performance against these targets is determined following the announcement of the Company's full year profit results and approval of the Company's audited Financial Report.

For the year ended 30 June 2005, the financial component of the STI payments for all the Senior Executives were based on performance hurdles relating to EBIT and EP. STI payments were paid to all the Senior Executives on or about October 2005 and are included as part of remuneration for the year ended 30 June 2006, shown in table 3J.

For the year ended 30 June 2006, the financial component of the STI payments for Executives will be based on performance hurdles relating to EBIT and EP. The financial component of the STI payment for the Managing Director, however, as agreed by the Board, will be based on a performance hurdle relating to an agreed target of net profit after tax (post restructuring charges). In respect to the payment of a financial bonus, under Mr Moller's contract of employment, if there is an over achievement of a key performance indicator relating to the financial performance of the

Company, the financial component of the STI payment will be increased in proportion to that achievement. At the time of signing this Report, the Board has not determined what level of STI would be paid to the Senior Executives for the year ended 30 June 2006.

The remaining component of the STI is based on individual achievements against set objectives. These objectives are agreed between the individual Executive and the Managing Director (or the Board in respect of the Managing Director's remuneration) at the commencement of each financial year as part of the Executive's individual performance plan.

The Board considers these performance conditions to be appropriate because they provide strong alignment between the direction and performance of the Company and thus, the interests of shareholders, and the potential performance and rewards achievable by the individual Executive.

Non-financial objectives are assessed every six months against pre-determined targets, which are agreed between the Executive and the Managing Director. These objectives are required to be specific, measurable, achievable, relevant and time based.

At the annual review, the performance of the Executive is measured by the Managing Director, results are assessed and a score allocated. The Executive will be paid a percentage of his/her non-financial STIs based on the score achieved. In the case of the Managing Director, his performance and score is appraised and decided by the Board.

Specific information relating to the percentage of the STI which was paid, and the percentage forfeited by the Managing Director and the other Senior Executives of the Company during the 2005-06 financial is shown in table 3B.

Table 3B
Executive STIs paid and forfeited during the 2005-06 financial year

Executive	paid[1]	% paid	forfeited	% forfeited
J L Moller	$300,875	66.9	($149,125)	33.1
P Bendy	$65,721	89.1	($8,041)	10.9
R G B Burns	$46,476	69.8	($20,111)	30.2
S J Eastwood	$85,123	91.8	($7,604)	8.2
S D Fraser[2]	nil	nil	nil	nil
D R Grbin	$74,147	74.2	($25,783)	25.8
P W McConnell	$60,415	69.8	($26,140)	30.2
J B Schot	$53,359	89.4	($6,327)	10.6
D D Smith	$68,224	74.6	($23,231)	25.4
M A Sulicich	$29,972	38.5	($47,878)	61.5
A M Wilkinson	$57,806	73.0	($21,382)	27.0
E A Wilks	$61,073	69.0	($27,442)	31.0
Total	**$903,191**	**71.3**	**($363,064)**	**28.7**

[1] STI amounts specified above relate to the 2004-05 financial year and constitute a cash bonus paid on or about October 2005.
[2] Mr Fraser does not participate in the Company's STI scheme. Under the terms of his employment, he is paid bonus amounts for achieving specific milestones in the divestment of the Company's non-core assets. For the 2005-06 year, Mr Fraser received $46,500 for achieving contractual milestones specified in his contract, plus $164,726 for the divestment of the Company's interest in Northland Holdings.

In special circumstances, Executives may earn an additional bonus in excess of the agreed target percentage of fixed remuneration in recognition of the contribution made by that Executive to a major transaction or corporate project. As with the annual performance bonus, payment of a special bonus is at the discretion of the Nomination and Remuneration Committee.

In addition to the $300,875 paid to Mr Moller during the year under the Company's STI scheme, the Committee paid Mr Moller an additional bonus of $25,000 for achieving certain project outcomes. In addition to the $29,972 paid to Mr Sulicich during the year under the Company's STI scheme, the Committee paid Mr Sulicich an additional bonus of $25,000 for achieving certain project outcomes.

3.4 Long Term Incentives

The Company's long term incentive (LTI) arrangements are designed to link Executive reward with the key performance drivers over a longer time frame. This underpins sustainable growth in shareholder value, which comprises both share price growth and returns to shareholders. This LTI policy also acts as an important element in retaining key Executives over the medium to long term.

The potential value to Senior Executives of participating in the LTI arrangements is set as a proportion of fixed annual remuneration, which is appropriate for their role, generally 50 per cent for the Managing Director and 30 per cent for the other Senior Executives.

3.4.1 Executive Share Incentive Plan

The Company's Executive Share Incentive Plan (ESI Plan) provides for grants of share acquisition rights (SARs) to Senior Executives. The Board established the ESI Plan as part of Mr Moller's appointment as Managing Director in 2003 and this was extended to other Senior Executives in 2003.

Under the ESI Plan, eligible Executives are granted SARs (each being an entitlement to a share, subject to the satisfaction of vesting conditions) on terms and conditions determined by the Board. If the vesting conditions are satisfied, the SARs vest and shares will be allocated to the Executive.

The number of rights is calculated by using a formula. For the Managing Director, it is:

Fixed remuneration ÷ 2 ÷ share price at 1 July

For the other Senior Executives it is:

Fixed remuneration ÷ 3 ÷ share price at 1 July

The value that may be earned will then vary in line with movements in the market value of the Company's shares.

SARs are offered at no cost to the Executive and the rules of the ESI Plan provide that no amount is payable by the Executive upon allocation of a share once a SAR vests.

Executives are entitled to vote their shares and to receive any dividend, bonus issue, return of capital or other distribution made in respect of their shares, from the date of allocation of a share following vesting of the SAR.

Any SARs that are subject to vesting in a particular financial year and do not vest will lapse.

In any year, unless the Board approves otherwise, a Senior Executive can divest no more than 20 per cent of shares held under the ESI Plan. In the 12 months following the cessation of employment, the Senior Executive can dispose of not more than 40 per cent of shares held under the ESI Plan as at the date of cessation of employment.

Executives will forfeit any rights to receive shares and any shares held for their benefit under the ESI Plan if they cease to be employed by the Company and, in the reasonable opinion of the Board, the Executive is guilty of fraud, dishonesty or defalcation in relation to the Company or any of its related companies.

The relevant performance hurdle for grants under the ESI Plan is based on basic earnings per share (EPS) growth, expressed as a compound annual growth rate. The performance hurdle involves a comparison between the underlying earnings per share of the Company's shares over the financial periods within the vesting period and the underlying EPS for the financial year prior to the grant of the SARs. The extent to which the cumulative EPS for the relevant period exceeds the base EPS expressed as a compound per annum growth rate, determines the number of SARs that will vest.

The SARs vest on a pro rata basis up to the full entitlement where compound EPS growth is 10 per cent per annum or greater. No SARs will vest if compound EPS growth is less than 4 per cent per annum as illustrated in table 3C.

Table 3C
Performance hurdles for SARs

Performance level	Performance hurdle Growth in EPS over financial periods	% of SARs to vest
Target	10% pa or more compound growth	100%
Between basic and target	More than 4% but less than 10% pa compound growth	Pro-rata between 67% and 100%
Basic	4% pa compound growth	67%
Below basic	Less than 4% pa compound growth	0%

[1] The reference to EPS is to basic earnings per share after tax and before goodwill and restructuring charges.

The grant made to Senior Executives effective 1 July 2005 is divided into two equal tranches with the first tranche to be tested for vesting after 1 July 2007 and the second after 1 July 2008.

Tables 3D and 3E illustrate how the plan operates for rights granted on 1 July 2005. The example is based on a grant of 200,000 SARs.

The number of rights to acquire shares to vest under tranche 1 will be determined in accordance with table 3D.

Table 3D
Performance hurdles for SARs

Performance level	Performance hurdle EPS for 2006-07 compared to EPS for 2004-05[1]	SARs that vest
Target	10% pa or more compound growth	100,000
Between basic and target	More than 4% but less than 10% pa compound growth	Between 67,001 and 99,999 on a pro rata basis by reference to the percentage of compound growth between 4% and 10% that is achieved
Basic	4% pa compound growth	67,000
Below basic	Less than 4% pa compound growth	0

[1] The reference to EPS is to basic earnings per share after tax and before goodwill and restructuring charges.

The number of rights to acquire shares to vest under tranche 2 of the 2005 offer will be determined in accordance with table 3E.

Table 3E
Performance hurdles for SARs

Performance level	Performance hurdle EPS for 2007-08 compared to EPS for 2004-05[1]	SARs that vest
Target	10% pa or more compound growth	100,000
Between basic and target	More than 4% but less than 10% pa compound growth	Between 67,001 and 99,999 on a pro rata basis by reference to the percentage of compound growth between 4% and 10% that is achieved
Basic	4% pa compound growth	67,000
Below basic	Less than 4% pa compound growth	0

[1] The reference to EPS is to basic earnings per share after tax and before goodwill and restructuring charges.

Given the nature and scale of the Company, and the challenges of the business transformation program, the Board considers the most appropriate performance measure is EPS growth. During the 2004-05 financial year, the Company took independent external advice and, as a result, has determined that EPS growth performance continues to be the most appropriate performance measure for the Company. Details of the shares and SARs which were granted to the Managing Director and other specified Executives during the financial year, are set out in the table 3F.

Table 3F
Equity grants made to Specified Directors and Specified Executives

	Balance of SARs at commencement of period 1 July 2003[1]	Total SARs granted at commencement of period 1 July 2004[2]	Total SARs granted at commencement of period 1 July 2005	Amount of grant paid/vested	Amount of grant forfeited	Total SARs subject to the vesting conditions of the ESI Plan
J L Moller	300,000	200,000	208,542	nil	(150,000)	558,542
R G B Burns	48,076	60,310	43,886	nil	(24,038)	128,234
S J Eastwood	nil	89,228	65,160	nil	nil	154,388
S D Fraser[3]	nil	nil	nil	nil	nil	nil
D R Grbin	69,232	74,714	55,778	nil	(34,616)	165,108
P W McConnell	67,756	65,576	48,408	nil	(33,878)	147,862
J B Schot	43,128	62,328	40,032	nil	(21,564)	123,924
D D Smith	69,232	68,392	51,088	nil	(34,616)	154,096
M A Sulicich	57,692	71,586	52,092	nil	(28,846)	152,524
A M Wilkinson	57,000	72,816	53,098	nil	(28,500)	154,414
E A Wilks	68,666	67,828	49,412	nil	(34,333)	151,573
Total	**780,782**	**832,778**	**667,496**	**nil**	**(390,391)**	**1,890,665**

[1] 50 per cent of the SARs granted in 2003 lapsed in 2005. The remaining 50 per cent will be subject to vesting on 1 July 2006.
[2] 50 per cent of the SARs granted in 2004 will be subject to vesting on 1 July 2006 and the remaining 50 per cent will be subject to vesting on 1 July 2007. Further details about the SARs granted during the 2005-06 financial year are in the table 3G.
[3] Mr Fraser does not participate in the Company's LTI plan. Under the terms of his employment, Mr Fraser is paid a bonus in cash for achieving certain milestones in the divestment of the Company's non-core assets.

Table 3G

SARs grants made to Specified Directors and Specified Executives as part of remuneration for the year ended 30 June 2006

	22 September 2005 Tranche 1	Tranche 2	Total	Exercised number	Value per SAR at exercise date	Value at date SAR lapsed
Valuation at grant date						
Value per SAR at grant date[1] ($)	1.70	1.63				
Vesting date[2]	30 June 2007	30 June 2008				
Dividend yield	3.35%	3.52%				
Risk free interest rate[3]	5.10%	5.08%				
Volatility	31.88%	31.89%				
Expected life of SAR (years)	1.77	2.77				
SARs grants made to Specified Directors and Specified Executives						
Directors						
John Moller	104,271	104,271	208,542	n/a	n/a	n/a
Executives						
R G B Burns	21,943	21,943	43,886	n/a	n/a	n/a
S J Eastwood	32,580	32,580	65,160	n/a	n/a	n/a
D R Grbin	27,889	27,889	55,778	n/a	n/a	n/a
P W McConnell	24,204	24,204	48,408	n/a	n/a	n/a
J B Schot	20,016	20,016	40,032	n/a	n/a	n/a
D D Smith	25,544	25,544	51,088	n/a	n/a	n/a
M A Sulicich	26,046	26,046	52,092	n/a	n/a	n/a
A M Wilkinson	26,549	26,549	53,098	n/a	n/a	n/a
E A Wilks	24,706	24,706	49,412	n/a	n/a	n/a
Total	**333,748**	**333,748**	**667,496**	**n/a**	**n/a**	**n/a**

1 The fair value of the SAR at grant date was estimated using both the Monte Carlo simulation model and the continuously compounded present value of the share price at grant date.
2 SARs expire on their vesting date.
3 Continuously compounding risk free rate.

The ESI Plan rules provide that in the event of a change of control, the number of SARs granted to each Executive or employee in the preceding three years that have not already vested or otherwise lapsed, will immediately vest.

Change of control is defined as a person obtaining at least 30% of voting rights attached to Adsteam shares as result of a bid to acquire all or a portion of Adsteam shares. Such vesting will therefore occur if SvitzerWijsmuller's offer becomes unconditional and SvitzerWijsmuller obtains acceptances in relation to 30% of the Company's issued shares.

To satisfy any vesting obligations during the offer, subject to final accounting and tax advice, the Board is likely to either:

- cancel the relevant SARs in consideration for the payment of an equivalent cash amount; or
- acquire shares on-market and transfer those shares to the holder of the SARs.

3.4.2 Executive Share Plan

Prior to the implementation of the ESI Plan in 2003, long term incentive grants were made to Senior Executives under the Executive Share Plan (Executive Plan). The Executive Plan was introduced in 2000 and replaced a previous loan based plan, which had been operating since 1997.

As explained below, the final assessment of performance conditions of awards made under this plan occurred in November 2005, following which no further shares are to be issued under this plan and as such, this plan ceased to operate.

Pursuant to the Executive Plan, Senior Executives were granted awards (which entitled them to shares in the Company, subject to the satisfaction of performance and vesting conditions) on terms and conditions determined by the Board.

Each award specifies a maximum number of shares, which could be acquired by the Executive upon exercise of the award. The actual number of shares, which an Executive could acquire, will depend on whether the performance hurdle is satisfied at the end of the performance period (either three, four or five years).

The relevant performance hurdle for grants of shares under the Executive Plan is tied to total shareholder return (TSR). TSR measures the return a shareholder obtains from shares in the Company in a defined period and takes into account various matters such as changes in the market value of the shares as well as dividends on the shares.

The Company's TSR performance will be compared with the TSR performance of 50 other companies in a comparative group. The comparative group comprises 50 companies included in the ASX All Ordinaries Index with a market capitalisation comparable to that of the Company (based on closing prices on the ASX for the trading day prior to the offer date).

The Company's performance is given a percentile ranking having regard to its performance compared with the performance of other companies in the comparative group (the highest ranking Company being ranked at the 100th percentile).

TSR Target	% of shares that may be acquired under award
TSR at 75th percentile or above	100%
TSR between 50th and 74th percentile	Progressive vesting from 52% and 98% (2% increase for each higher ranking)
TSR at 50th percentile	50%
TSR below 50th percentile	nil

Under the rules of the Executive Plan, the Company's comparative TSR performance is tested three years after the date of the offer, unless the Executive elects to extend the assessment period over four or five years (in which case any offer of shares must be based on performance assessment over that four or five year period).

The final assessment of performance conditions of awards made under this plan occurred in November 2005, following which the plan ceased to operate.

In assessing whether the performance hurdles were met, the Company received independent data, which provided both the Company's TSR growth from the commencement of each grant and that of the comparative group.

TSR was chosen as the performance hurdle because it ensures an alignment between comparative shareholder return and reward for the Executive. It provides a relative, external market performance measure in respect of share price growth and dividends. The Company's TSR performance relative to the peer group of companies was seen at the time to be the most effective way to measure and reward the extent to which shareholder returns are generated relative to the performance of those companies with which the Company competes for capital, customers and talent.

In November 2005, of the Senior Executives, only Mr Grbin and Mr Smith held awards under the Executive Plan. As a result of vesting, based on an independent calculation, Mr Grbin and Mr Smith received 54 per cent of awards vested in shares which were either transferred into the Executives' own names or held on trust. The details are in table 3H.

Table 3H
Number of awards held – Executive Plan

	Balance at start of financial year	Vested	Lapsed	Balance at end of financial year	Aggregate total[1]	Vested at end of financial year: Vested and exercisable	Vested at end of financial year: Vested but not yet exercisable	Total vested
Specified Executives								
D R Grbin	20,575	11,111	9,464	nil	11,111	–	–	11,111
D D Smith	20,575	11,111	9,464	nil	11,111	–	–	11,111

[1] These shares were either transferred directly to the Executive following vesting or held in trust for the Executive.

In 2000, as part of the Executive Plan, the Company also operated a Salary Sacrifice Plan whereby Executives could elect to take a portion of their remuneration in either cash or shares. Further details of this plan are set out in note 39 of the Financial Report. Of the Senior Executives in office at the date of this Report, only Mr Grbin (6,865 shares) and Mr Burns (3,697 shares) held shares under this plan. The cost of the shares allocated under this plan was expensed in 2001.

3.4.3 1997 Loan Based Plan

Full time and permanent part time employees with more than 12 months continuous service with the Company or its managed associates were eligible to participate in the 1997 Loan Based Plan (1997 Plan).

Shares offered under the 1997 Plan were acquired by a trustee (Adsteam Marine Employee Share Plan Pty Limited) on behalf of the employees. The initial offer was made at the initial application price of $2.00 per share (the same price as the 1997 initial public offer) and in the case of subsequent issues, at the prevailing market price.

A subsidiary of the Company has made a loan to the trustee as agent for each participant, financing each acquisition of shares under the 1997 Plan. Each loan is limited in recourse to the proceeds on sale of the shares acquired. Dividends and other distributions on the shares will be applied to repay the loan, except for a portion, which is designed to assist the employee to meet any tax liability thereon (after allowing for any franking credits). The loans are interest free.

The 1997 plan was replaced in the year 2000 by the Executive Share Plan described in 3.4.2 above.

Of the current Senior Executives, only Mr Smith, Mr Grbin and Mr Burns hold shares under this plan, shown in table 3I.

Table 3I
Number of awards held – 1997 Plan

	Maximum total shares allocated	Aggregate loan outstanding as at 30 June 2006
D D Smith	183,334	$305,999
D R Grbin	183,334	$305,999
R G B Burns	50,000	$108,154
Total	**416,668**	**$720,152**

3.4.4 General Employee Share Plan

In the year 2000, the Company introduced a General Employee Share Plan.

Under that plan, all permanent employees (other than Executive Directors) who had continuous service for three years with the Company or any of its controlled entities may be eligible to participate in a scheme enabling the issue of up to $1,000 of shares to an employee in each financial year, subject to the approval of the Board. The shares are retained in trust for a three year vesting period. On expiration of that period, an employee may generally sell the shares, transfer them into their name or have them retained in the trust. On termination the shares are generally transferred into the employee's name.

The Company has made only one offer under the General Employee Share Plan, that being in November 2000.

A total of 11,536 shares were held under the plan as at 30 June 2006. Of the current Senior Executives, only Mr Grbin (412 shares) and Mr Smith (412 shares) hold shares under the General Employee Share Plan.

3.5 Remuneration

Details of the remuneration paid to the Key Management Personnel in the Group by authority (Specified Executives), including the five most highly remunerated Executives of the Company and its subsidiaries during the financial year, are set out in table 3J. All values are in Australian dollars unless otherwise stated.

Table 3J

Remuneration for 2005-06 financial year – Key Management Personnel of the Group

	Short term benefits			Post Employment		Long term incentives[4]	
	Base salary	Cash bonus[1]	Other benefits[2]	Super-annuation[3]	Termination payments	Share-based payment	Total
Executive Directors							
J L Moller Managing Director							
2006	792,399	325,875	124,402	34,469	–	95,627	1,372,772
2005	718,127	200,000	139,794	23,575	–	31,059	1,112,555
C J Frederick Chief Operating Officer (retired effective 17 September 2004)							
2006	nil	nil	nil	nil	nil	nil	nil
2005	82,334	–	13,386	15,600	307,317	25,704	444,341
Executives							
S J Eastwood Chief Executive Europe							
2006	335,533	85,123	33,394	33,553	–	51,389	538,992
2005	328,380	–	36,389	32,053	–	11,186	408,008
D R Grbin Chief Financial Officer							
2006	285,000	74,147	66,236	53,397	–	43,030	521,810
2005	256,500	23,496	27,625	42,390	–	9,367	359,378
S D Fraser General Manager, Investments							
2006	255,200	211,226	28,880	12,835	–	–	508,141
2005	245,000	125,000	28,000	15,517	–	–	413,517

	Short term benefits			Post Employment		Long term incentives[4]	
	Base salary	Cash bonus[1]	Other benefits[2]	Super-annuation[3]	Termination payments	Share-based payment	Total
D D Smith General Counsel and Company Secretary							
2006	255,000	68,224	82,358	48,059	–	39,389	493,030
2005	232,750	23,232	103,933	38,465	–	8,574	406,954
J B Schot General Manager, Adsteam Agency							
2006	195,000	53,359	138,900	22,352	–	35,896	445,507
2005	185,000	33,903	125,392	17,554	–	7,814	369,663
M A Sulicich Executive General Manager, Australasia							
2006	285,000	54,972	30,002	30,598	–	41,228	441,800
2005	260,000	–	36,696	23,400	–	8,975	329,071
A M Wilkinson General Manager, Strategic Marketing							
2006	267,750	57,806	37,247	32,556	–	41,937	437,296
2005	253,750	–	29,485	35,000	–	9,129	327,364
E A Wilks General Manager, Human Resources							
2006	255,000	61,073	34,608	28,447		39,064	418,192
2005	229,688	24,689	22,373	37,362	–	8,503	322,615
P W McConnell General Manager, Technical and Planning							
2006	255,200	60,415	31,150	15,835	–	37,767	400,367
2005	245,000	40,000	28,000	15,517	–	8,221	336,738
R G B Burns General Manager, Operations and Fleet							
2006	247,283	46,476	41,476	26,438		34,734	396,407
2005	185,437	–	29,598	29,563	–	7,561	252,159
P Bendy General Manager, Oceans and Terminals (resigned 30 September 2005)							
2006	41,077	65,721	13,797	2,070	19,341	–	142,006
2005	174,700	–	31,140	92,350	–	–	298,190
Total remuneration – Executives							
2006	3,469,442	1,164,417	662,450	340,609	19,341	460,061	6,116,320
2005	3,396,666	470,320	651,811	418,346	307,317	136,093	5,380,553

1 Cash bonuses paid are in respect of the year ended 30 June 2005. At the time of signing this Report, the Board has not determined what level of STI would be paid for the year ended 30 June 2006.

2 Other benefits where applicable include motor vehicle allowances, lease payments and parking. The amounts where applicable are grossed up amounts and include fringe benefits tax paid by the Company. In the case of Mr Moller, additional benefits paid included annual club membership subscriptions and annual medical check up expenses as well as spouse travel when Mrs Moller accompanies Mr Moller to international functions. Mr Schot receives an annual sum to cover rent and annual entitlement to international airfares and other allowances.

[3] Superannuation entitlements specified are contractual, those required by law, salary sacrifice contributions, any voluntary contributions made by the employee and a notional contribution of an employee's salary by the employer for any required defined benefit fund contributions.
[4] The value shown of long term incentives vested and/or expensed. The value of the rights have been calculated by Deloitte. The fair value of the right at grant date has been determined by using the closing price of Adsteam Marine Limited shares at the grant date less the net present value of dividends over the expected life of the right.

Section 4 Service Agreements

General arrangements

The remuneration and other terms of employment for the Managing Director and Senior Executives (as referred to in section 3 of this Report) are formalised in service agreements. These agreements provide for the provision of performance related cash bonuses at the discretion of the Board (as disclosed above), other benefits including car allowances, and participation, where eligible, in long term incentives.

General information regarding the duration of the agreements, the periods of notice required to terminate the agreements, payments on termination and restraints of trade provided for under the service agreements is summarised below.

For the purposes of this Report, 'the Company' means Adsteam Marine Limited and/or the relevant employing entity in the Adsteam Group and 'the Board' means the Board of Adsteam Marine Limited and/or the relevant board of the employing entity in the Adsteam Group.

Duration of agreements and notice periods

Under the terms of the service agreements, the Managing Director and Senior Executives (other than the General Manager, Investments) continue to be employed until their employment is terminated. The General Manager, Investments is employed on a fixed term contract which ends on 30 June 2007 (unless terminated earlier on six months' notice as provided for by the service agreement).

The Company may terminate the employment of the Managing Director on giving 12 months' notice. The Company may terminate the employment of Senior Executives (other than the General Manager, Investments) on giving three months' notice.

The Managing Director must give the Company six months' notice of resignation. The General Manager, Investments must give the Company two months' notice of resignation. All other Senior Executives must give the Company three months' notice of resignation.

The contracts of employment of the Senior Executives may be terminated on such lesser notice as agreed between the Company and the Senior Executive. In some circumstances, the Senior Executives (other than the General Manager, Investments) can terminate their employment on one month's notice.

The Company can summarily dismiss the Managing Director and Senior Executives without notice in certain circumstances including where the Managing Director or Senior Executive has engaged in serious misconduct (in the reasonable opinion of the Board) or has wilfully, persistently or materially breached the service agreement and does not remedy the breach.

Payments on termination

The contract of employment of the Managing Director specifies that the termination payments payable to the Managing Director:

- is nothing, if he is summarily dismissed;
- is six months (based on his remuneration package), if he resigns and the Company elects to make a payment in lieu of notice; or
- is up to 12 months (based on his remuneration package) plus any bonus that the Board reasonably determines would have been paid if he had worked the full notice, if the Company terminates the employment by making a payment in lieu of the whole of the notice period. In addition, in this circumstance, any rights to acquire shares under the long term incentive plan (which the Board reasonably determines would have vested and become exercisable during the full notice period) will vest and become exercisable by the Managing Director.

The contracts of employment of the Senior Executives specify that termination payments payable to these Senior Executives:

- is nothing, if they are summarily dismissed;
- is nothing, if they resign; or
- in addition to any payment in lieu of three months' notice (based on their remuneration package, which includes a bonus, if paid) plus any bonus that the Board reasonably determines would have been paid if they had worked the full notice period, is up to 12 months (based on their remuneration package, which includes a bonus payment, if paid), if their employment is otherwise terminated and depending on the specific circumstances of the termination.

Upon termination of employment, the Managing Director and Senior Executives are entitled to receive payments in respect of accrued but untaken annual leave and long service leave entitlements in accordance with statutory requirements and their respective service agreements.

Restraints of trade

For a period of six months following termination of employment, the General Manager, Investments must not accept any position or carry out any business in a business competitive with the Company without the approval of the Managing Director.

For the Managing Director and all Senior Executives, for a period of up to one year following termination of employment, the Managing Director or Senior Executive is prohibited from doing any of the following in Australia and/or New South Wales:

- carrying on or being involved in certain competing businesses;
- soliciting or persuading certain persons to cease doing business with the Company or accepting certain business from such persons;
- inducing certain directors and employees of the Company to terminate their employment; or
- employing certain directors and employees of the Company in certain competing businesses.

The same restraint applies to the Chief Executive Europe, however the restraint has no geographical limitation.

This Remuneration Report was approved by the Board on 24 August 2006 and is signed on its behalf by

R B Corlett
Chairman, Nomination and Remuneration Committee

24 August 2006

Corporate Governance

This statement outlines Adsteam Marine's main corporate governance practices that were in place during the year in the context of the ten recommended principles of the Australian Stock Exchange Corporate Governance Council.

The Board of Directors works under a set of well established corporate governance policies which reinforce the responsibilities of Directors in accordance with the requirements of the Corporations Act 2001 and the Listing Rules of the Australian Stock Exchange (ASX). These policies specifically address the best practice corporate governance recommendations as published by the ASX Corporate Governance Council in March 2003 (the ASX Recommendations).

Adsteam Marine complies with all of the ASX Recommendations (except to the extent set out in this report). The Company recognises its practices can always be improved, and as a result, is committed to reviewing its corporate governance practices annually with a view to monitoring and continuing to improve its performance.

The Company's charters and policies referred to in this statement are available to interested investors.

Principle 1 Lay solid foundations for management and oversight

The principal functions of the Board, as explained in the Company's Constitution and the Board's charter, are as follows:

- reviewing and determining the financial goals and overall strategic direction of the Company;
- appointing and reviewing the performance of the Managing Director and Chief Executive Officer (Managing Director) and Senior Executives, also known as the Group Leadership Team who are listed on page 15;
- approving financial plans, annual budgets and policies;
- monitoring business performance and results;
- reporting to shareholders; and
- overseeing risk management and compliance programs and ensuring the Company acts lawfully and responsibly.

The Board delegates responsibility for the resources of the Company to the Senior Executive team under the leadership of the Managing Director to deliver the strategic directions and achieve the goals as set and determined by the Board. The Managing Director is responsible to the Board for the day to day management of the Company. Any powers not specifically reserved for the Board have been delegated to the Senior Executive team.

The Board also designates some of its responsibility to Board Committees which operate under specific charters. These Committees are the Audit and Risk Committee and the Nomination and Remuneration Committee.

Principle 2 Structure the Board to add value

Board composition and performance

It is a policy of the Board that the majority of the Board, including the Chairman, be independent Non-Executive Directors. Following the appointment of Mr Peter Dexter, AM as a Non-Executive Director on 12 May 2006, the Board comprises six Directors.

Of the six Directors, only one is an Executive Director and the remaining five Directors are independent, Non-Executive Directors.

The Board has adopted the definition of independence set out in the ASX Recommendations. The Board considers all of its Non-Executive Directors to be independent in accordance with this definition. To ensure the independence of each Non-Executive Director is regularly reviewed by the Board, all Non-Executive Directors are asked to confirm their independence at each Board meeting.

The Board has developed guidelines to determine materiality thresholds for the purposes of the definition of independence. Broadly speaking, these guidelines seek to determine whether a Non-Executive Director is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Non-Executive Director's ability to act in the best interests of the Company. The Board will consider independence on a case by case basis.

If a potential conflict arises, the Board member concerned does not receive relevant information relating to the issue. The Board member would either be requested to leave the meeting or would be excluded from discussion about the issue.

In order for the Board to perform effectively and to the highest standards, the Board consists of Directors with a wide range of skills and experience. The present Board comprises Directors with relevant operational, management and maritime experience together with financial, accounting and investment backgrounds. The names, qualifications and term in office of Directors as at the date of this Report are set out on page 14.

The Board carries out a number of its functions through the use of the following Board Committees:

- Audit and Risk Committee; and
- Nomination and Remuneration Committee.

Each of these Committees is governed and operates under a charter approved by the Board. The operation of these Committees is described on pages 40 and 42.

Non-Executive Directors are subject to re-election by rotation at least once every three years. The performance of a Director is considered prior to his or her name being submitted for re-election. The Board as a whole is subject to an annual review of its performance.

The Board is scheduled to meet 11 times each year. This is supplemented by other Board meetings as required and also by the participation of the Chairman and other Board members (as required) in Board Committee meetings and the Company's annual strategy forums.

Principle 3 Promote ethical and responsible decision making

The Board has a code of conduct, which recognises that strong ethical values must be at the heart of Director and Board performance. Under this code, the Board of Directors commits and expects to:

- be committed to the highest standards of integrity;
- be honest and open with each other at all times;
- ensure, to the maximum extent possible, they do not engage in any other activities which may lead to a conflict of interest with his or her duties to the Company;
- work co-operatively among themselves and with management in the best interests of the Company;
- recognise the separate roles and responsibilities of the Board and management;
- promote the self confidence and self respect of others;
- develop an understanding of the businesses of the Company;
- be diligent and continuously strive to improve the Board's operation; and
- avoid any behaviour which is likely to reflect badly on the Board and the Company.

Ethical and responsible decision making is also expected of all employees and is communicated via the Company's Executives and Company policies.

Independent professional advice

Directors have available to them the ability to seek independent professional advice on matters which arise during the course of their duties. The cost of such is ordinarily at the Company's expense, subject to the Board approving in advance the reasonableness of the estimated costs.

Employees' workplace standards

The principles of ethical and responsible decision making highlighted in the Directors' code of conduct are clearly reflected in the Workplace Standards and Conduct for all employees.

The Board has endorsed the Workplace Standards and Conduct which formalises the commitment of Adsteam Marine's employees to behave ethically, act within the spirit and letter of the law, avoid conflicts of interest, protect confidentiality and act honestly in all business activities.

The Company recognises its legal and other obligations with all legitimate stakeholders.

The Company has adopted other policies and procedures in key areas, including trade practices, health and safety, fairness and respect, diversity in employment, dealing with price sensitive information, confidentiality and share trading.

Dealings in Adsteam Marine shares

The Company has a policy in place whereby Directors and Executives must not buy or sell shares in the Company in the two months before the release of each of the half and full year results or at any other period when the Board considers Directors and Executives possess price sensitive information which is not in the public arena. This policy on Company share dealings supplements the requirements of the Corporations Act 2001.

Whistleblower protection

The Company established a Whistleblower Protection Program in 2005. A reporting hotline managed by KPMG allows for anonymity, confidentiality and independence in reporting concerns employees or other parties may have in relation to fraud and unethical behaviour. Employees and others reporting issues in good faith are protected against penalties or dismissal. Key contacts are the Chairman of the Audit and Risk Committee, the Whistleblower Protection Officers (the General Counsel and Company Secretary and General Manager, Human Resources) and the Whistleblower Investigations Officer (Manager, Internal Audit and Risk).

Principle 4 Safeguard integrity in financial reporting

As a means of ensuring integrity in the Company's financial reporting, the Managing Director and the Chief Financial Officer provide a written statement to the Board when the Company reports its financial results to affirm that the Company's Financial Report presents a true and fair view, in all material respects, of the Company's financial condition and operational results and is in accordance with the relevant accounting standards.

Integral to the process of approving the Financial Report, the Managing Director and the Chief Financial Officer provide a further statement to the Board on the quality and effectiveness of the Company's risk management, compliance and control systems.

Internal audit

The Company has an internal auditor, also known as Manager, Internal Audit and Risk. The internal auditor has no line or reporting responsibilities to the finance department of the Company and reports directly to the Audit and Risk Committee on internal audit matters. Strategies are planned and reviewed with the Committee at each meeting.

The role of the internal auditor is to:

- assess the effectiveness of systems within the Company which govern key operational processes and business risks;
- provide an independent assessment to the Board of management's systems, controls and practices; and
- provide assistance to the Board in meeting its corporate governance and regulatory responsibilities.

Audit and Risk Committee

The Audit and Risk Committee of the Company assists the Board in overseeing its responsibilities relating to financial reporting, accounting practices, internal control systems, risk management and the internal and external audit functions.

The Committee is made up of four independent Non-Executive Directors and currently comprises David Mortimer, AO as Chairman and Peter Dexter, AM, Achim Drescher and Ken Moss as members. Details of the qualifications of the Committee members are set out on page 14. The Committee operates under a charter approved by the Board. The Chairman of the Company attends these meetings by invitation.

Its responsibilities include:

- liaising with the Group's external auditor to ensure the annual statutory audit and half yearly statutory reviews are conducted effectively;
- reviewing, and thereafter reporting, to the Board on half yearly and yearly financial reports prior to their external release;
- monitoring procedures to ensure proper compliance with the Corporations Act 2001, Australian Stock Exchange Listing Rules, accounting standards and any other statutory regulations in place;
- monitoring the performance of the Company's external auditor to ensure the external auditor's independence and objectivity; and
- monitoring the risk management framework, including internal audit.

In carrying out its charter, the Audit and Risk Committee met four times during the financial year. Details of meetings held and attendance of Committee members is set out on page 18 of the Directors' Report. The Audit and Risk Committee conducted an internal review of its performance during this reporting period.

Principle 5 Make timely and balanced disclosure

The Board takes very seriously and commits to the principles and obligations of continuous disclosure and strives to ensure that announcements are timely, factual, clear and balanced. Responsibility for communication to the Australian Stock Exchange on all material matters rests with the Company's General Counsel and Company Secretary following consultation with the Chairman and the Managing Director.

The Company has in place a system of procedures and delegations to capture the flow of material information including financial situation, performance, ownership, risk and governance issues.

The Company's website contains announcements made to the ASX, Annual Reports, other communications and details about the Company.

Principle 6 Respect the rights of shareholders

The Board and Company are committed to communicating with legitimate stakeholders. To this end, the Board and/or Company:

- reports its financial performance twice a year to the Australian Stock Exchange;
- maintains a website at www.adsteam.com.au;
- publishes all external announcements (including commentary) to the website and maintains these announcements for at least two years;
- at General Meetings, shareholders are given a reasonable opportunity to ask questions;
- analysts' briefings are generally held following the release of the half and full year financial results. They may also be held for major announcements. Analysts' briefings are webcast and due notice is given to the Australian Stock Exchange;
- shareholder questions are answered by the Chairman, Managing Director or General Counsel and Company Secretary.

A list of all disclosures made during the year can be found on the Company's website.

Principle 7 Recognise and manage risk

The Board is committed to protecting the Company's employees, assets, earnings and the environment. The Manager, Internal Audit and Risk has been appointed to implement and co-ordinate a risk management framework in line with established practices and standards, such as AS/NZS 4360:1999.

The risk management framework was fully operational during the year under review and consists of the identification, analysis, classification, mitigation and reporting of risks on a continual basis with oversight provided by executives and the Audit and Risk Committee.

The Company also has insurance in place at levels which, in the reasonable opinion of Directors, are appropriate for the size and nature of the Company.

The Company's external auditor, Ernst & Young, and representatives of management, attend meetings of the Audit and Risk Committee by invitation. It has also been customary for the Chairman of the Company to attend by invitation.

The Audit and Risk Committee selected the Company's external auditor via a tender process. It is a policy that the audit partner of the Company's external auditor rotates every five years.

The practice of the Company is to require the external audit partner to attend the Annual General Meeting to be available to answer shareholders' queries regarding the conduct of the audit and the preparation and content of the Auditor's Report.

The external auditor also provides written assurances to the Company of its independence.

Principle 8 Encourage enhanced performance

The Board conducts an annual review of its Directors whereby the performance of individual Directors and the Board as a whole is discussed, as well as the size and composition of the Board and information reporting processes affecting the Board.

The Non-Executive Directors meet periodically during the year without management. This forum is intended to allow for open discussion on Board and management performance.

The performance of the Board is also enhanced by periodic site visits of the Company's operations. During the year under review the Board held its June meeting in London followed by site visits to Gravesend and Felixstowe in the UK. The Board also visited a number of ports in Australia. During its site visits the Board meets with and hears presentations from senior management and participates in a number of customer functions.

Principle 9 Remunerate fairly and responsibly

In respect of the performance of Executives, there exists a performance culture and process whereby Executives' performance is reviewed every six months and rewards and remuneration are based on performance outcomes. The Nomination and Remuneration Committee reports to the Board on remuneration matters.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprises all independent Non-Executive Directors. At the date of this report the members are Bruce Corlett (Chairman), Peter Dexter, AM, Achim Drescher, David Mortimer, AO and Ken Moss.

The Committee typically meets at least three times a year. Details of meetings held and attendance at these meetings is set out on page 18 of the Directors' Report.

The Committee operates under a charter approved by the Board, a copy of which is available to interested investors.

The Committee reviews and recommends to the Board:

- the remuneration applicable to Executive Directors and Executives, including incentives and superannuation. In doing so, it considers independent professional advice on relevant industry practices and policies to attract, motivate and retain quality executives;
- an assessment of the necessary and desirable competencies of Directors;
- the review of the Board's succession plans;
- an evaluation of the performance of the Board as a whole and individual Directors prior to submission for re-election by shareholders;
- recommendations for the appointment of Executives and Non-Executive Directors; and
- the creation or amendment of any employee or executive share plan.

During this reporting period, the Nomination and Remuneration Committee reviewed the performance of the Board as a whole and the performance of the Director due to stand for re-election at the 2006 Annual General Meeting. The Committee also reviewed the performance of the Managing Director, making its recommendations and report available to the full Board of Directors.

Details of the Company's remuneration policies and practices and outcomes for the year under review is set out in detail in the Remuneration Report.

Principle 10 Recognise the legitimate interests of stakeholders

The Company has policies in place to protect the environment, the community, employees, customers and shareholders. The risk management process is integral to monitoring performance and compliance in this area.

Website disclosure

A summary of the Company's corporate governance practices can be found at www.adsteam.com.au

2005::2006
Financial Report

Contents

Adsteam Marine Limited ABN 87 065 888 440
and subsidiaries

Income Statement

For the year ended 30 June (in $000s)	Note	Consolidated 2006	Consolidated 2005	Parent 2006	Parent 2005
Revenue					
Revenue from services		321,523	320,836	–	–
Other revenue		17,676	10,269	19,965	20,597
Total revenue	**3**	**339,199**	**331,105**	**19,965**	**20,597**
Salaries, on costs and employee benefits expense	4(a)	(170,307)	(174,697)	–	–
Depreciation and other amortisation expense	4(b)	(25,158)	(23,841)	–	–
Finance costs	4(c)	(26,137)	(29,745)	–	–
Vessel operating costs		(33,986)	(32,367)	–	–
Charter fees expense		(6,309)	(2,015)	–	–
Operating lease rental expense		(6,407)	(7,242)	–	–
Foreign exchange and hedge losses	4(d)	(3,328)	(928)	(1,992)	(1,035)
Other expenses		(26,272)	(29,496)	(14)	(6)
Total expenses		(297,904)	(300,331)	(2,006)	(1,041)
Total share of net profits of associates accounted for using the equity method	5	6,600	8,520	–	–
Profit before income tax expense		**47,895**	**39,294**	**17,959**	**19,556**
Income tax expense	6(a)	(4,765)	(1,803)	(278)	(544)
Net profit attributable to members of Adsteam Marine Limited	**28**	**43,130**	**37,491**	**17,681**	**19,012**
Earnings per share (cents per share) based on net profit for the year attributable to ordinary equity holders of the parent					
– basic earnings per share	7(a)	16.0	14.1		
– diluted earnings per share	7(b)	15.9	14.1		
Dividends paid per share (cents per share) during the year		5.8	4.6		

Balance Sheet

As at 30 June (in $000s)	Note	Consolidated 2006	Consolidated 2005	Parent 2006	Parent 2005
Current assets					
Cash assets	9	16,714	8,306	744	228
Trade and other receivables	10	48,308	55,160	–	–
Inventories	11	10,045	8,239	–	–
Other financial assets and derivatives	12	200	2,040	–	1,551
Prepayments		2,671	3,033	–	–
Total current assets		77,938	76,778	744	1,779
Non current assets					
Receivables	13	5,161	4,338	370,669	352,578
Investments accounted for using the equity method	14	11,446	30,269	–	–
Other investments	15	31,734	10,322	11,404	11,404
Property, vessels, plant and equipment	16	406,071	349,827	–	–
Deferred tax assets	6(b)	25,483	33,506	2,581	5,462
Intangible assets	17	253,885	251,454	–	–
Total non current assets		733,780	679,716	384,654	369,444
Total assets		**811,718**	**756,494**	**385,398**	**371,223**
Current liabilities					
Trade and other payables	18	40,732	49,673	56	87
Interest bearing liabilities	19	8,132	45,712	–	–
Income tax payable		883	888	–	–
Provisions	20	12,890	17,493	–	–
Other financial liabilities and derivatives	21	93	489	–	–
Total current liabilities		62,730	114,255	56	87
Non current liabilities					
Interest bearing liabilities	22	305,897	259,205	66,273	62,869
Deferred tax liabilities	6(b)	31,069	24,497	–	465
Provisions	23	2,759	3,201	–	–
Pension liability	24(b)	53,374	69,678	–	–
Total non current liabilities		393,099	356,581	66,273	63,334
Total liabilities		**455,829**	**470,836**	**66,329**	**63,421**
Net assets		**355,889**	**285,658**	**319,069**	**307,802**
Equity					
Contributed equity	25	392,804	384,131	392,804	384,131
Treasury shares	26	(2,680)	(2,729)	–	–
Reserves	27	6,929	(15,594)	–	(539)
Accumulated losses	28	(41,164)	(80,150)	(73,735)	(75,790)
Total equity		**355,889**	**285,658**	**319,069**	**307,802**

Statement of Recognised Income and Expense

For the year ended 30 June (in $000s)	Note	Consolidated 2006	Consolidated 2005	Parent 2006	Parent 2005
Foreign currency translation	27(a)	6,332	(15,704)	–	(539)
Employee equity benefits reserve	27(b)	589	35	–	–
Gain on investment in unlisted company at fair value	27(c)	4,290	–	–	–
Gain on cash flow hedges taken to equity	27(d)	1,996	–	539	–
Actuarial gain/(loss) on defined benefit plans (net of deferred tax asset)	28	11,482	(13,248)	–	–
Income tax on other items taken directly to or transferred from equity		(1,842)	(105)	–	–
Net income/(loss) recognised directly in equity		**22,847**	**(29,022)**	**539**	**(539)**
Net profit for the period		43,130	37,491	17,681	19,012
Total recognised income and expense for the period		**65,977**	**8,469**	**18,220**	**18,473**

Cash Flow Statement

Inflows/(outflows) for the year ended 30 June (in $000s)	Note	Consolidated 2006	Consolidated 2005	Parent 2006	Parent 2005
Cash flows from operating activities					
Receipts from customers		350,405	341,212	–	13
Payments to suppliers and employees		(269,670)	(273,348)	(44)	(30)
Dividends received					
– subsidiaries		–	–	12,810	17,500
– associates and other corporations		5,174	10,762	331	1,166
Partnership distributions received		906	920	–	–
Interest received		578	713	5	5
Borrowing costs paid		(26,787)	(28,868)	–	–
Income taxes paid		(571)	(726)	–	–
Net goods and services tax and other taxes paid		(10,965)	(6,013)	–	–
Net operating cash flows	29(a)	49,070	44,652	13,102	18,654
Cash flows from investing activities					
Cash paid for purchases of property, tugs, plant and equipment		(73,196)	(36,324)	–	–
Cash proceeds from sale of property, tugs, plant and equipment		676	8,099	–	–
Proceeds from sale of investments in associates		8,882	4,972	5,350	–
Business divestment costs paid		–	(788)	–	–
Net cash paid for purchase of controlled entities		–	–	–	(3,795)
Net cash paid for a business combination	35	(596)	–	–	–
Net loans with controlled entities		–	–	(10,983)	(8,797)
Net loans with associates		5,076	1,131	–	–
Net capital distribution from associates		21,173	21,806	–	–
Net investing cash flows		(37,985)	(1,104)	(5,633)	(12,592)
Cash flows from financing activities					
Cash proceeds from share issues		8,673	5,762	8,673	5,762
Proceeds from borrowings		44,092	–	–	–
Repayment of borrowings		(32,681)	(53,746)	–	–
Payment of dividends on ordinary shares		(15,626)	(12,210)	(15,626)	(12,210)
Net financing cash flows		4,458	(60,194)	(6,953)	(6,448)
Net increase/(decrease) in cash held		**15,543**	**(16,646)**	**516**	**(386)**
(Overdraft)/cash at the beginning of the year		(64)	14,103	228	626
Effects of exchange rate changes on opening cash		1,235	2,479	–	(12)
Cash/(overdraft) at the end of the year	**29(b)**	**16,714**	**(64)**	**744**	**228**

Note 1: Corporate Information

The financial report of Adsteam Marine Limited (the Company or Parent) for the year ended 30 June 2006 was authorised for issue in accordance with a resolution of a committee of the Board of Directors on 24 August 2006.

The consolidated financial report comprises the financial statements of the Company and its subsidiaries (the Group) as at each reporting date.

Adsteam Marine Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange (ASX). The ASX code is ADZ.

Note 2: Summary of Significant Accounting Policies

a) Basis of accounting

The financial report is a general purpose financial report that has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis, except for derivative financial instruments and available-for-sale financial assets that have been measured at fair value.

The financial report is presented in Australian Dollars and all values are rounded to the nearest thousand dollars ($000) unless otherwise stated under the option available to the company under ASIC Class Order 98/100. The Company is an entity to which the class order applies.

b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the Financial report comprising the financial statements and notes thereto, complies with International Financial Reporting Standards.

This is the first financial report prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly except for the adoption of AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*. The Company has adopted the exemption under AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* from having to apply AASB 132 and AASB 139 to the comparative period. Reconciliations of AIFRS equity and profit for 30 June 2005 to the balances reported in the 30 June 2005 financial report and at transition to AIFRS are detailed in note 43.

As at 30 June 2006, a number of accounting standards have been issued with applicable commencement dates subsequent to year end. The expected impact of these accounting standards should not materially alter the accounting policies of the Group at the date of this report.

c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (the Group) as at the reporting date.

The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

d) Significant accounting judgements, estimates and assumptions

The carrying amounts of certain assets and liabilities, income and expenses are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

- *Impairment of goodwill and other non current assets*
  The Group determines whether goodwill and other non current assets are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill is allocated. The assumptions used in this estimation or recoverable amount and the carrying amount of goodwill are discussed in note 17.
- *Share-based payment transactions*
  The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Monte Carlo Simulation Model using the assumptions detailed in note 38(c).
- *Defined benefit pension plans*
  Various actuarial assumptions are required when determining the Group's defined benefit pension obligations. These assumptions and the related carrying amounts are discussed in note 24.

- *Salvage revenue*
  The estimation of a net salvage award is based on actual costs incurred and professional salvors' estimates of the value of the casualty and its cargo.
- *Available for sale investments*
  The fair value of available for sale investments is based on forward projections of the investee's cash flows available for distribution to the Group's equity holding, discounted by applying a cost of equity calculated using the capital asset pricing model.

e) Revenue Recognition

Revenue is recognised only if:

- it is probable that the economic benefits will flow to the Group; and
- the revenue can be reliably measured.

The following specific recognition criteria must also be met before revenue is recognised:

Revenue from marine services (excluding salvage)
Revenue from marine services is recognised when services contracted by customers are performed. Revenue in the Income Statement is net of customer rebates and goods and services taxes.

Salvage revenue
A prudent estimate of salvage revenue is recognised after services are rendered and a legal right to enforce payment has been established.

Interest Income
The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for interest income applicable for the years ending 30 June 2006 and 30 June 2005.

(i) Accounting policies applicable for the year ending 30 June 2006
Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(ii) Accounting policies applicable for the year ending 30 June 2005
Interest Income is recognised when the Group's right to receive payment is established.

Dividends
Control of the right to receive the dividend payment.

Rent
Control of the right to receive consideration for providing an asset, by recognising the minimum lease payments on a straight line basis over the term of the lease. Contingent rental income is recognised as income in the periods in which it is earned.

f) Borrowing Costs

Interest expense
Interest is recognised as an expense as it accrues, using the effective interest method, except when a portion of the expense relates to a qualifying asset. In which case, the relevant amount of interest expense is capitalised into the cost of the qualifying asset.

Amortisation of capitalised borrowing costs
Costs incurred for the establishment of the Group's financing facilities are capitalised and included in the Group's borrowings on recognition. The costs are amortised over the term of the facility.

g) Income Tax

Accounting Policy
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the reporting date and is based on the difference between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

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

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the Income Statement.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

United Kingdom Tonnage Tax
In April 2005, the UK Finance Act 2005 received Royal Assent, having been passed through the House of Lords. The Finance Act 2005 incorporates the changes to UK tonnage tax that were announced by the Group to the ASX on 22 December 2004.

The key provisions in the legislation in respect of tonnage tax were the allowance for:

(i) the uplift of the tax value of assets to their market value on 1 July 2006; and

(ii) transitional arrangements until 30 June 2006.

On 1 July 2006, the Group exited from UK tonnage tax and is now subject to normal UK Corporations Tax. As presently allowed by the Finance Act 2005, the tax value of Group's UK assets are to be written up to their market value as of 1 July 2006. As of the date of this financial report, management estimates of market value of UK assets closely approximate the book value of these assets. It is the present intention of the Group to undertake an independent valuation of the Group's UK assets.

As previously recognised, all tax regimes may be repealed or amended at a future time and the European Union (EU) has the right to request Member States to change domestic financial policies and rules to ensure they comply with EU free market competition requests.

Tax consolidation
The Company and its 100% owned Australian resident subsidiaries have formed a tax consolidated group. The Company is the head entity of the tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned subsidiaries on a pro-rata basis. In addition the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. As at the reporting date, the possibility of default is remote.

Further details on Tax Consolidation arrangements are set out in note 6.

h) Goods and Services Taxes (GST)

Revenues and expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Operating cash flows are included gross of GST in the Cash Flow Statement and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

i) Foreign Currencies

The functional and presentation currency of Adsteam Marine Limited and its Australian subsidiaries is Australian Dollars.

The functional currency of overseas subsidiaries is as follows:

Subsidiary	Functional Currency
Adsteam Agency (Fiji) Limited	Fiji Dollars
Adsteam Agency (HK) Limited	Hong Kong Dollars
Adsteam Agency (India) Limited	Indian Rupiah
Adsteam Agency (NZ) Limited	New Zealand Dollars
Adsteam Agency (Tauranga) Limited	New Zealand Dollars
Adsteam Agency (PNG) Limited	Papua New Guinea Kina
Adsteam Europe Limited	European Union Euro
Adsteam Harbour (NZ) Limited	New Zealand Dollars
Adsteam Management Services (NZ) Limited	New Zealand Dollars
Adsteam SPC3 Limited	Great British Pounds
Adsteam SPC4 Limited	Great British Pounds
Adsteam (UK) Limited and its subsidiaries	Great British Pounds
Adsteam USA Incorporated	United States Dollars
Inchcape (Vanuatu) Limited	Vanuatu Vatu
Marine Pacific Limited	Fiji Dollars
Marine Pacific (PNG) Limited	Papua New Guinea Kina
United Salvage (NZ) Limited	New Zealand Dollars

Translation of foreign currency transactions

All foreign currency transactions during the financial year have been brought to account using the exchange rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Except for certain effective hedges, all resulting exchange differences are brought to account in the Income Statement in the period in which they arise.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Translation of Financial Reports of overseas operations

As at the reporting date the assets and liabilities of overseas subsidiaries are translated into the presentation currency of Adsteam Marine Limited at the rate of exchange ruling at the reporting date and the Income Statements are translated at the weighted average exchange rates for the reporting period. The exchange differences arising on the translation are taken directly to the foreign currency translation reserve.

On disposal of a foreign entity, the deferred cumulative amount recognised in the foreign currency translation reserve relating to that particular foreign operation is recognised in the Income Statement.

j) Cash and cash equivalents

Cash and short-term deposits in the Balance Sheet comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash includes cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Bank overdrafts are carried at the principal amount. Interest is charged as an expense as it accrues.

k) Trade and other receivables

The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for trade and other receivables applicable for the years ending 30 June 2006 and 30 June 2005.

(i) Accounting policies applicable for the year ending 30 June 2006
Trade receivables, which generally have 30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

Receivables from related parties are recognised and carried at the nominal amount due. Interest is taken up as income on an accruals basis.

(ii) Accounting policies applicable for the year ending 30 June 2005
Trade receivables were recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts was made when collection of the full amount was no longer probable. Bad debts were written off as incurred.

Receivables from related parties were recognised and carried at the nominal amount due. Interest was taken up as income on an accruals basis.

Deferred consideration for the sale of the Northland Freight business
The amounts receivable are based on the present value of certain interest bearing promissory notes and other amounts receivable.

The amounts receivable beyond 12 months have been discounted to their present value.

l) Inventories

Inventories are valued at the lower of cost and net realisable value and include fuel, ropes, salvage stores and consumables. Costs are assigned to inventories by the method most appropriate to each particular class of inventory, with the majority being valued either on a first in, first out basis or specific identification of cost method.

m) Investments and other financial assets

Investment in Associated entities
Investments in associates are accounted for under the equity method of accounting. The equity method of accounting is used when the Group has significant influence and the entity is neither a subsidiary nor a joint venture. The Parent accounts for its investment in associate entities using the cost method.

The financial statements of the associate are used by the Group to apply the equity method and consistent accounting policies are used.

The investment in the associates is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate, less any impairment in value. The Income Statement reflects the Group's share of the results of operations of the associate.

Where there has been a change recognised directly in the associate's equity, the Group recognises its share of any changes and discloses this, when applicable in the Statement of Recognised Income and Expense.

Investments and other financial assets
The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for investments and other financial assets applicable for the years ending 30 June 2006 and 30 June 2005.

(i) Accounting policies applicable for the year ending 30 June 2006
Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and held-to-maturity investments, receivables or available-for-sale-investments, as appropriate.

The Group does not have any financial assets in the 'financial assets at fair value through profit or loss' category.

When financial assets are recognised initially, they are measured at fair value. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each reporting period.

Details on impairment testing are set out in note 2q below.

Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the Income Statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale investments
Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the two preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in the Income Statement.

(ii) Accounting policies applicable for the year ending 30 June 2005
All non-current investments, other than investments in associates, were carried at the lower of cost and recoverable amount.

Recoverable amount
Non-current financial assets measured using the cost basis were not carried at an amount above their recoverable amount, and when a carrying value exceeded this recoverable amount, the financial asset was written down to its recoverable amount, In determining recoverable amount, the expected net cash flows were discounted to their present value using a market determined risk adjusted discount rate reflecting the risks specific to the asset.

n) Property, Vessels, Plant and Equipment

All classes of property, vessels, plant and equipment are stated at cost less accumulated depreciation. When each major inspection of vessels is performed, its cost is recognised in the carrying amount of the vessel as a replacement only if it is eligible for capitalisation.

Depreciation is provided on property, vessels, plant and equipment, including freehold buildings. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset after allowing for its estimated residual value over its expected useful life.

Leasehold improvements are amortised over the period of the lease or estimated useful life, using the straight line method.

The following estimated useful lives are used in the calculation of depreciation/amortisation:

	2006	2005
Buildings	20-30 years	20-30 years
Leasehold improvements	The lease term	The lease term
Vessels	30 years	30 years
Capitalised docking costs	2-15 years	2-15 years
Plant and equipment	5-10 years	5-10 years

The carrying values of property, vessels, plant and equipment are reviewed for impairment at least annually, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired. Details on impairment testing are set out in note 2q below.

An item of property, vessels, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Income Statement in the year the asset is derecognised.

o) Intangible Assets

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed on initial recognition to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on tangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Details on impairment testing are set out in note 2q below. The Group has one finite life intangible asset. It is a port licence amortised on a straight line basis over 10 years.

The Group has no intangible assets (excluding goodwill) with indefinite useful lives.

p) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment at least annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Details on impairment testing are set out in note 2q below.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Income Statement when the asset is derecognised.

q) Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using an after tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Income Statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Details on impairment testing of specific classes of assets are set out as follows:

Impairment of Investments and other financial assets
The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies applicable for the years ending 30 June 2006 and 30 June 2005.

(i) Accounting policies applicable for the year ending 30 June 2006
The Group assesses at least annually whether a financial asset or group of financial assets is impaired.

Financial assets carried at amortised cost
The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (ie the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in the Income Statement.

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. Any subsequent reversal of an impairment loss is recognised in the Income Statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

If there is objective evidence that an impairment loss has been incurred on a unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset. The amount of the loss is recognised in the Income Statement.

Available-for-sale investments
If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in the Income Statement, is transferred from a net unrealised gains reserve to the Income Statement. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through the Income Statement if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in the Income Statement.

(ii) Accounting policies applicable for the year ending 30 June 2005
For current financial assets, refer to note 2 (k). For non current financial assets, refer to note 2(m).

Impairment of property, vessels, plant and equipment
The recoverable amount of property, vessels, plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

Impairment of goodwill
For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the of the Group's cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with AASB 114 *Segment Reporting*.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (or group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

r) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership. The Group has entered into various operating leases as lessee and two finance leases as lessor.

Operating leases (Group as lessee)
The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense in the Income Statement on a straight line basis.

Contingent rentals are recognised as an expense in the reporting period in which they are incurred.

Finance leases (Group as lessor)
When assets are leased out under a finance lease, the present value of the lease payments using a pre tax discount rate, is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

s) Payables

Trade creditors are non-interest bearing and are normally settled on 30 to 45 day terms. Other current amounts payable are non-interest bearing and are settled on various terms up to 12 months.

The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for trade and other payables applicable for the years ended 30 June 2006 and 30 June 2005.

(i) Accounting policies applicable for the year ending 30 June 2006
Trade payables and other payables are carried at cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(ii) Accounting policies applicable for the year ending 30 June 2005
Trade payables and other payables were carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

t) Interest Bearing Liabilities

The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for interest bearing liabilities applicable for the years ending 30 June 2006 and 30 June 2005.

(i) Accounting policies applicable for the year ending 30 June 2006
All loans and borrowings are initially recognised at the fair value of the consideration received net of directly attributable transaction costs. Subsequently, the loans and borrowings are carried at their amortised cost using the effective interest rate method net of transaction costs.

Gains and losses are recognised in the Income Statement when the liabilities are derecognised.

(ii) Accounting policies applicable for the year ending 30 June 2005
All loans were measured at the principal amount. Interest was recognised as an expense as it accrued. Any directly attributable borrowing costs were capitalised as an asset and amortised over the life of the borrowing facility.

Bills of exchange and promissory notes were carried at the principal amount plus deferred interest.

u) Employee Benefits

Wages, salaries and annual leave
Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts to be expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave
The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Pensions and other post-employment benefits
The Group operates superannuation/pension plans, which offer both accumulation/defined contribution and defined benefits. Employer contributions to these plans vary depending on actuarial recommendations.

Accumulation/defined contribution plans
Contributions are charged to the Income Statement as an employee benefit expense when due.

Defined benefit plans
The charge to employee benefits expense in the Income Statement is based on an expected pension cost of the expected service lives of the employees in the plans. The respective plan actuaries calculate the annual charge to the Income Statement.

The Group operates three defined benefit pension plans, all of which require contributions to be made to separately administered funds. The recognised pension fund deficit represents the excess of the discounted value of scheme liabilities over the market value of scheme assets as at the reporting date.

The cost of providing benefits under the plans is determined separately for each plan using the projected unit credit actuarial valuation method.

Actuarial gains and losses are recognised immediately in accumulated losses and included in the Statement of Recognised Income and Expense.

Equity compensation plans
Employer contributions to the Employees Share Plan are charged as an employee benefits expense over the vesting period. Any amount of unvested shares held by the trust are controlled by the Group until they vest and are recorded at cost in the balance

sheets within equity as shares held by equity compensation plans until they vest. The amount relating to the unvested obligation is recorded at balance date within equity as an adjustment to the equity compensation reserve until they vest.

v) Provisions

Provisions are recognised when the Group has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of a past event, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

In the event of the time value of money being material, provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Provision for restructure
A liability for restructuring costs is made where the company is demonstrably committed to the restructuring and a reliable estimate of the amount of the liability can be made.

Provision for Directors' Retirement
A liability for Directors' retirement costs is made when the company is obligated to make a payment sometime in the future and a reliable estimate of the amount of the liability can be made.

w) Contributed Equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs (net of tax) arising from the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

x) Share-based payment transactions

The Group provides benefits to employees (including the Managing Director) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

There are currently four plans in place to provide these benefits.

The Executive Share Incentive Plan (ESI Plan) is operational and provides benefits to the Managing Director and other senior executives.

The following three plans have been closed to new members or superseded:

(i) the Executive Share Plan (Executive Plan), provided benefits to senior executives;

(ii) the 1997 Loan Based Plan (1997 Plan), provided benefits to all employees, excluding directors. The 1997 Plan was replaced in the year 2000 by the Executive Plan; and

(iii) General Employee Share Plan, which provided benefits to all permanent employees excluding directors.

ESI Plan
The cost of the equity settled transactions in this plan is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a Monte Carlo Simulation model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the compound growth of earnings per share of the Company (non market conditions).

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity reserve, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at the reporting date. Adjustment is made for the likelihood of performance conditions being met.

No expense is recognised for awards that do not ultimately vest.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other Plans
The value of the Executive Share Plan and the General Employee Share Plan was charged as an expense in the year ended 30 June 2003.

Shares in the Group held by the 1997 Plan are classified and disclosed as Treasury shares and deducted from equity.

The Group has applied the requirements of AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* in respect of equity-settled awards and has applied AASB 2 *Share-based Payment* only to equity instruments granted after 7 November 2002 that had not vested on or before 1 January 2005.

y) Derivative Financial Instruments and Hedging

The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for derivative financial instruments and hedging applicable for the years ending 30 June 2006 and 30 June 2005.

(i) Accounting policies applicable for the year ending 30 June 2006
The Group uses derivative financial instruments such as interest rate contracts and forward currency contracts to hedge its financial risks associated with interest rate and foreign currency fluctuations.

The Group does not enter or trade derivative financial instruments for speculative purposes.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

For the purposes of hedge accounting the Group's hedges are classified as cash flow hedges where they hedge exposure to variability in cash flows that are attributable either to a particular financial risk associated with a recognised asset or liability, a forecasted transaction that could affect the Income Statement or a contractual commitment.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured (mark to market) to fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. The movements in the fair value of the derivatives that are being hedged accounted is recognised in the cash flow hedge reserve.

The fair value of derivative contracts is calculated as follows:

- *forward currency contracts:* by reference to current forward exchange rates for contracts with similar maturity profiles.
- *interest rate contracts:* by reference to market values for similar instruments.

Amounts taken to cash flow hedge reserve are transferred to the Income Statement when the hedged transaction affects profit or loss, such as when hedge income or expenses are recognised or when a forecast sale or purchase occurs. When the hedged item is the cost of a non-financial asset or liability, the amounts taken to the cash flow hedge reserve are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in the cash flow hedge reserve are transferred to the Income Statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in the cash flow hedge reserve remain in the cash flow hedge reserve until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to the Income Statement.

If the derivative financial instrument does not qualify as a cash flow hedge, any gains or losses arising from changes in the fair value of these derivatives are taken directly to the Income Statement.

(ii) Accounting policies applicable for the year ending 30 June 2005.
The Group entered into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including:

- interest rate caps and floors to mitigate the risk of rising interest rates. Any gains or losses were included in net interest expense;
- forward exchange contracts to cover a proportion of its investment in a foreign associate company. Exchange differences were included in the investment in associated companies; and
- forward exchange contracts to fix the price of progress payments in its tug building program. Any exchange differences were included in the cost of the asset.

The Group did not enter into or trade derivative financial instruments for speculative purposes.

z) Derecognition of Financial Assets and Financial Liabilities

The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies applicable to the derecognition of financial assets and financial liabilities for the years ending 30 June 2006 and 30 June 2005.

(i) Accounting policies applicable for the year ending 30 June 2006

Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a pass through arrangement; or the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such as an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(ii) Accounting policies applicable for the year ending 30 June 2005

Financial assets

A financial asset was derecognised when the contractual right to receive or exchange cash no longer existed.

Financial liabilities

A financial liability was derecognised when the contractual obligation to deliver or exchange cash no longer existed.

aa) Earnings per Share (EPS)

Basic EPS is calculated as net profit attributable to members of the Parent divided by the weighted average number of ordinary shares on issue during the financial year.

For the purposes of calculating diluted EPS the rights issued (or contingently issuable ordinary shares) as described in the 2006 Remuneration Report, included in the Directors Report, are dilutive when the specified performance hurdles are met for each tranche tested. The contingently issuable ordinary shares are included from the beginning of the period for the purposes of calculating the diluted EPS weighted average number of ordinary shares on issue.

ab) AASB 1 Transitional Exemptions

The Group has made its election in relation to the transitional exemptions allowed by AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards as follows:

Business combinations

AASB 3 *Business Combinations* was not applied retrospectively to business combinations that occurred before the date of transition to AIFRS, 1 July 2004.

Cumulative translation differences

The cumulative translation differences for all foreign subsidiaries were translated to opening accumulated losses at the date of transition to AIFRS, 1 July 2004.

Share based payment transactions

AASB 2 *Share-based Payment* is applied only to equity instruments granted after 7 November 2002 that had not vested on or before the date of transition to AIFRS or 1 January 2005.

Exemption from the requirement to restate comparative information for AASB 132 and AASB 139

The Group has elected to adopt this exemption and has not applied AASB 132 *Financial Instruments: Presentation and Disclosure* and AASB 139 *Financial Instruments: Recognition and Measurement* to its comparative information.

For the year ended 30 June (in $000s)	Note	Consolidated 2006	Consolidated 2005	Parent 2006	Parent 2005
Note 3: Revenue					
Revenue from services					
Revenue from operations		317,523	318,836	–	–
Government funding (i)		4,000	2,000	–	–
Total revenue from services		321,523	320,836	–	–
Other revenue					
Dividend revenue					
– subsidiaries		–	–	12,810	17,500
– associated companies		–	–	275	639
– other corporations		1,577	1,465	56	–
Total dividend revenue		1,577	1,465	13,141	18,139
Finance revenue – bank interest		713	996	5	5
Net gain on disposal of property, vessels, plant and equipment		1,777	1,850	–	–
Net gain on disposal of investments		5,295	527	5,350	–
Foreign exchange and hedge gains	4(d)	4,616	3,866	1,469	2,453
Other revenue		3,698	1,565	–	–
Total other revenue		17,676	10,269	19,965	20,597
Total revenue		**339,199**	**331,105**	**19,965**	**20,597**

(i) Government funds have been received for the provision of salvage services to the Commonwealth of Australia.

Note 4: (Expenses) and (Losses)/Gains

For the year ended 30 June (in $000s)	Note	Consolidated 2006	Consolidated 2005	Parent 2006	Parent 2005
(a) Salaries, on costs and employee benefits expense					
Wages and salaries		(128,064)	(131,429)	–	–
Other wage and salary on costs		(10,317)	(9,107)	–	–
Workers compensation expense		(3,499)	(3,433)	–	–
Defined contribution plan expense		(8,304)	(7,879)	–	–
Defined benefit plan expense	24(a)	(9,088)	(10,174)	–	–
Annual leave and long service leave provision		(9,927)	(9,146)	–	–
Net redundancy expense		(436)	(2,994)	–	–
Share based payment expense		(589)	(35)	–	–
Retirement benefits provision		(83)	(500)	–	–
Total employee benefits expense		**(170,307)**	**(174,697)**	**–**	**–**
(b) Depreciation and amortisation expense					
Depreciation of non current assets:					
– buildings		(6)	(9)	–	–
– leasehold improvements		(124)	(215)	–	–
– plant and equipment		(2,149)	(1,945)	–	–
– vessels		(22,812)	(21,605)	–	–
Total depreciation of non current assets		(25,091)	(23,774)	–	–
Amortisation of other intangibles		(67)	(67)	–	–
Total depreciation and other amortisation expense		**(25,158)**	**(23,841)**	**–**	**–**

For the year ended 30 June (in $000s)	Note	Consolidated 2006	Consolidated 2005	Parent 2006	Parent 2005
(c) Finance costs					
Bank loans and overdraft		(24,723)	(27,684)	–	–
Amortisation of capitalised borrowing costs		(2,305)	(2,532)	–	–
Total finance costs		(27,028)	(30,216)	–	–
Add back: borrowing costs capitalised into assets	16(b)	891	471	–	–
Total finance costs expensed		**(26,137)**	**(29,745)**	**–**	**–**
(d) Foreign exchange and hedge gains/(losses)					
Gain		4,616	3,866	1,469	2,453
Loss		(3,328)	(928)	(1,992)	(1,035)
Net foreign exchange and hedge gains/(losses) (i)		**1,288**	**2,938**	**(523)**	**1,418**

(i) In the consolidated result, the 2006 net foreign exchange and hedge gain principally comprises a net gain of $1,844,000 generated from the US Dollar distributions received from Northland Fuel, LLC and a net loss of $439,000 relating to the foreign exchange gain generated from a Great British Pounds forward contract to hedge Great British Pound receipts from the United Kingdom. In the 2005 consolidated result, the net gain principally comprised an exchange gain on a Great British Pounds forward contract of $3,034,000 partly offset by exchange loss of $998,000 on US dollar distributions from Northland Fuel LLC.

(e) Specific items

For the year ended 30 June (in $000s)	Before Tax 2006	Before Tax 2005	Income Tax (Expense)/Benefit 2006	Income Tax (Expense)/Benefit 2005	Net of Tax 2006	Net of Tax 2005
Net profit includes the following significant items whose disclosure is relevant in explaining the consolidated financial performance:						
Redundancy expenses (i)	(1,738)	(2,796)	150	839	(1,588)	(1,957)
Reversal of redundancy provisions no longer required (i)	1,302	467	(161)	(98)	1,141	369
Directors' retirement benefits expense	(83)	(665)	25	200	(58)	(465)
Tug charter costs (i)	(2,911)	–	558	–	(2,353)	–
Restructuring costs in Gravesend (i)	(1,882)	–	79	–	(1,803)	–
Northland - share of Northland Fuel earnings (including foreign exchange gain) (i)	3,648	3,443	(268)	(551)	3,380	2,892
Effect of other divestments (i)	5,683	510	(34)	7	5,649	517
Consultancy (i)	(1,134)	(1,628)	205	315	(929)	(1,313)
Tonnage tax costs	(57)	(1,386)	–	–	(57)	(1,386)
Asset sale program costs (i)	–	(395)	–	125	–	(270)
Contract set up costs	(160)	(664)	–	–	(160)	(664)
Onerous lease provision and write off of non current asset	(103)	(254)	34	84	(69)	(170)
Hedge gain /(loss) relating to the UK operation	(439)	3,034	–	–	(439)	3,034
Costs associated with the takeover offer by SvitzerWijsmuller	(119)	–	36	–	(83)	–
Total significant items	**2,007**	**(334)**	**624**	**921**	**2,631**	**587**

(i) On 19 May 2003 the Company announced a restructure program to improve the Group's operating and financial performance over the next three years. A number of transformation programs were initiated and these involve additional expenditure in the key areas of staff training and development, systems and process simplification and technology.

For the year ended 30 June (in $000s)	Note	Northland businesses 2006	Northland businesses 2005	Other 2006	Other 2005	Total 2006	Total 2005
Note 5: Share of Net Profits of Associates Accounted for using the Equity Method							
Share of associates profits before income tax		2,224	6,477	6,405	6,103	8,629	12,580
Income tax expense		(420)	(2,425)	(1,609)	(1,635)	(2,029)	(4,060)
Share of associates profits after income tax	**14(c), (d)**	**1,804**	**4,052**	**4,796**	**4,468**	**6,600**	**8,520**

For the year ended 30 June (in $000s)	Note	Consolidated 2006	Consolidated 2005	Parent 2006	Parent 2005
Note 6: Income Tax					
(a) A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:					
Profit before income tax expense		47,895	39,294	17,959	19,556
At the Group's statutory income tax rate of 30% (2005: 30%)		(14,369)	(11,788)	(5,388)	(5,867)
– adjustments in respect of current income tax of previous years		–	(3)	–	
– non taxable gain on sale of assets		1,588	216	1,605	–
– share of associates net profits		1,837	2,329	–	–
– franked dividends received		473	440	3,942	5,442
– adjustments of entities not taxed at 30%		6,086	8,124	–	–
– withholding tax not recoverable		(670)	–	–	–
– foreign exchange movements		293	(850)	(437)	(119)
– other items (net)		(3)	(271)	–	–
Income tax expense		(4,765)	(1,803)	(278)	(544)
The major components of income tax expense are:					
(i) Recognised in the Income Statement					
Current Income Tax					
– current income tax charge		(855)	(647)	(420)	99
– adjustments in respect of current income tax of previous years		–	(3)	–	–
Deferred income tax					
– relating to origination and reversal of temporary differences	6(b)	(3,910)	(1,153)	142	(643)
Income tax expense reported in the income statement		(4,765)	(1,803)	(278)	(544)
(ii) Recognised in the Statement of Recognised Income and Expense					
Deferred income tax related to items charged or credited directly to equity:					
– application of AASB132 and AASB139		(4,731)	–	–	–
– net actuarial (gain)/loss on pension liability		(4,266)	5,678	–	–
– net gain on foreign currency translation reserve		(118)	(105)	–	–
– net gain on cash flow hedge reserve		(437)	–	–	–
– net gain on unrealised gains reserve		(1,287)	–	–	–
Income tax expense reported in equity		(10,839)	5,573	–	–

As at 30 June (in $000s)	Note	Balance Sheet 2006	Balance Sheet 2005	Income Statement 2006	Income Statement 2005
(b) Deferred income tax					
(i) Consolidated					
Deferred income tax at 30 June relates to the following:					
Deferred tax (liabilities)					
– accelerated depreciation for tax purposes		(19,983)	(18,189)	(1,794)	(646)
– consumable inventories		(2,019)	(1,697)	(322)	460
– borrowing costs		(696)	(542)	(154)	(154)
– investment in associates		(611)	(601)	(10)	(83)
– revaluation of investment in unlisted shares		(6,424)	–	–	–
– deferred gains and losses on foreign exchange contracts		(218)	(465)	465	(550)
– income not yet derived for tax purposes		(1,149)	(2,896)	1,747	(1,470)
– other		31	(107)	96	375
Total deferred tax (liabilities)		(31,069)	(24,497)		
Deferred tax assets					
– pension liability		16,012	20,918	(692)	(328)
– employee provisions		4,528	5,236	(708)	(248)
– accrued expenses		431	748	(318)	530
– losses available for offset against future taxable income		3,789	5,845	(2,056)	1,020
– equity raising costs		87	186	(99)	(99)
– other		636	573	(65)	40
Total deferred tax assets		25,483	33,506		
Deferred tax expense	6(a)(i)			(3,910)	(1,153)
(ii) Parent					
Deferred tax (liabilities)					
– deferred gains and losses on foreign exchange contracts		–	(465)	235	(649)
Total deferred tax (liabilities)		–	(465)		
Deferred tax assets					
– losses available for offset against future taxable income		2,417	5,205	–	99
– equity raising costs		87	186	(99)	(99)
– other		51	71	6	6
Total deferred tax assets		2,555	5,462		
Deferred tax benefit / (expense)	6(a)(i)			142	(643)

As at 30 June (in $000s)	Consolidated 2006	Consolidated 2005	Parent 2006	Parent 2005
(c) Tax Losses				
Tax losses not brought to account, as the realisation of the benefits represented by item balances is not considered to be probable:				
Revenue losses	20,064	20,400	14,500	14,500
Capital losses	75,376	59,042	39,432	2,092
Total losses not brought to account	**95,440**	**79,442**	**53,932**	**16,592**

Tax consolidation

The Company and its 100% owned Australian resident subsidiaries have formed a tax consolidated group. The Company is the head entity of the tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned subsidiaries on a pro-rata basis. In addition the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote.

Tax effect accounting by members of the tax consolidated group

Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group in accordance with tax that would be payable if the member was a stand-alone taxpayer, while deferred taxes are allocated to members of the tax consolidated group in accordance with the principles of AASB 112 *Income Taxes*.

The allocation of taxes under the tax funding agreement is recognised as an increase/decrease in the subsidiaries' inter-company accounts with the tax consolidated group head company.

		Consolidated	
For the year ended 30 June (in $000s)	Note	2006	2005

Note 7: Earnings per Share

Basic earnings per share amounts are calculated by dividing consolidated net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the consolidated net profit attributable to ordinary equity holders of the parent by the weighted average number or ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

	2006	2005
Earnings used in calculating basic and diluted earnings per share	43,130	37,491
(a) Basic earnings per share (cents per share)	16.0	14.1
Weighted average number of ordinary shares used in calculating basic earnings per share was 270,175,623 (2005: 266,300,205)		
(b) Diluted earnings per share (cents per share)	15.9	14.1
Weighted average number of ordinary shares used in the calculation of diluted earnings per share is calculated as follows:		
Weighted average number of ordinary shares for basic earnings per share	270,175,623	266,300,205
Effect of dilution:		
Share rights	376,802	–
Weighted average number of ordinary shares adjusted for the effect of dilution	270,552,425	266,300,205

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements

For the year ended 30 June (in $000s)	Note	Consolidated 2006	2005	Parent 2006	2005

Note 8: Dividends Paid on Ordinary Shares

(a) Dividends paid during the year					
(i) Current year interim Franked dividends – 3.9 cents per share (2005: 2.4 cents per share)	28	10,529	6,395	10,529	6,395
(ii) Previous year final Franked dividends – 1.9 cents per share (2005: 2.2 cents per share)	28	5,097	5,815	5,097	5,815
Total dividends paid during the financial year		**15,626**	**12,210**	**15,626**	**12,210**
(b) Dividends proposed and not recognised as a liability^					
Franked dividends – nil cents per share (2005: 1.9 cents per share).		–	5,097	–	5,097
The tax rate at which paid dividends have been franked is 30% (2005: 30%)					

^ Due to the off-market takeover offer by SvitzerWijsmuller Marine Pty Limited for all the ordinary shares in the Company, as announced to the ASX on 3 July 2006, the Board of Directors has resolved to defer the decision to pay a final 2006 dividend while it waits upon the outcome of the offer.

(c) Franking credit balance					
The amount of franking credits available in the Company for the subsequent reporting period are:					
Franking account balance as at the end of the reporting period at 30% (2005: 30%)				850	5,482
– franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date				133	158
Franking credits available*				**983**	**5,640**
– impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period				–	(2,184)
The amount of franking credits available for future reporting periods				983	3,456
* The amount of fully franked dividends that can be paid based on the franking credit balance is:				2,293	8,064

Note 9: Cash Assets

On hand		62	68	–	–
At bank		14,862	6,435	744	228
On short term deposit		1,790	1,803	–	–
Total cash assets	**29(b)**	**16,714**	**8,306**	**744**	**228**

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

For the year ended 30 June (in $000s)	Note	Consolidated 2006	Consolidated 2005	Parent 2006	Parent 2005

Note 10: Current Trade and Other Receivables

Trade debtors		35,488	35,458	–	–
(Less): provision for doubtful debts		(89)	(262)	–	–
Net trade debtors		35,399	35,196	–	–
Other receivables		10,774	18,084	–	–
Dividends receivable		310	369	–	–
Finance lease receivable		821	–	–	–
Net goods and services tax recoverable		–	276	–	–
Deferred consideration receivable for the sale of an investment		802	993	–	–
Amounts receivable from associate companies	41(b)	202	242	–	–
Total current trade and other receivables		**48,308**	**55,160**	**–**	**–**

Note 11: Current Inventories

At cost					
– fuel, tow ropes and stores		9,215	7,540	–	–
– spare parts		830	699	–	–
Total current inventories		**10,045**	**8,239**	**–**	**–**

Note 12: Other Current Financial Assets and Derivatives

Forward currency contracts receivable	12(a)	200	2,040	–	1,551
Total other current financial assets and derivatives		**200**	**2,040**	**–**	**1,551**

(a) Forward currency contracts receivable as at 30 June 2006 represents the net receivable arising from foreign exchange forward contracts to hedge the expected payment of tug construction costs (refer to note 37(c)).

Note 13: Non Current Receivables

Deferred consideration receivable for the sale of an investment		776	2,821	–	–
Finance lease receivable		3,054	–	–	–
Amounts receivable from related parties:					
– wholly owned group – subsidiaries	41(a)	–	–	426,830	408,739
– (less) provision for diminution	13(a)	–	–	(56,161)	(56,161)
– associate companies	41(b)	1,331	1,517	–	–
Total non current receivables		**5,161**	**4,338**	**370,669**	**352,578**

(a) A provision for diminution has been raised to adjust the carrying value of loans to subsidiaries to their recoverable amount.

Note 14: Investments Accounted for using the Equity Method

(a) Interests in associates and partnerships

Entity	Principal activities	Interest (%) 2006	Interest (%) 2005	Carrying value ($000s) 2006	Carrying value ($000s) 2005
AdEgis Pty Limited	Management services	–	50	–	56
Adstan Tug Charters partnership	Tug chartering	50	50	1,538	1,266
Australian Ships Agencies Pty Limited	Ships' agent	50	50	91	160
Bowen Towage Services Pty Limited	Marine towage	50	50	1,391	1,505
Coastal Tug and Barge Pty Limited	Marine towage	50	50	294	347
Flinders Shipping Agency Pty Limited	Ships' agent	50	50	443	309
Northland Fuel, LLC. (i)	Investment (2005: fuel distribution)	55	55	5,005	24,146
Oceania Maritime Services Pty Limited	Ships' agent	50	–	–	–
Pacific Agencies (Fiji) Limited	Ships' agent	33	33	346	292
Pacific Rim Logistics Limited	Port Logistics services	50	–	–	–
Pacific Towing (PNG) Limited	Marine towage	50	50	2,062	1,842
Port Lincoln Tugs Pty Limited	Marine towage	50	50	276	346
South Sea Towage Limited	Marine towage	49	49	–	–
Total investments accounted for using the equity method				**11,446**	**30,269**

(i) Northland Fuel, LLC. has not been consolidated. Whilst Adsteam Marine Limited has an ownership interest of 55.175% it does not control Northland Fuel, LLC. as its voting interest is restricted to 50% in accordance with the terms of the Second Amended and Restated Limited Liability Company Agreement of Northland Fuel, LLC.

(ii) All associate entities have a reporting date consistent with the Parent except:

Entity	Reporting Date
Northland Fuel, LLC.	31 October
Pacific Agencies (Fiji) Limited	31 December
Pacific Towing (PNG) Limited	31 December

		Northland businesses		Other		Total	
As at 30 June (in $000s)	Note	2006	2005	2006	2005	2006	2005
(b) Share of associates and partnerships assets and liabilities							
Current assets		3,439	32,581	7,296	6,212	10,735	38,793
Non current assets		1,566	28,902	5,395	5,576	6,961	34,478
Current liabilities		–	(25,873)	(4,661)	(2,487)	(4,661)	(28,360)
Non current liabilities		–	(18,423)	(2,441)	(3,886)	(2,441)	(22,309)
Net assets		5,005	17,187	5,589	5,415	10,594	22,602
(c) Carrying amount of investment in associates and partnerships							
Balance at the beginning of the financial year		24,146	44,042	6,123	5,978	30,269	50,020
– share of associates and partnerships net profits	5	1,804	4,052	4,796	4,468	6,600	8,520
– dividends received from associates		–	(4,858)	(3,516)	(3,398)	(3,516)	(8,256)
– distributions received from partnerships		–	–	(906)	(920)	(906)	(920)
– foreign currency translation reserve increments/ (decrements)		228	2,950	(1)	(5)	227	2,945
– net distribution from an associate		(21,173)	(21,806)	–	–	(21,173)	(21,806)
– investments sold		–	(234)	(55)	–	(55)	(234)
Balance at the end of the financial year		5,005	24,146	6,441	6,123	11,446	30,269
(d) Retained profits of the Group attributable to associates and partnerships							
Balance at the beginning of the financial year		18,921	14,869	65,010	60,542	83,931	75,411
– share of associates and partnerships net profits	5	1,804	4,052	4,796	4,468	6,600	8,520
Balance at the end of the financial year		20,725	18,921	69,806	65,010	90,531	83,931
(e) Reserves of the Group attributable to associates and partnerships							
Balance at the beginning of the financial year		(2,292)	(5,242)	297	302	(1,995)	(4,940)
– foreign currency translation reserve decrements		228	2,950	–	(5)	228	2,945
Balance at the end of the financial year		(2,064)	(2,292)	297	297	(1,767)	(1,995)

The Group's share of the lease commitments and contingent liabilities of associates and partnerships are disclosed in notes 30 and 32 respectively.

Related party transactions between the Group and associate entities are disclosed in note 41(b).

There are no subsequent events likely to affect the results of associates and partnerships for the ensuing year.

As at 30 June (in $000s)	Note	Consolidated 2006	Consolidated 2005	Parent 2006	Parent 2005

Note 15: Other Financial Assets and Derivatives

Shares in unlisted companies at fair value	15(a)	31,734	10,322	–	–
Shares in unlisted subsidiaries at cost	34	–	–	11,404	11,404
Total other financial assets and derivatives		**31,734**	**10,322**	**11,404**	**11,404**

(a) The shares in unlisted companies includes a 14.3% (2005: 14.3%) investment by a subsidiary of the Company, in Flinders Ports Pty Limited. Its principal activity is to manage and operate various South Australian ports. The fair value of this investment at 30 June 2006 is $31,460,000 (2005: cost $10,048,000).

The investment in Flinders Ports Pty Limited consists of an investment in ordinary shares, and therefore has no fixed maturity date or coupon rate.

The fair value of the investment has been estimated using valuation techniques based on assumptions that are not supported by observable market prices or rates. Management believes the estimated fair value resulting from the valuation techniques and recorded in the balance sheet are reasonable and the most appropriate at the balance sheet date.

Note 16: Property, Vessels, Plant and Equipment

Freehold land					
At cost		256	256	–	–
		256	256	–	–
Buildings on freehold land					
At cost		182	182	–	–
Accumulated depreciation		(84)	(78)	–	–
		98	104	–	–
Leasehold improvements					
At cost		3,243	3,375	–	–
Accumulated depreciation		(776)	(714)	–	–
		2,467	2,661	–	–
Vessels					
At cost		488,336	405,825	–	–
Accumulated depreciation		(91,767)	(64,702)	–	–
	16(a)(b)(c)	396,569	341,123	–	–
Plant and equipment					
At cost		9,473	7,775	–	–
Accumulated depreciation		(2,792)	(2,092)	–	–
		6,681	5,683	–	–
Total property, vessels, plant and equipment					
At cost		501,490	417,413	–	–
Accumulated depreciation		(95,419)	(67,586)	–	–
Total written down amount		**406,071**	**349,827**	**–**	**–**

As at 30 June (in $000s)	Note	Consolidated 2006	Consolidated 2005	Parent 2006	Parent 2005
(a) Assets pledged as security included in the balance of vessels are:					
(i) 20 vessels (the Vessels) over which a first priority Australian Ship Mortgage has been granted as security over term loans (see notes 19 and 22). The mortgage is a first ranking security. The mortgage precludes the Vessels from being sold or being used as security for further mortgages without the permission of the first mortgage holders. The mortgage also requires the vessels to be fully insured at all times.					
The book written down value of assets pledged as security:					
– vessels		145,410	79,354	–	–
(b) Included in vessels are borrowing costs which have been recognised during the financial year as part of the carrying amount of the asset (these costs have been capitalised at a weighted average rate of 8.2% per annum (2005: 8.5%)		891	471	–	–
(c) The carrying amount of vessels in the course of construction:		10,892	12,125	–	–
(d) Reconciliations of the carrying amounts of property, vessels, plant and equipment at the beginning and end of the current financial year.					
Freehold land					
Carrying amount at the beginning of the financial year		256	281	–	–
– disposal		–	(25)	–	–
Total carrying amount at the end of the financial year		256	256	–	–
Buildings on freehold land					
Carrying amount at the beginning of the financial year		104	170	–	–
– depreciation expense		(6)	(9)	–	–
– disposal			(57)	–	–
Total carrying amount at the end of the financial year		98	104	–	–
Leasehold improvements					
Carrying amount at the beginning of the financial year		2,661	2,876	–	–
– additions		21	242	–	–
– disposal		(95)	(47)	–	–
– depreciation expense		(124)	(215)	–	–
– reclassification to plant and equipment		–	(168)	–	–
– exchange adjustment		4	(27)	–	–
Total carrying amount at the end of the financial year		2,467	2,661	–	–
Vessels					
Carrying amount at the beginning of the financial year		341,123	350,094	–	–
– additions		73,833	33,986	–	–
– acquired as part of a business combination		105	–	–	–
– capitalised interest		891	471	–	–
– disposals		(3,700)	(4,141)	–	–
– depreciation expense		(22,812)	(21,605)	–	–
– exchange adjustment		7,129	(17,682)	–	–
Total carrying amount at the end of the financial year		396,569	341,123	–	–

As at 30 June (in $000s)	Note	Consolidated 2006	Consolidated 2005	Parent 2006	Parent 2005
Plant and equipment					
Carrying amount at the beginning of the financial year		5,683	6,191	–	–
– additions		3,302	2,096	–	–
– acquired as part of a business combination		24	–	–	–
– disposals		(342)	(608)	–	–
– depreciation expense		(2,149)	(1,945)	–	–
– reclassification from leasehold improvements		–	168	–	–
– exchange adjustment		163	(219)	–	–
Total carrying amount at the end of the financial year		6,681	5,683	–	–

Note 17: Intangible Assets and Goodwill

		Consolidated 2006	Consolidated 2005	Parent 2006	Parent 2005
Cost		300,675	297,361	–	–
Accumulated amortisation		(46,790)	(45,907)	–	–
Net carrying amount		**253,885**	**251,454**	**–**	**–**
Reconciliation of intangible asset and goodwill at the beginning and end of the financial year:					
Balance at the beginning of the financial year		251,454	256,068	–	–
– acquired as part of a business combination		737	–	–	–
– exchange adjustment		1,761	(4,547)	–	–
– amortisation of definite life intangible		(67)	(67)	–	–
Balance at the end of the financial year		253,885	251,454	–	–
Split as:					
Goodwill		253,518	251,021	–	–
Definite life intangible		367	433	–	–
Net carrying amount		**253,885**	**251,454**	**–**	**–**

Impairment testing of goodwill
As from 1 July 2005, goodwill is no longer amortised but is now subject to annual impairment testing (refer below). No impairment loss was recognised in the 2006 financial year.

For impairment testing, goodwill acquired through business combinations has been allocated to two individual cash generating units, that are reportable segments, as follows:

- Australasia; and
- United Kingdom.

Australasia cash generating unit
The recoverable amount of the Australasia unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by the Board of Directors covering a three year period.

The discount rate (after tax) applied to cash flow projections is 10.29% per annum (2005: 9.9% pa) and cash flows beyond the three year period are extrapolated using a 6.1% per annum growth rate (2005: 4.6% pa).

United Kingdom cash generating unit
The recoverable amount of the United Kingdom unit is also based on a value in use calculation using cash flow projections based on financial budgets approved by the Board of Directors covering a three year period.

The discount rate (after tax) applied to the cash flow projections is 9.27% per annum (2005: 8.9% pa) and the growth rate used to extrapolate the cash flows of the United Kingdom unit beyond the three year period is 4.7% per annum (2005: 5.0% pa).

The carrying amount of goodwill, allocated to each of the cash generating units is:

As at 30 June (in $000s)	Consolidated 2006	Consolidated 2005
Australasia	127,806	126,322
United Kingdom	125,712	124,699
Total carrying amount of goodwill	253,518	251,021

The following describes each key assumption on which management has based its cash flow projections when determining the value in use of the Australasia and United Kingdom units for 30 June 2006 and 30 June 2005:

i) Cash flow forecasts
Cash flow forecasts are based on three year business plans presented to and approved by the Board, extrapolated out to ten years using forecast growth rates.

ii) Forecast growth rates
Forecast growth rates are based on past performance and management's expectations for future performance in each segment and country and reflect a volume based increase of 2.0% in each cash generating unit and a price inflation component consistent with current published price indices in each country.

iii) Discount rates
Discount rates used are the weighted average cost of capital (after tax) for the Group in each country, risk adjusted to the relevant cash generating unit.

As at 30 June (in $000s)	Note	Consolidated 2006	Consolidated 2005	Parent 2006	Parent 2005
Note 18: Current Trade and Other Payables					
Trade creditors		12,220	20,113	–	–
Net goods and services tax payable		542	–	–	–
Interest payable – secured		2,002	2,139	–	–
Other amounts payable		25,718	27,421	56	87
Deferred consideration payable for purchase of a business	35	250	–	–	–
Total current trade and other payables		**40,732**	**49,673**	**56**	**87**
Note 19: Current Interest Bearing Liabilities					
Secured	19(iii)				
– bank overdraft	19(i),29(b)	–	8,370	–	–
– notes payable	19(i)	–	26,136	–	–
– bills of exchange	19(i)	–	6,033	–	–
– term loans	19(ii)	8,132	5,173	–	–
Total secured current interest bearing liabilities		8,132	45,712	–	–
Total current interest bearing liabilities		**8,132**	**45,712**	**–**	**–**

(i) As part of the banking facilities entered into by Adsteam Marine Limited, particular members of the Group have given the banking syndicate security by fixed and floating charges over all property (except 20 vessels, refer part (ii) below) and obligations under the banking facilities of the Group.

(ii) Share mortgages and fixed and floating charges granted over four subsidiaries and ship mortgages were granted over 20 vessels.

(iii) Refer to note 29(d) for terms and conditions of all available facilities.

As at 30 June (in $000s)	Note	Consolidated 2006	Consolidated 2005	Parent 2006	Parent 2005

Note 20: Current Provisions

	Note	Consolidated 2006	Consolidated 2005	Parent 2006	Parent 2005
Employee benefits	20(i)	12,133	11,713	–	–
Restructure provision	20(ii)	481	5,375	–	–
Directors' retirement	20(iii)	165	165	–	–
Surplus lease space	20(iv)	111	240	–	–
Total current provisions		**12,890**	**17,493**	**–**	**–**
Movements in provisions during the year were as follows:					
(i) Employee benefits					
Balance at the beginning of the financial year		11,713	12,168	–	–
– additional provision		9,314	8,617	–	–
– acquired		20	–	–	–
– disposed to associate		(450)	–	–	–
– utilised during the period		(9,108)	(8,889)	–	–
– transferred from/(to) non current		631	(174)	–	–
– exchange adjustment		13	(9)	–	–
Balance at the end of the financial year		12,133	11,713	–	–
(ii) Restructure provision					
Balance at the beginning of the financial year		5,375	16,843	–	–
– additional provision		–	1,763	–	–
– utilised during the period		(4,667)	(11,119)	–	–
– reversal of provision no longer required		(1,302)	(467)	–	–
– exchange adjustment		1,075	(1,645)	–	–
Balance at the end of the financial year		481	5,375	–	–
(iii) Directors' retirement					
Balance at the beginning of the financial year		165	680	–	–
– additional provision		–	165	–	–
– utilised during the period		–	(680)	–	–
Balance at the end of the financial year		165	165	–	–
(iv) Surplus lease space					
Balance at the beginning of the financial year		240	197	–	–
– additional provision		79	–	–	–
– utilised during the period		(210)	(406)	–	–
– transferred from non current provision		–	470	–	–
– exchange adjustment		2	(21)	–	–
Balance at the end of the financial year		111	240	–	–

Note 21: Other Current Financial Liabilities and Derivatives

	Note	Consolidated 2006	Consolidated 2005	Parent 2006	Parent 2005
Forward currency contracts payable	21(a)	93	489	–	–
Total other current financial liabilities and derivatives		**93**	**489**	**–**	**–**

(a) Forward currency contracts payable as at 30 June 2006 represents the net payable arising from foreign exchange forward contracts to hedge the expected payment of tug construction costs (refer to note 37(c)).

As at 30 June (in $000s)	Note	Consolidated 2006	Consolidated 2005	Parent 2006	Parent 2005

Note 22: Non Current Interest Bearing Liabilities

Secured					
– notes payable	22(iii)	187,704	164,575	–	–
– subsidiaries	22(i)	–	–	66,273	62,869
– term loans	22(ii)	113,293	94,630	–	–
Total secured non current interest bearing liabilities		300,997	259,205	66,273	62,869
Unsecured					
– associates		4,900	–	–	–
Total non current interest bearing liabilities		**305,897**	**259,205**	**66,273**	**62,869**

(i) As part of the banking facilities entered into by Adsteam Marine Limited, particular members of the Group have given the banking syndicate security by fixed and floating charges over all property (except 20 vessels, refer part (ii) below) and obligations under the banking facilities of the Group.

(ii) Share mortgages and fixed and floating charges granted over four subsidiaries and ship mortgages were granted over 20 vessels.

(iii) Refer to note 29(d) for details of all facilities available.

Note 23: Non Current Provisions

Employee benefits	23(i)	2,224	2,866	–	–
Directors' retirement	23(ii)	418	335	–	–
Surplus lease space	23(iii)	117	–	–	–
Total non current provisions		**2,759**	**3,201**	**–**	**–**
Movements in provisions during the year were as follows:					
(i) Employee benefits					
Balance at the beginning of the financial year		2,866	2,950	–	–
– additional provision		613	529	–	–
– amounts utilised		(509)	(785)	–	–
– transfer (to)/from non current		(631)	174	–	–
– disposed to associate		(115)	(2)	–	–
Balance at the end of the financial year		2,224	2,866	–	–
(ii) Directors' retirement					
Balance at the beginning of the financial year		335	–	–	–
– additional provision		83	335	–	–
Balance at the end of the financial year		418	335	–	–
(iii) Surplus lease space					
Balance at the beginning of the financial year		–	499	–	–
– additional provision		24	–	–	–
– reclassification from other payables		93	–	–	–
– transfer to current provision		–	(470)	–	–
– exchange adjustment		–	(29)	–	–
Balance at the end of the financial year		117	–	–	–

Note 24: Superannuation and pension plans

All employees are entitled to varying levels of benefits on retirement, disability, death or resignation, subject to the minimum requirements of legislation in the relevant country of employment. The Group contributes to its employer-sponsored plans and to industry and private plans at various percentages of the employees' salaries and wages, depending on the particular plan and the relevant actuarial advice. Employees contribute to the plans at various percentages of their salaries and wages.

Each employer-sponsored plan is operated separately from the employer.

The employer sponsored plan in Australia is the Adsteam Superannuation Fund (ASF), a separate sub-plan within the Seafarers' Retirement Fund (SRF). The ASF provides both accumulation and defined benefits, and employer contributions to this sub-plan vary on the recommendation of the actuary and the funding status of the plan. The actuary for the ASF is Russell Investment Group. Comprehensive actuarial funding valuations are completed at least once every three years by the actuary. The last such assessment was made on 30 June 2005.

The Company has the legal right to reduce its contributions to the ASF to benefit from a surplus and no legal requirement to make up any deficits.

The two employer-sponsored plans in the United Kingdom are Adsteam (UK) Limited Pension and Life Assurance Scheme (UK Scheme) and The Pension and Life Assurance Scheme of Adsteam Towage Limited (Towage Scheme). Both these plans provide defined benefit pensions, and have full actuarial valuations completed at least once every three years by independent actuaries (Mercer Human Resource Consulting Limited and Clerical Medical Investment Group Limited respectively). Employer contributions were made during the year as agreed between the Trustee and the Employer. These contributions were certified by the respective actuaries to comply with UK legislative requirements. The last comprehensive actuarial funding valuations were made on 31 March 2004 (UK Scheme) and 6 April 2005 (Towage Scheme).

Pensions law in the United Kingdom requires pension scheme trustees and the sponsoring employer to agree a period within which the scheme deficit will be funded. The Pensions Regulator has stated that the trustees should aim to eliminate any deficit as quickly as the employer can reasonably afford, and that what is reasonable will depend on the trustee's assessment of the employer's covenant. In order to address this, Adsteam UK is currently developing a medium term plan to fund the pension deficits and reform future pension arrangements, prior to commencing discussions with the pension schemes trustees and Adsteam UK employees.

The anti-avoidance powers of the United Kingdom Pensions Regulator enable it to require (i) employers that sponsor defined benefit pension schemes, (ii) (in some cases) the directors of those employers, and (iii) any companies that are associated with those employers, either to fund fully, or to guarantee the funding of, those pension schemes on the buy-out basis. The anti-avoidance powers can only be used in certain legally prescribed circumstances, and it is possible in any event to apply to the Pensions Regulator for clearance that it would not use these powers against any person in respect of a particular transaction. Clearance will normally be given however only once a forward plan has been agreed with the pension scheme trustees regarding, in particular, the funding of any deficit in their scheme.

Under AASB 119 *Employee Benefits*, employer sponsors are required to recognise the net surplus or deficit in their employer sponsored defined benefit funds as an asset or liability, respectively. Actuarial gains and losses are recognised immediately in accumulated losses and included in the Statement of Recognised Income and Expense.

In respect of the UK pension funds, the Group has no legal right to benefit from any surplus in the Pension Plans.

AASB 119 specifies the method of calculating the defined benefit superannuation expense to be charged to the income statement based on an actuarial calculation. Contributions made by a company in respect of defined benefit members are applied against the net liability recorded in the balance sheet.

Exchange rates used in the translation of Great British Pounds amounts into Australian Dollars, in the following tables are as follows:

	A$1.00 = GBP
As at 30 June 2004	0.3813
12 months to 30 June 2005^	0.4038
As at 30 June 2005	0.4203
12 months to 30 June 2006^	0.4193
As at 30 June 2006	0.4018

^ Represents the weighted average exchange rate

(a) Defined benefit expense recognised in the Income Statement

Consolidated		ASF		UK Scheme		Towage Scheme		Total	
For the year ended 30 June (in $000s)	Note	2006	2005	2006	2005	2006	2005	2006	2005
Current service cost		2,554	2,864	1,090	1,082	3,022	2,254	6,666	6,200
Interest cost on benefit obligation		2,341	2,544	6,545	7,197	3,521	3,244	12,407	12,985
Expected (return) on plan assets		(3,114)	(3,026)	(5,344)	(5,463)	(2,712)	(2,997)	(11,170)	(11,486)
Expected plan expenses		740	718	–	–	–	–	740	718
Past service cost		–	–	–	–	–	1,288	–	1,288
Contributions tax expense		445	483	–	–	–	–	445	483
Other		–	(14)	–	–	–	–	–	(14)
Net benefit expense	**4(a)**	**2,966**	**3,569**	**2,291**	**2,816**	**3,831**	**3,789**	**9,088**	**10,174**
Actual return on plan assets		15.1%	12.8%	11.4%	15.5%	11.1%	15.1%		

(b) Pension liability included in the Balance Sheet

Consolidated		ASF		UK Scheme		Towage Scheme		Total	
For the year ended 30 June (in $000s)	Note	2006	2005	2006	2005	2006	2005	2006	2005
Present value of defined benefit (obligation)	24(c)	(59,884)	(55,367)	(137,011)	(132,746)	(74,216)	(68,641)	(271,111)	(256,754)
Fair value of plan assets	24(d)	56,724	49,416	110,027	94,742	51,543	43,968	218,294	188,126
Net (liability)		(3,160)	(5,951)	(26,984)	(38,004)	(22,673)	(24,673)	(52,817)	(68,628)
Contributions tax reserve		(557)	(1,050)	–	–	–	–	(557)	(1,050)
Net (liability) recognised in the balance sheet		**(3,717)**	**(7,001)**	**(26,984)**	**(38,004)**	**(22,673)**	**(24,673)**	**(53,374)**	**(69,678)**

(c) Changes in the present value of the defined benefit obligation are as follows:

Consolidated	ASF		UK Scheme		Towage Scheme		Total	
As at 30 June (in $000s)	2006	2005	2006	2005	2006	2005	2006	2005
Opening defined benefit obligation	(55,367)	(52,096)	(132,746)	(125,586)	(68,641)	(57,094)	(256,754)	(234,776)
Interest cost	(2,341)	(2,544)	(6,545)	(7,197)	(3,521)	(3,244)	(12,407)	(12,985)
Current service cost	(2,554)	(2,864)	(1,090)	(1,082)	(3,022)	(2,254)	(6,666)	(6,200)
Past service cost	–	–	–	–	–	(1,288)	–	(1,288)
Benefits paid	4,422	4,008	5,595	6,171	3,435	3,021	13,452	13,200
Member contributions	(615)	(361)	(1,123)	(983)	(954)	(916)	(2,692)	(2,260)
Actuarial gains/(losses)	(3,429)	(1,510)	4,951	(16,491)	1,765	(12,853)	3,287	(30,854)
Exchange differences on foreign plans	–	–	(6,053)	12,422	(3,278)	5,987	(9,331)	18,409
Closing defined benefit obligation	**(59,884)**	**(55,367)**	**(137,011)**	**(132,746)**	**(74,216)**	**(68,641)**	**(271,111)**	**(256,754)**

(d) Changes in the fair value of plan assets are as follows:

Consolidated	ASF		UK Scheme		Towage Scheme		Total	
As at 30 June (in $000s)	2006	2005	2006	2005	2006	2005	2006	2005
Opening fair value of plan assets	49,418	45,150	94,742	93,113	43,969	40,441	188,129	178,704
Expected return on assets	3,114	3,026	5,344	5,463	2,712	2,997	11,170	11,486
Contributions by employer	5,495	4,659	3,921	3,014	2,767	3,764	12,183	11,437
Benefits paid	(4,422)	(4,008)	(5,595)	(6,171)	(3,435)	(3,021)	(13,452)	(13,200)
Member contributions	355	361	1,123	983	954	916	2,432	2,260
Actuarial gains/(losses)	4,328	1,645	5,662	7,412	2,313	2,922	12,303	11,979
Expected plan expenses	(740)	(718)	–	–	–	–	(740)	(718)
Contributions tax	(824)	(699)	–	–	–	–	(824)	(699)
Exchange differences on foreign plans	–	–	4,830	(9,072)	2,263	(4,051)	7,093	(13,123)
Fair value of plan assets	**56,724**	**49,416**	**110,027**	**94,742**	**51,543**	**43,968**	**218,294**	**188,126**

Based on reports prepared by the actuary, the Group expects to make cash contributions of A$16.1 million to its defined benefit pension plans in the year ending 30 June 2007.

(e) The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

Consolidated	ASF		UK Scheme		Towage Scheme	
As at 30 June (in $000s)	2006	2005	2006	2005	2006	2005
Equities	55%	54%	66%	66%	67%	70%
Fixed interest	24%	26%	34%	34%	25%	24%
Property	8%	8%	–	–	6%	4%
Cash	4%	3%	–	–	2%	2%
Other	9%	9%	–	–	–	–

The expected overall rates of returns are based on the actuaries' models of returns for major asset classes and reflect the expectations of future returns and volatility for each class and correlations across asset classes.

(f) Amounts recognised in the Statement of Recognised Income and Expense:

Consolidated	ASF		UK Scheme		Towage Scheme		Total	
For the year ended 30 June (in $000s)	2006	2005	2006	2005	2006	2005	2006	2005
Actuarial gains/(losses)	899	70	10,613	(9,079)	4,078	(9,931)	15,590	(18,940)
Currency gains/(losses)	–	–	(1,223)	3,350	(1,015)	1,936	(2,238)	5,286
Contributions tax	158	14	–	–	–	–	158	14
Net expense/(benefit) in accumulated losses	**1,057**	**84**	**9,390**	**(5,729)**	**3,063**	**(7,995)**	**13,510**	**(13,640)**
Cumulative amounts recognised in the Statement of Recognised Income and Expense	1,141	84	3,661	(5,729)	(4,932)	(7,995)	(130)	(13,640)

(g) Historical information

Consolidated	ASF		UK Scheme		Towage Scheme	
As at 30 June (in $000s)	2006	2005	2006	2005	2006	2005
Present value of defined benefit (obligations)	(59,884)	(55,367)	(137,011)	(132,746)	(74,216)	(68,641)
Fair value of plan assets	56,724	49,416	110,027	94,742	51,543	43,968
Deficit in the plan	(3,160)	(5,951)	(26,984)	(38,004)	(22,673)	(24,673)
Experience adjustments on plan liabilities	(4,369)	206	(95)	(6,498)	(191)	3,368
Experience adjustments on plan assets	4,328	1,645	5,662	7,412	2,313	2,922

(h) Principal actuarial assumptions

The principal actuarial assumptions used in determining pension obligations for the Group's plans are shown below (expressed as weighted averages):

Assumption	ASF	UK Scheme	Towage Scheme
Discount rate	5.8% p.a. (before tax)	5.25% p.a.	5.25% p.a.
Salary increases	3.5% p.a.	3.3% p.a.	3.3% p.a.
Price inflation	2.5% p.a.	2.9% p.a.	2.9% p.a.
Gap	1.7% p.a.	1.95% p.a. (pre-retirement) 2.55% p.a. (post-retirement)	1.95% p.a. (pre-retirement) 2.55% p.a. (post-retirement)
Pension increases	n/a	2.7% p.a.	2.7% p.a.
Expense allowance	1.6% of annual salaries	0.5% p.a. (deduct from EROA^)	0.5% p.a. (deduct from EROA^)

^ EROA = expected return on assets

(i) Actuarial funding position

Details of the Group's defined pension plans as extracted from the plans' most recent financial reports, are as follows:

Consolidated	ASF	UK Scheme	Towage Scheme
As at 30 June (in $000s)	30 June 2005	31 December 2005	30 June 2005
Accrued benefits**	(89,180)	(135,816)	(48,299)
Net market value of plan assets **	86,459	104,456	44,016
(Deficit) of net market value of plan assets over accrued benefits	(2,721)	(31,360)	(4,283)

** Determined in accordance with AASB 25 *Financial Reporting by Superannuation Plans*, which prescribes a different measurement basis to that applied in this financial report.

The objective of the actuarial funding valuation is to ensure that the benefit entitlements of employees are fully funded by the time they become payable. The actuaries use funding methods that are intended to fund benefits over members' future working lifetime. To achieve this objective, the actuary of the ASF has used the aggregate funding method and for the UK Scheme and Towage Scheme the actuary has used the attained age method.

Funding recommendations made by the actuary are based on assumptions of various matters such as future salary levels, mortality rates, membership turnover and interest rates.

As at 30 June (in $000s)	Note	Consolidated 2006	2005	Parent 2006	2005

Note 25: Contributed Equity

(a) Issued and paid up capital					
Ordinary shares fully paid		392,804	384,131	392,804	384,131
Total issued and paid up capital	**25(b)**	**392,804**	**384,131**	**392,804**	**384,131**

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

Share rights

The company has a share based payment rights scheme under which rights to subscribe for the company's shares have been granted to certain executives (refer to the 2006 Remuneration Report in the Directors' Report), if certain performance hurdles are satisfied.

As at 30 June	Note	Number of shares 2006	2005	$000 2006	2005
(b) Movement in shares on issue					
Beginning of the financial year		268,131,938	264,412,129	384,131	378,369
Issued during the financial year:					
– dividend reinvestment plan	25(c)	4,644,800	3,719,809	8,673	5,762
End of the financial year		**272,776,738**	**268,131,938**	**392,804**	**384,131**

(c) Share capital issued during the financial year

Financial year ended 30 June 2006

During the financial year, the Company issued 4,644,800 ordinary shares, in accordance with the provisions of the Dividend Reinvestment Plan. In relation to the final 30 June 2005 dividend, 1,776,200 ordinary shares were issued at an issue price of $1.76 per share on 6 October 2005. In relation to the interim 30 June 2006 dividend, 2,868,600 ordinary shares were issued at an issue price of $1.93 per share on 6 April 2006.

Previous financial year

During the previous financial year, the Company issued 3,719,809 ordinary shares, in accordance with the provisions of the Dividend Reinvestment Plan. In relation to the final 30 June 2004 dividend, 2,026,979 ordinary shares were issued at an issue price of $1.39 per share on 5 October 2004. In relation to the interim 30 June 2005 dividend, 1,692,830 ordinary shares were issued at an issue price of $1.74 per share on 7 April 2005.

(d) Terms and conditions of contributed equity

Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

As at 30 June	Number of shares 2006	2005	$000 2006	2005

Note 26: Treasury Shares

Beginning of the financial year	899,905	1,576,758	2,729	4,134
Net movements in Company ordinary shares:				
– acquired	28,687	–	55	–
– disposed	(12,658)	(676,853)	(23)	(1,339)
– transferred to employee	(12,759)	–	–	–
– other loan repayments	–	–	(81)	(66)
End of the financial year	**903,175**	**899,905**	**2,680**	**2,729**

The treasury shares account is used to record the balance of Adsteam Marine Limited ordinary shares which as at the end of the financial year have not vested to Group employees, and therefore are controlled by the Group. The majority of these shares are held by the Employees Share Plan, with the remainder held by the Executive Salary Sacrifice Share Plan.

Refer to note 39 for further information on the Employee Share Plans.

As at 30 June (in $000s)	Note	Consolidated 2006	Consolidated 2005	Parent 2006	Parent 2005
Note 27: Reserves					
Foreign currency translation reserve	27(a)	(8,833)	(15,704)	–	(539)
Employee equity benefits reserve	27(b)	699	110	–	–
Net unrealised gains reserve	27(c)	14,988	–	–	–
Cash flow hedge reserve	27(d)	75	–	–	–
Total reserves		**6,929**	**(15,594)**	**–**	**(539)**
(a) Foreign currency translation reserve					
(i) Nature and purpose of reserve:					
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial reports of self-sustaining foreign operations.					
(ii) Movements in the reserve during the year were as follows:					
Balance at the beginning of the financial year		(15,704)	–	(539)	–
– application of AASB 132 and AASB 139		539	–	539	–
– currency translation differences		6,332	(15,704)	–	(539)
Balance at the end of the financial year		(8,833)	(15,704)	–	(539)
(b) Employee equity benefits reserve					
(i) Nature and purpose of reserve:					
The employee equity benefits reserve is used to record the fair value of share appreciation rights issued in accordance with the rules of the senior executive long term incentive plan.					
(ii) Movements in the reserve during the year were as follows:					
Balance at the beginning of the financial year		110	75	–	–
– share based payment		589	35	–	–
Balance at the end of the financial year		699	110	–	–
(c) Net unrealised gains reserve					
(i) Name and purpose of reserve:					
The net unrealised gains reserve is used to record fair value changes in certain financial assets.					
(ii) Movements in the reserve during the year were as follows:					
Balance at the beginning of the financial year		–	–	–	–
– application of AASB 132 and AASB 139		11,985	–	–	–
– net gain on revaluation of investment		4,290	–	–	–
– tax effect		(1,287)	–	–	–
Balance at the end of the financial year		14,988	–	–	–
(d) Cash flow hedge reserve					
(i) Name and purpose of reserve:					
The cash flow hedge reserve is used to record the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.					
(ii) Movements in the reserve during the year were as follows:					
Balance at the beginning of the financial year		–	–	–	–
– application of AASB 132 and AASB 139		(1,484)	–	(539)	–
– net gains on cash flow hedges		1,996	–	539	–
– tax effect of net gains on cash flow hedges		(437)	–	–	–
Balance at the end of the financial year		75	–	–	–

As at 30 June (in $000s)	Note	Consolidated 2006	Consolidated 2005	Parent 2006	Parent 2005

Note 28: Accumulated Losses

Balance at the beginning of the financial year		(80,150)	(105,285)	(75,790)	(82,592)
Adjustment relating to application of AASB 112		–	13,102	–	–
Actuarial gain/(loss) on defined benefit plans (net of deferred tax asset)		11,482	(13,248)	–	–
Net profit for the year		43,130	37,491	17,681	19,012
Total available for appropriation		(25,538)	(67,940)	(58,109)	(63,580)
Dividends paid during the financial year					
– final dividend for the previous financial year	8	(5,097)	(5,815)	(5,097)	(5,815)
– interim dividend for the current financial year	8	(10,529)	(6,395)	(10,529)	(6,395)
Total dividends paid		(15,626)	(12,210)	(15,626)	(12,210)
Balance at the end of the financial year		**(41,164)**	**(80,150)**	**(73,735)**	**(75,790)**

Note 29: Cash

(a) Reconciliation of net profit after tax to the net cash flows from operations

Net profit from ordinary activities after tax		43,130	37,491	17,681	19,012
Share of associates' net profits		(6,600)	(8,520)	–	–
Dividends received from associates		3,516	8,256	–	–
Distributions received from partnerships		906	920	–	–
Depreciation and amortisation of non current assets		25,158	23,873	–	–
Amortisation of borrowing costs		2,305	2,532	–	–
Interest capitalised to tugs during construction		(891)	(471)	–	–
Net gain on disposal of non current assets		(7,072)	(2,383)	(5,350)	–
Net write-back of non current assets		–	170	–	–
Share rights expensed		589	35	–	–
Changes in assets and liabilities					
(Increase)/decrease in assets:					
– trade and other current receivables		5,516	(3,224)	–	527
– current inventories		(1,806)	(243)	–	–
– other current assets		362	(735)	–	–
– future income tax benefit		3,335	(857)	48	(10)
Increase/(decrease) in liabilities:					
– current trade and other payables		(9,778)	2,461	(31)	–
– employee entitlements		(222)	(1,358)	–	–
– surplus lease space		(12)	(456)	–	–
– provision for restructure and redundancy		(4,894)	(9,968)	–	–
– pension liability		(2,790)	(1,263)	–	–
– current tax liability		(5)	(795)	–	–
– deferred tax liability		148	2,176	–	–
Exchange adjustments		(1,825)	(2,989)	754	(875)
Net cash flows from operations		**49,070**	**44,652**	**13,102**	**18,654**

(b) Reconciliation of net cash and cash equivalents

Cash on hand		62	68	–	–
Cash at bank		14,862	6,435	744	228
Cash on short term deposit		1,790	1,803	–	–
Total cash	9	16,714	8,306	744	228
Bank overdraft – secured	19	–	(8,370)	–	–
Total net cash and cash equivalents		**16,714**	**(64)**	**744**	**228**

As at 30 June (in $000s)	Note	Consolidated 2006	Consolidated 2005	Parent 2006	Parent 2005
(c) Non-cash financing and investing activities					
There have been no material non-cash financing and investing activities during the financial year (2005: nil).					
(d) Financing facilities available					
At reporting date, the following financing facilities had been negotiated and were available:					
Total facilities					
– secured bank overdraft		20,000	20,000	–	–
– secured bills of exchange		8,779	8,779	–	–
– secured loan notes		300,000	192,500	–	–
– secured multi-option facility		2,221	2,221	–	–
– secured term loan		138,014	103,129	–	–
– unsecured loan from associate		4,900	–	–	–
Total facilities		473,914	326,629	–	–
Facilities used at reporting date:					
– secured bank overdraft		–	8,370	–	–
– secured bills of exchange		–	6,033	–	–
– secured loan notes		188,800	192,500	–	–
– secured multi-option facility		1,472	977	–	–
– secured term loan		125,443	103,129	–	–
– unsecured loan from associate		4,900	–	–	–
Total facilities used at reporting date:	29(e)	320,615	311,009	–	–
Facilities unused at balance date:					
– secured bank overdraft		20,000	11,630	–	–
– secured bills of exchange		8,779	2,746	–	–
– secured loan notes		111,200	–	–	–
– secured multi-option facility		749	1,244	–	–
– secured term loan		12,571	–	–	–
– unsecured loan from associate		–	–	–	–
Total facilities unused at reporting date:		153,299	15,620	–	–

Terms and conditions as at the end of the reporting period

Bank overdraft facilities
The bank overdraft facility has a maturity date of 20 April 2007.

Bills of exchange facility
The bills of exchange facility has a maturity date of 20 April 2007.

Loan note facility
Secured loan note facility has a maturity date of 6 April 2011.

Term loans
In December 2001, the Group entered into a 10 year amortising term loan agreement with ABN AMRO Australia Limited (ABN Agreement).

Under the ABN Agreement, share mortgages and fixed and floating charges were granted over certain wholly owned subsidiaries of Adsteam Marine Limited and, ship mortgages were granted over 16 vessels. In addition to these arrangements a residual value bond of $48 million was put in place in favour of ABN AMRO Australia Limited. Under these arrangements Adsteam Marine Limited guaranteed and indemnified the parties providing the financial accommodation.

The loan has a maturity date of 24 December 2011.

In July 2005, the Group entered into an 8.5 year amortising term loan agreement (Tug Construction Facility) with ABN AMRO Bank NV acting through its Australian Branch. This term loan agreement enables the Group to finance up to 80% of the construction cost of at least seven new tug boats.

Under the Tug Construction Facility, share mortgages and fixed and floating charges were granted over a wholly owned subsidiary of Adsteam Marine Limited and, ship mortgages have been granted over four vessels that have been constructed and delivered to the Group. The Group must contract to construct the seven vessels from the tug builder BV Scheepswerf Damen.

Under these arrangements Adsteam Marine Limited guaranteed and indemnified the parties providing the financial accommodation, and ABN AMRO Bank NV has arranged export credit insurance.

The Tug Construction Facility has various maturity dates dependent on the time to construct the vessels under the facility. Tranche A of the Tug Construction Facility matures on 18 May 2014. Tranche B matures on 30 January 2015.

Loan from associate
The loan represents surplus funds of an associate distributed to each shareholder in proportion to their equity interest. As at the reporting date no interest was charged.

(e) Net debt

Net debt reconciles to the balance sheet as follows:

		Consolidated	
As at 30 June (in $000s)	Note	2006	2005
Total facilities used at reporting date	29(d)	320,615	311,009
Less: cash at bank		(16,714)	(8,306)
secured multi-option facility		(1,472)	(977)
Net debt		302,429	301,726
Less: prepaid borrowing costs		(5,114)	(5,115)
Net debt net of prepaid borrowing costs		297,315	296,611
As recorded in the balance sheet:			
Cash	9	(16,714)	(8,306)
Current interest bearing liabilities	19	8,132	45,712
Non-current interest bearing liabilities	22	305,897	259,205
Net debt net of prepaid borrowing costs		**297,315**	**296,611**

		Consolidated		Parent	
For the year ended 30 June (in $000s)	Note	2006	2005	2006	2005

Note 30: Leases

(a) Group

The Group's expenditure commitments contracted for are as follows:					
Operating leases (non cancellable) – group as lessee					
– not later than one year		5,476	6,368	–	–
– between one and five years		11,304	11,203	–	–
– later than five years		38,507	33,163	–	–
Total contracted minimum lease payments		**55,287**	**50,734**	**–**	**–**
Aggregate expenditure commitments comprise:					
Amounts provided for:					
Surplus leased space					
– current	20	111	240	–	–
– non current	23	117	–	–	–
Total provided for		228	240	–	–
Amounts not provided for:					
– rental commitments		55,059	50,494	–	–
Total not provided for		55,059	50,494	–	–
Aggregate lease expenditure contracted for at balance date		**55,287**	**50,734**	**–**	**–**

For the year ended 30 June (in $000s)	Note	Consolidated 2006	Consolidated 2005	Parent 2006	Parent 2005
Leasing arrangements					
Operating leases have an average lease term of 26 years (2005: 24 years). Items subject to operating leases include property, tug berths, motor vehicles, offices and office equipment. Contingent rentals are payable to reflect movements in the consumer price index. Certain commitments representing payments for property under a non cancellable operating lease have been recognised as a liability in the current financial year.					
(b) Share of associates					
The Group's share of associates' expenditure commitments contracted for are as follows:					
Operating lease commitments					
– not later than one year		799	682	–	–
– between one and five years		963	1,016	–	–
– later than five years		–	280	–	–
Share of minimum lease payments of associates not otherwise provided for in the financial statements		**1,762**	**1,978**	**–**	**–**
(c) Finance leases – group as lessor					
The Group has the following contracted gross lease payments receivable:					
– not later than one year		1,085	–	–	–
– between one year and five years		3,527	–	–	–
Total minimum lease payments		4,612	–	–	–
(Less): future finance charges		(737)	–	–	–
Net investment in finance leases		3,875	–	–	–
The net investment in finance leases is included in the financial statements as:					
– current receivable		821		–	–
– non current receivable		3,054		–	–
Net investment in finance leases		**3,875**	**–**	**–**	**–**

Note 31: Capital expenditure commitments

Estimated capital expenditure commitments for tugs contracted for at the reporting date not recognised as liabilities are as follows:					
– not later than one year		35,647	22,729	–	–
– between one and five years		4,845	–	–	–
Total capital expenditure commitments		**40,492**	**22,729**	**–**	**–**

For the year ended 30 June (in $000s)	Consolidated 2006	Consolidated 2005	Parent 2006	Parent 2005

Note 32: Contingent (Liabilities) / Assets

(a) Subsidiaries

(i) Guarantees provided in support of secured banking facilities excluding term loans.

Adsteam Marine Limited banking facilities (excluding term loans):

The banking facilities provided to Adsteam Marine Limited excluding the term loans are secured by fixed and floating charges and cross guarantees and indemnities from particular wholly owned subsidiaries in the Group.

Term loans

The banking facilities provided by ABN AMRO Australia Limited and ABN AMRO Bank NV to wholly owned subsidiaries of Adsteam Marine Limited are secured by share mortgages, ship mortgages over 20 vessels (the vessels) and fixed and floating charges granted over four wholly owned subsidiaries of Adsteam Marine Limited. In addition, a residual value bond over 16 vessels was placed in favour of ABN AMRO Australia Limited.

	Consolidated 2006	Consolidated 2005	Parent 2006	Parent 2005
(ii) Guarantees provided to third parties in the normal course of business	(1,472)	(977)	–	–

(b) Share of associates

Nil

(c) Other

The owner of the ship *Jody F Millennium*, which ran aground in Gisborne, New Zealand on 6 February 2002, took legal action against Port Gisborne Limited, now known as Tauwhareparae Farms Limited (TFL), alleging fault in the manner in which TFL operated the port.

TFL has joined Adsteam Harbour (NZ) Limited and two other parties to the court proceeding seeking an indemnity or contribution from each of those parties. Adsteam Harbour (NZ) Limited is a wholly owned subsidiary of Adsteam Marine Limited. Adsteam Harbour (NZ) Limited provided towage and pilotage services to the ship, and sub contracted the lines and mooring service.

Adsteam's external legal advice is that it has sound factual and legal defences to the claim, including statutory exemptions for liability. Adsteam will be pursing these defences and has also notified its insurers of the claim.

Adsteam has sought to strike out the claim by initiating strike out proceedings. The Judge issued an interim decision on the strike out application requiring the claimant (TFL) to file an amended statement of claim. Adsteam has now received the amended statement of claim and is considering whether it wishes to continue with the strike out application. Adsteam is seeking further and better particulars in relation to the statement of claim to assist it to consider whether to pursue the strike out application.

Note 33: Auditor's Remuneration

For the year ended 30 June	Consolidated 2006	Consolidated 2005	Parent 2006	Parent 2005
Amounts received (in $) or due and receivable by Ernst & Young (Australia) for:				
An audit or review of the financial report of the Group and any other subsidiary	413,000	355,932	–	–
Other services in relation to the Company and any other subsidiary in the Group				
– tax compliance (i)	98,503	141,789	–	–
– sale of Northland businesses (i)	10,717	90,909	–	–
– assurance related	8,001	27,577	–	–
– AIFRS implementation	13,596	3,372	–	–
– entity simplification	18,620	34,908	–	–
– other services (i)	3,605	86,700	–	–
	566,042	741,187	–	–
Amounts received (in $) or due and receivable by related practices of Ernst & Young (Australia) for:				
– an audit or review of the financial report of subsidiaries	230,526	229,324	–	–
– other services in relation to the entity and any other subsidiary in the Group	65,734	28,557	–	–
	296,260	257,881	–	–
Amounts received (in $) or due and receivable by auditors other than Ernst & Young for:				
– an audit or review of the financial report of subsidiaries	12,266	23,454	–	–
Total auditor's remuneration (in $)	**874,568**	**1,022,522**	**–**	**–**

(i) services provided relate to specific projects.

Note 34: Subsidiaries

(a) Members of the Group

The consolidated financial statements include the financial statements of Adsteam Marine Limited and the subsidiaries listed in the following table:

Name of entity	Note	Country of incorporation/ establishment		Ownership interest (%) 2006	2005
Parent					
Adsteam Marine Limited (domiciled in Australia)		Australia			
Subsidiaries					
Adsteam Agency Pty Limited		Australia		100	100
– Adsteam Agency (Fiji) Limited	(i)	Fiji		100	100
– Adsteam Agency (HK) Limited	(i)	Hong Kong		100	100
– Adsteam Agency (India) Limited	(i)	India		100	100
– Adsteam Agency (NZ) Limited	(i)	New Zealand		100	100
– Adsteam Agency (Tauranga) Limited	(i)	New Zealand		51	51
– Adsteam Agency (PNG) Limited	(ii)	Papua New Guinea		100	100
– Barbican Marine (Agencies) Pty Limited		Australia	#	100	100
Adsteam Enterprises Pty Limited		Australia		100	100
Adsteam Europe Limited	(i)	Ireland		100	100
Adsteam Finance Pty Limited		Australia		100	100
Adsteam Harbour Pty Limited		Australia		100	100
– Gladstone Tug Services Pty Limited		Australia	^	100	100
– Hunter Towage Services Pty Limited		Australia	#	100	100
– Marine Pacific Limited		Fiji		100	100
– Stirling Harbour Services Pty Limited		Australia	#	100	100
– Medina Maritime Services Pty Limited		Australia	#	100	100
– Waratah Towage Pty Limited		Australia	#	100	100
Adsteam Harbour (NZ) Limited	(i)	New Zealand		100	100
Adsteam Logistics Pty Limited		Australia		100	100
Adsteam Marine Charters Pty Limited		Australia	#	100	100
Adsteam Marine Investments (HSJV) Pty Ltd		Australia	#	100	100
Adsteam Marine Investments (JV) Pty Limited		Australia		100	100
Adsteam Marine Services Pty Limited		Australia		100	100
Adsteam Management Services (NZ) Limited	(i)	New Zealand		100	100
Adsteam Offshore Pty Limited		Australia		100	100
– Stirling Marine Constructions Pty Limited		Australia	#	100	100
– United Salvage Pty Limited		Australia		100	100
– United Salvage (NZ) Limited	(i)	New Zealand		100	100
Adsteam SPC 1 Pty Limited		Australia		100	100
– Adsteam SPC 2 Pty Limited		Australia		100	100
– Adsteam SPC 3 Limited	(i)	United Kingdom		100	100
Adsteam Towage Holdings Pty Limited		Australia	^	100	100
– Farwood Pty Limited		Australia	^	100	100
– Geelong Port Services Pty Limited		Australia	#	100	100
– Adsteam (UK) Limited	(i)	United Kingdom		100	100
– Adsteam Guernsey Limited	(i)	United Kingdom		100	100
– Adsteam Personnel Services Limited	(i)	United Kingdom		100	100
– Adsteam SPC 4 Limited	(i)	United Kingdom		100	100
– Adsteam Towage Limited	(i)	United Kingdom		100	100
– Adsteam Humber Limited	(i)	United Kingdom		100	100
– Adsteam Towage (Southampton) Limited	(i)	United Kingdom		100	100
– United Salvage Limited	(i)	United Kingdom		100	100
– Felixarc Marine Limited	(i)	United Kingdom		100	100

Name of entity	Note	Country of incorporation/ establishment		Ownership interest (%) 2006	2005
– Havens Tug Limited	(i)	United Kingdom		100	–
– Humber Tugs Limited	(i)	United Kingdom		100	100
– Medway Tugs Limited	(i)	United Kingdom		100	–
– Mersey Tugs Limited	(i)	United Kingdom		100	–
– Royal Terrace Pier Estate Company Limited	(i)	United Kingdom		100	100
– Solent Tugs Limited	(i)	United Kingdom		100	–
– Thames Tugs Limited	(i)	United Kingdom		100	–
– The Alexandra Towing Company Limited	(i)	United Kingdom		100	100
– United Towing Limited	(i)	United Kingdom		100	100
Adsteam USA Incorporated	(i)	USA		100	100
Baystar Marine Services Pty Limited		Australia	#	100	100
Fremantle Towage Pty Limited		Australia	#	100	100
Line Running Services Pty Limited		Australia	#	100	100
Marine Pacific Australia Pty Limited		Australia	#	100	100
Marine Plant Holdings Pty Limited		Australia	#	100	100
– CC Marine Services Pty Limited (in liquidation)		Australia	#	100	100
– Commercial Utilities Pty Limited		Australia	#	100	100
– Esar Bunkering Group Pty Limited		Australia	#	100	100
– North Queensland Marine Towage Pty Limited		Australia	#	100	100
– Australian Maritime Surveys Pty Limited		Australia	#	100	100
– Stannard Bros Launch Services Pty Limited		Australia	^	100	100
Northwest Transfer Services Pty Limited		Australia	#	100	100
Parmelia Towage Pty Limited		Australia	^	100	100
Queensland Tug and Salvage Company Pty Limited		Australia	^	100	100
– Inchcape (Vanuatu) Limited	(ii)	Vanuatu		100	100
– Marine Pacific (PNG) Limited	(ii)	Papua New Guinea		100	100
– Marine Pacific (Vanuatu) Limited	(ii)	Vanuatu	#	–	100
– QTS Holdings (Fiji) Limited	(i)	Fiji	#	–	100
The Adelaide Steamship Company Pty Limited		Australia		100	100

Businesses operated by these subsidiaries have been consolidated as part of the restructure program announced by the Company on 19 May 2003. The subsidiaries were placed into liquidation in the year ending 30 June 2005.

^ Businesses operated by these subsidiaries have been consolidated as part of the restructure program announced by the Company on 19 May 2003. These subsidiaries are in the process of being liquidated.

(i) Audited by associates of Ernst & Young.

(ii) Audited by a firm other than Ernst & Young.

(b) Acquisition of subsidiaries

Name of entity acquired	Date of acquisition	Proportion of shares acquired (%)	Cost of acquisition ($000s)	Fair value of net tangible assets at acquisition ($000s)
For the year ended 30 June 2006				
Haven Tugs Limited	23 May 2006	100	–	–
Medway Tugs Limited	23 May 2006	100	–	–
Mersey Tugs Limited	23 May 2006	100	–	–
Solent Tugs Limited	23 May 2006	100	–	–
Thames Tugs Limited	23 May 2006	100	–	–
For the year ended 30 June 2005				
Adsteam Europe Limited	29 October 2004	100	–	–
Adsteam SPC 4 Limited	6 June 2005	100	–	–

Note 35: Business combination

On 7 March 2006 a subsidiary acquired the net assets of a business which provided linesmen services to shipping vessels.

The total cost of the combination was $846,000. The fair value of the identifiable net assets acquired as at the date of acquisition were:

	Consolidated		Parent	
As at 30 June (in $000s)	2006	2005	2006	2005
Vessels, plant and equipment	129	–	–	–
Employee provisions	(20)	–	–	–
Fair value of identifiable net assets	109	–	–	–
Goodwill arising on acquisition	737	–	–	–
Total cost of the combination	**846**	**–**	**–**	**–**
Reconciled to the Cash Flow Statement as follows:				
Less: deferred purchase price payable (refer note 18)	(250)	–	–	–
Net cash outflow	**596**			

From the date of acquisition, the contribution of the business to the net profit of the Group was insignificant.

Note 36: Financial risk management objectives and policies

Details of the significant accounting policies adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

The Group's principal financial instruments, other than derivatives, comprise bank loans, overdrafts, cash and short-term deposits.

The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The Group may also enter into derivative contracts, principally interest rate swaps and forward currency contracts. The purpose of these derivative contracts is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance. Throughout the reporting period it has been the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board has reviewed and approved policies for managing each of these financial risks and they are summarised below.

Cash flow interest rate risk
The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with a floating interest rate.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt. The Group's policy is to keep between 20% and 60% of its floating rate borrowings hedged at fixed rates of interest using an average term of hedging of two to three years. To manage these hedging limits in a cost-efficient manner, the Group may enter into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount or fix the interest rate on the debt obligation. At 30 June 2006 there are no interest rate contracts in place, as at the reporting date, its fixed rate debt as a proportion of its floating rate debt was around 69%.

Foreign currency risk
(i) Foreign operations
As a result of significant operations in the United Kingdom, the Group's Balance Sheet and Income Statement can be affected significantly by movements in the GBP/AUD exchange rate. It is the Group's policy to hedge up to 80% of the subsequent financial year's expected net profit from its UK operations using forward currency contracts. To hedge its net investment in its UK operations the Group denominates a proportion of its debt in to GBP consistent with the level of GBP cash flow in the Group to support this level of GBP debt

(ii) Foreign transactions
The Group has various transactional currency exposures relating to the committed acquisition of new tugs, denominated in Euro and US Dollars, and the expected deferred receipts from the sale of the Northland business denominated in US Dollars.

The forward currency contracts must be in the same currency as the hedged item.

It is the Group's policy to enter into forward contracts up to 100% of the exposure when a contractual commitment is in place and up to 80% when the exposure is forecast but not committed.

It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

Credit risk
The Group trades only with recognised, creditworthy third parties. The Group's maximum exposure to credit risk at balance date in relation to each class of recognised financial assets, other than derivatives, is the carrying amount of those assets as indicated in the Balance Sheet.

In relation to derivative financial instruments, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. The Group's maximum credit risk exposure in relation to these is as follows:

(i) forward exchange rate contracts – the full amount of foreign currency it will be required to pay or purchase when settling the forward exchange contracts, should the counterparty not pay the currency it is committed to deliver to the company. At balance date the net amount receivable was $107,000 (2005: $1,551,000 receivable).

(ii) interest rate contracts – which is limited to the net fair value of the interest rate contracts at balance date. As at the reporting date there were no outstanding interest rate contracts (2005: $862,000 unfavourable).

Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not considered significant.

There are no significant concentrations of credit risk within the Group.

Since the Group trades only with recognised third parties, there is no requirement for collateral.

Liquidity risk
The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. The Group's debt obligations are managed to ensure its debt has various maturity dates to minimise any refinancing risk.

Note 37: Financial Instruments

(a) Fair value

Except as detailed in the following table, the carrying amount of financial assets and financial liabilities recorded in the Financial Statements approximates their respective net fair values, determined in accordance with the accounting policies disclosed in note 2 to the Financial Statements.

		Total carrying amount as per the Balance Sheet		Aggregate net fair value	
As at 30 June (in $000s)	Note	2006	2005	2006	2005
Interest bearing liabilities					
– floating rate borrowings	(iii)	188,800	53,569	188,800	53,569
– fixed rate borrowings	(iii)	130,343	256,463	135,883	257,496
Less: pre-paid borrowing costs		(5,114)	(5,115)	–	–
Total interest bearing liabilities		**314,029**	**304,917**	**324,683**	**311,065**

The following methods and assumptions were used to estimate the net fair value:

(i) *Cash, short term investments, receivables, accounts payable and short term borrowings*
The carrying amounts of these financial instruments approximate net fair value because of their short maturity.

(ii) *Non current investments and receivables*
The fair values of non current investments and receivables have been assessed by reviewing expected future cash flows or underlying net asset base of the investment, as there are no quoted market prices.

(iii) *Loans and borrowings*
The fair value has been calculated by discounting the expected future cash flows at prevailing interest rates for similar instruments.

(iv) *Forward exchange contracts*
The net fair value is estimated as the present value of future cash flows using market accepted formulae and market quoted input variables and is recognised as a hedge asset and liability.

(b) Interest rate risk

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until maturity of the instrument. The other financial instruments of the Group and Parent that are not included in the above tables are non interest bearing and are therefore not subject to interest rate risk.

The following table sets out the carrying amount by maturity of the financial instruments exposed to interest rate risk:

(i) Group

	Floating interest rate		Fixed interest rate maturing in: 1 year or less		Fixed interest rate maturing in: Over 1 to 5 years		Fixed interest rate maturing in: More than 5 years		Non interest bearing		Total		Weighted average effective interest rate (%)	
(in $000s)	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Cash	14,924	6,503	–	–	–	–	–	–	–	–	14,924	6,503	4.2	2.2
Short term deposits	1,790	1,803	–	–	–	–	–	–	–	–	1,790	1,803	5.1	5.5
Bank overdraft	–	(8,370)	–	–	–	–	–	–	–	–	–	(8,370)	–	9.2
Bills of exchange	–	(6,033)	–	–	–	–	–	–	–	–	–	(6,033)	–	7.0
Notes payable	(188,800)	(39,166)	–	–	–	(153,334)	–	–	–	–	(188,800)	(192,500)	6.8	6.9
Term loan	–	–	(8,599)	(5,685)	(42,387)	(27,910)	(74,457)	(69,534)	–	–	(125,443)	(103,129)	7.2	8.1
Loans from associates	–	–	–	–	–	–	–	–	(4,900)	–	(4,900)	–	–	–

(ii) Parent

	Floating interest rate		Total		Weighted average effective interest rate (%)	
(in $000s)	2006	2005	2006	2005	2006	2005
Cash	744	228	744	228	5.3	4.8

(c) Foreign exchange rate risk

Cash flow hedges

The table below provides information about the Group's forward exchange rate contracts as at the reporting date:

(in 000s)	Underlying Transaction	Average exchange rate	Maturities 1 year or less	Over 1 to 5 years	Total
As at 30 June 2006					
AUD forward exchange rate agreements:					
United States Dollars					
– receive	Expected receipts from the sale of Northland	0.74	1,880	–	1,880
– pay	Tug acquisition	0.74	6,118	–	6,118
Euro					
– pay	Tug construction progress payments	0.57	18,434	2,064	20,498
Great British Pounds					
– pay	Intergroup loan repayment	0.40	2,968	–	2,968
Total AUD forward exchange rate agreements (expressed in AUD)			29,400	2,064	31,464
GBP forward exchange rate agreements					
Euro					
– pay	Tug construction progress payments	0.70	3,869	1,118	4,987
Total GBP forward exchange agreements (expressed in GBP)			3,869	1,118	4,987
As at 30 June 2005					
AUD forward exchange rate agreements:					
United States Dollars					
– receive	Expected receipts from the sale of Northland	0.71	23,901		23,901
Great British Pounds					
– pay	Revenue of a controlled entity	0.42	1,184		1,184
Singapore Dollars					
– pay	Tug construction progress payments	1.22	10,533		10,533
Total AUD forward rate agreements (expressed in AUD)			35,618		35,618

The terms of the forward currency contracts have been negotiated to match the terms of the commitments.

Note 38: Director and Executive Disclosures

The company has applied the exemption under Corporations Amendments Regulation 2006 which exempts listed companies from providing remuneration disclosures in relation to their Key Management Personnel in their annual financial reports by Accounting Standard AASB 124 *Related Parties*. These remuneration disclosures are provided in the Directors' Report designated as audited.

Other disclosures relating to Key Management Personnel not provided in the Directors' Report are as follows:

(a) Details of Key Management Personnel

(i) Directors

R B Corlett	Chairman
P Dexter, AM	Non-Executive Director
A Drescher	Non-Executive Director
K Moss	Non-Executive Director
D Mortimer, AO	Non-Executive Director
J L Moller	Managing Director

(ii) Executives

R G B Burns	General Manager, Operations and Fleet
S J Eastwood	Chief Executive Europe
S D Fraser	General Manager, Investments
D R Grbin	Chief Financial Officer
P W McConnell	General Manager, Technical and Planning
J B Schot	General Manager, Adsteam Agency
D D Smith	General Counsel and Company Secretary
M A Sulicich	Executive General Manager, Australasia
A M Wilkinson	General Manager, Strategic Marketing
E A Wilks	General Manager, Human Resources

(b) Compensation of Key Management Personnel

Compensation by category:

	Consolidated		Parent^	
For the year ended 30 June (in $)	2006	2005	2006	2005
Short term	5,752,771	4,917,130	–	–
Post employment	385,704	458,084	–	–
Termination / retirement benefits	102,824	972,317	–	–
Share based payment	460,061	136,093	–	–
Total	**6,701,360**	**6,483,624**	**–**	**–**

^ The Directors of Adsteam Marine Limited are remunerated by a subsidiary so no remuneration details are included in the Parent.

(c) Share Acquisition Rights (SARs) holdings of Key Management Personnel

	Opening blance at 1 July	Granted	SARS forfeited or lapsed	Closing balance at 30 June
J L Moller				
2006	350,000	208,542	–	558,542
2005	300,000	200,000	(150,000)	350,000
R G B Burns				
2006	84,348	43,886	–	128,234
2005	48,076	60,310	(24,038)	84,348
S J Eastwood				
2006	89,228	65,160	–	154,388
2005	–	89,228	–	89,228
D R Grbin				
2006	109,330	55,778	–	165,108
2005	69,232	74,714	(34,616)	109,330
P W McConnell				
2006	99,454	48,408	–	147,862
2005	67,756	65,576	(33,878)	99,454
J B Schot				
2006	83,892	40,032	–	123,924
2005	43,128	62,328	(21,564)	83,892
D D Smith				
2006	103,008	51,088	–	154,096
2005	69,232	68,392	(34,616)	103,008
M A Sulicich				
2006	100,432	52,092	–	152,524
2005	57,692	71,586	(28,846)	100,432
A M Wilkinson				
2006	101,316	53,098	–	154,414
2005	57,000	72,816	(28,500)	101,316
E A Wilks				
2006	102,161	49,412	–	151,573
2005	68,666	67,828	(34,333)	102,161
C J Frederick[1]				
2005	122,050	–	(122,050)	–
P R Bendy[2]				
2006	94,751	–	(94,751)	–
2005	53,846	67,828	(26,923)	94,751
Total				
2006	**1,317,920**	**667,496**	**(94,751)**	**1,890,665**
2005	**956,678**	**900,606**	**(539,364)**	**1,317,920**

[1] Mr Frederick retired from the Company in September 2004 and the SARs subject to vest in future years lapsed.
[2] Mr Bendy retired from the Company in July 2005 and the SARs subject to vest in future years lapsed.

The fair value of the equity-settled share rights granted is estimated as at the date of grant using a Monte Carlo Simulation Model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs (by grant date) to the valuation model used for the years ended 30 June 2005 and 30 June 2006. Each grant is broken into two equal tranches, tranche 1 (T1) and tranche 2 (T2):

	22 Sept 05		8 Nov 04		1 July 04	
	T_1	T_2	T_1	T_2	T_1	T_2
Dividend yield (%)	3.4	3.5	4.8	4.8	4.8	4.8
Expected volatility (%)	31.9	31.9	30.0	30.0	40.0	40.0
Risk-free interest rate (%)	5.1	5.1	5.1	5.2	4.5	4.5
Expected life of option (years)	1.8	2.8	1.8	2.8	2.5	3.5
Weighted average share price at grant date ($)	1.80	1.80	1.69	1.69	1.94	1.94
Fair value of SARs granted	1.70	1.63	1.55	1.48	1.72	1.64

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

(d) Remuneration rights granted and vested during the year as part of the Executive Share Incentive Plan (as described in the 2006 Remuneration Report)

			Terms and conditions for each grant				
	Vested Number	Grant Number	Grant date	Value per right at grant date ($)	Exercise price per share ($)	First exercise date	Last exercise date
Key Management Personnel							
J L Moller	–	208,542	22 September 2005	(i)	–	1 July 2007	1 July 2008
R G B Burns	–	43,886	22 September 2005	(i)	–	1 July 2007	1 July 2008
S J Eastwood	–	65,160	22 September 2005	(i)	–	1 July 2007	1 July 2008
D R Grbin	–	55,778	22 September 2005	(i)	–	1 July 2007	1 July 2008
P W McConnell	–	48,408	22 September 2005	(i)	–	1 July 2007	1 July 2008
J B Schot	–	40,032	22 September 2005	(i)	–	1 July 2007	1 July 2008
D D Smith	–	51,088	22 September 2005	(i)	–	1 July 2007	1 July 2008
M A Sulicich	–	52,092	22 September 2005	(i)	–	1 July 2007	1 July 2008
A M Wilkinson	–	53,098	22 September 2005	(i)	–	1 July 2007	1 July 2008
E A Wilks	–	49,412	22 September 2005	(i)	–	1 July 2007	1 July 2008
Total		**667,496**					

(i) The numbers of rights granted above are divided into two equal tranches. The first tranche may vest on 1 July 2007 subject to certain performance hurdles and the second tranche on 1 July 2008 subject to certain performance hurdles. For rights granted during the financial year, the fair value per right at grant date for each tranche was as follows:

	Fair value ($)	
Grant date	Tranche 1	Tranche 2
22 September 2005	$1.70	$1.63

No remuneration rights vested during the financial year.

There were no remuneration rights exercised during the financial year ended 30 June 2006.

(e) Shareholdings of Directors and Key Management Personnel in Adsteam Marine Limited (ordinary shares)

	Note	Opening Balance 1 July	Granted	Net Change Other	Closing balance at 30 June
Directors (i)					
R B Corlett	(ii)				
2006		257,519	–	28,659	286,178
2005		250,852	–	6,667	257,519
P A Dexter, AM					
2006	(iii)	30,000	–		30,000
2005		–	–	–	–
A Drescher					
2006		31,315	–	976	32,291
2005		30,408	–	907	31,315
D A Mortimer, AO					
2006	(iv)	101,194	–	71,841	173,035
2005		101,194	–	–	101,194
K J Moss					
2006		18,753	–	851	19,604
2005		18,461	–	292	18,753
J L Moller	(v)				
2006		44,694	–	7,588	52,282
2005		44,694	–	–	44,694
Executives (i)					
R G B Burns	(vi)				
2006		59,680	–	–	59,680
2005		59,680	–	–	59,680
D R Grbin	(vii)				
2006		191,842	–	–	191,842
2005		191,842	–	–	191,842
D D Smith	(viii)				
2006		183,476	–	–	183,476
2005		183,476	–	–	183,476

(i) All equity transactions with Directors and Executives have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

(ii) Included in Mr Corlett's holding is Uvira Holdings Pty Limited, a family held discretionary fund which holds 265,554 shares.

(iii) Mr Dexter was appointed a Director on 12 May 2006. Mr Dexter holds shares in the name of Invia Custodian Pty Limited <Tarn Super Fund A/c>, a superannuation fund of Mr Dexter's.

(iv) Included in Mr Mortimer's holding is Tendwine Pty Limited, a family company of which Mr Mortimer is a Director, which holds 71,841 shares.

(v) Included in Mr Moller's holding is Lawncage Pty Limited, a family company of which Mr Moller is a Director which holds 6,194 shares. Additionally, Mr Moller has been granted rights to acquire shares in accordance with his service agreement. These details were announced to the Australian Stock Exchange on 11 November 2002.

(vi) 50,000 shares in the Company have been allocated to Mr Burns pursuant to and subject to the terms and conditions of the 1997 loan based Adsteam Marine Limited Employee Share Plan. In addition, Mr Burns elected to salary sacrifice part of his incentives in the 2000 year and as a result 3,697 shares are held for and on behalf of Mr Burns under the Company's Salary Sacrifice Share Plan.

(vii) 183,334 shares in the Company have been allocated to Mr Grbin pursuant to and subject to the terms and conditions of the 1997 loan based Adsteam Marine Limited Employee Share Plan and 412 shares in accordance with the terms and conditions of the

Company's General Employee Share Plan. In addition, Mr Grbin elected to salary sacrifice part of his incentives in the 2000 year and as a result 6,865 shares are held for and on behalf of Mr Grbin under the Company's Salary Sacrifice Share Plan. In addition to shares held under the Company's share plans, Mr Grbin holds 1,231 shares in his own name. Additionally, during the year, Mr Grbin was granted 11,111 shares under the Adsteam Marine Executive Award Plan.

(viii) 183,334 shares in the Company have been allocated to Mr Smith pursuant to and subject to the terms and conditions of the 1997 loan based Adsteam Marine Limited Employee Share Plan and 412 shares in accordance with the terms and conditions of the Company's General Employee Share Plan. Additionally, during the year, Mr Smith was granted 11,111 shares under the Adsteam Marine Executive Award Plan.

(f) Loans to Directors and Executives

The loans specified below are in accordance with and pursuant to the 1997 Loan Based employee share plan. The terms and conditions of the loans are described in the 2006 Remuneration Report included in the Directors' Report.

(i) Details of aggregates of loans to Directors and Executives are as follows:

	Balance at beginning of period $000	Loan repayment $000	Balance at end of period $000	Interest not charged $000	Number in group at 30 June 2006
Directors					
2006	–	–	–	–	–
2005	655	(655)	–	14	–
Executives					
2006	738	(18)	720	58	3
2005	752	(14)	738	63	3
Total Directors and Executives					
2006	738	(18)	720	58	3
2005	1,407	(669)	738	77	3

(ii) Details of individuals with loans above $100,000 in the current reporting period are as follows:

	Balance at beginning of period $000	Loan repayment $000	Balance at end of period $000	Interest not charged $000	Highest amount owing in period to 30 June 2006
Executives					
R G B Burns	110	(2)	108	8	110
D R Grbin	314	(8)	306	25	314
D D Smith	314	(8)	306	25	314

Loans to executives are interest free.

Note 39: Share Based Payment Plans

The Company has in place four share based payment plans. A summary of each plan follows and is described in detail in the 2006 remuneration report included in the Directors' Report.

1 1997 Loan Based Plan (1997 Plan)

Movements in the number of 1997 Plan shares held by the trustee are as follows:

	2006	2005
Held at the beginning of the year (see (a) below)	875,253	1,534,255
Disposed of during the year (see (b) below)	(11,834)	(659,002)
Held at the end of the year (see (c) below)	**863,419**	**875,253**

(a) 1997 Plan shares held by the trustee at the beginning of the reporting period:

Number of shares	Grant date	Vesting date	Expiry date
385,000	27 May 1997	26 May 2000	26 May 2012
249,168	16 December 1998	15 December 2001	15 December 2013
50,000	22 September 1999	21 September 2002	21 September 2014
8,333	16 December 1999	15 December 2002	15 December 2014
182,752	17 December 1999	16 December 2002	16 December 2014

(b) 1997 Plan shares disposed by the trustee during the year ended 30 June 2006:

Number of shares	Grant date	Disposal date	Expiry date	Disposal Price	Proceeds from disposal ($)
5,000	27 May 1997	6 September 2005	26 May 2012	1.81	9,011
1,667	16 December 1998	6 September 2005	15 December 2013	1.81	3,004
2,500	16 December 1998	15 November 2005	15 December 2013	1.85	4,600
1,000	17 December 1999	15 November 2005	16 December 2014	1.85	1,840
1,667	17 December 1999	6 September 2005	16 December 2014	1.81	3,004

(c) 1997 Plan shares held by the trustee at the end of the reporting period:

Number of shares	Grant date	Vesting date	Expiry date
380,000	27 May 1997	26 May 2000	26 May 2012
245,001	16 December 1998	15 December 2001	15 December 2013
50,000	22 September 1999	21 September 2002	21 September 2014
8,333	16 December 1999	15 December 2002	15 December 2013
180,085	17 December 1999	15 December 2002	16 December 2014

2 Executive Share Plan (Executive Plan)

Movements in the number of salary sacrifice plan shares held by the trustee are as follows:

	2006	2005
Held at the beginning of the year (see (a) below)	13,116	30,967
Acquired during the year (see (b) below)	28,687	–
Disposed of during the year (see (c) below)	(11,111)	(17,851)
Held at the end of the year (see (c) below)	**30,692**	**13,116**

(a) Executive Plan shares held by the trustee at the beginning of the reporting period:

Number of shares	Grant date	Vesting date	Expiry date
13,116	23 November 2000	22 November 2002	22 November 2010

(b) Executive Plan shares acquired by the trustee during the reporting period

Number of shares	Grant date	Vesting date	Expiry date
28,687	23 November 2000	22 November 2002	22 November 2010

(c) Executive plan shares disposed of by the trustee during the year ended 30 June 2006:

Number of shares	Grant date	Disposal date	Expiry date	Disposal Price	Proceeds from disposal ($)
11,111	23 November 2000	23 December 2005	22 November 2010	n/a – shares transferred to the eligible beneficiary	n/a - shares transferred to the eligible beneficiary

(c) Executive plan shares held by the trustee at the end of the reporting period:

Number of shares	Grant date	Vesting date	Expiry date
30,692	23 November 2000	22 November 2002	22 November 2010

3 General Employee Share Plan (General Plan)

Movements in the number of General Plan shares held by the trustee are as follows:

	2006	2005
Held at the beginning of the year (see (a) below)	11,536	11,536
Disposed of during the year (see (b) below)	(2,472)	–
Held at the end of the year (see (c) below)	**9,064**	**11,536**

(a) General Plan shares held by the trustee at the beginning of the reporting period:

Number of shares	Grant date	Vesting date
11,536	23 November 2000	23 November 2003

(b) General Plan shares disposed of by the trustee during the year ended 30 June 2006

Number of shares	Grant date	Disposal date	Expiry date see note 3(ii)	Disposal Price	Proceeds from disposal ($)
412	23 November 2000	12 August 2005	23 November 2003	see note 3(i)	–
412	23 November 2000	17 August 2005	23 November 2003	see note 3(i)	–
412	23 November 2000	23 September 2005	23 November 2003	see note 3(i)	–
412	23 November 2000	28 November 2005	23 November 2003	see note 3(i)	–
412	23 November 2000	31 January 2006	23 November 2003	1.90	776
412	23 November 2000	5 May 2006	23 November 2003	1.99	820

3(i) Shares transferred to the eligible beneficiary.

3(ii) Expiry date is 23 November 2003 or date of leaving Company, whichever is the later.

(c) General Plan shares held by the trustee at the end of the reporting period:

Number of shares	Grant date	Vesting date
9,064	23 November 2000	23 November 2003

Note 40: Segment Information

The Group's primary segment reporting format is geographical as the risks and rates of return of the Group are affected predominantly by the differences in the locations of the services provided. Secondary segment information is not reported separately as the Group operates predominantly in one industry, the marine services industry.

Each geographical segment is organised and managed separately according to the nature of the services provided with each segment representing a strategic business unit that serves different markets.

Transfer prices between segments are set at an arms length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated on consolidation.

Additional information on the nature of operations and activities of the Group is contained in the Managing Director's Report.

For the year ended 30 June	Australasia (i)		United Kingdom		North America		Consolidated	
(in $000s)	2006	2005	2006	2005	2006	2005	2006	2005
Segment revenue								
Sales to external customers	204,062	204,953	113,461	113,883	–	–	317,523	318,836
Government grants	4,000	2,000	–	–	–	–	4,000	2,000
Revenue from services	208,062	206,953	113,461	113,883	–	–	321,523	320,836
Other revenue	7,913	2,039	2,178	5,242	–	–	10,091	7,281
Segment revenue	215,975	208,992	115,639	119,125	–	–	331,614	328,117
Non segment revenues								
Dividend revenue							1,577	1,465
Interest revenue							713	996
Net gain on sale of investments							5,295	527
Consolidated revenue							**339,199**	**331,105**
Segment result								
Segment results before depreciation expense (ii)	54,061	44,573	29,100	37,440	1,844	(609)	85,005	81,404
Depreciation and other amortisation expense	(13,927)	(13,700)	(11,231)	(10,173)	–	–	(25,158)	(23,873)
Segment result	40,134	30,873	17,869	27,267	1,844	(609)	59,847	57,531
Share of associates net profits	4,796	4,468	–	–	1,804	4,052	6,600	8,520
Segment result including share of associates net profits	44,930	35,341	17,869	27,267	3,648	3,443	66,447	66,051
Dividend revenue							1,577	1,465
Net finance costs							(25,424)	(28,749)
Net gain on sale of investments							5,295	527
Profit before income tax							47,895	39,294
Income tax (expense)							(4,765)	(1,803)
Net profit							**43,130**	**37,491**

(i) Australasia comprises Australia, Asia and the South Pacific.

For the year ended 30 June (in $000s)	Australasia 2006	Australasia 2005	United Kingdom 2006	United Kingdom 2005	North America 2006	North America 2005	Consolidated 2006	Consolidated 2005
(ii) Analysis of segment results before specific items:								
Segment results before depreciation expense	54,061	44,573	29,100	37,440	1,844	(609)	85,005	81,404
Share of associates net profits	4,796	4,468	–	–	1,804	4,052	6,600	8,520
Segment result including share of associates net profits	58,857	49,041	29,100	37,440	3,648	3,443	91,605	89,924
Dividend revenue	1,577	1,465	–	–	–	–	1,577	1,465
Net gain on sale of investments	5,295	527	–	–	–	–	5,295	527
EBITDA	65,729	51,033	29,100	37,440	3,648	3,443	98,477	91,916
Add back:								
– Specific items	(4,414)	4,912	6,055	(1,135)	(3,648)	(3,443)	(2,007)	(334)
EBITDA before specific items	61,315	55,945	35,155	36,305	–	–	96,470	92,250
Segment assets								
Segment assets	464,612	359,224	297,677	329,643	12,500	3,852	774,789	692,719
Non segment assets								
– Investment in associates							11,446	30,269
– Deferred tax assets							25,483	33,506
Total assets							**811,718**	**756,494**
Segment liabilities								
Segment liabilities	46,631	59,422	63,217	81,112	–	–	109,848	140,534
Non segment liabilities								
– Interest bearing liabilities							314,029	304,917
– Tax liabilities							31,952	25,385
Total liabilities							**455,829**	**470,836**
Cash Flow information								
Net operating cash flows	23,744	17,283	25,116	22,209	210	5,160	49,070	44,652
Net investing cash flows	(25,306)	(22,743)	(36,501)	(5,528)	23,822	27,167	(37,985)	(1,104)
Net financing cash flows	(22,372)	(60,194)	26,830	–	–	–	4,458	(60,194)
Other segment information								
Acquisition of property, vessels, plant and equipment, intangible assets and other non current assets	37,291	21,512	36,501	14,812	–	–	73,792	36,324

(i) Australasia comprises Australia, Asia and the South Pacific

Note 41: Related Party Transactions

(a) Transactions within the wholly owned group

Refer to note 34(a) for a list of subsidiaries comprising the Group.

Details of dividend income derived by the Parent from its subsidiaries are disclosed in note 3 to the financial statements.

Amounts receivable from and payable to subsidiaries in the Group are disclosed in notes 13 and 22 to the financial statements.

During the financial year, Adsteam Marine Services Pty Limited provided accounting and administration services, at no cost, to subsidiaries in the Group.

Other transactions that occurred during the financial year between subsidiaries in the Group were:

- advancement of loans at commercial interest rates;
- bare boat charter of vessels on normal commercial terms and conditions; and
- rental of premises at commercial rates.

(b) Transactions with associates

(i) Investment in associates

A list of and details on investments in associated entities are disclosed in note 14 to the financial statements.

(ii) Loans to/from associates

Loans to associates total $1,533,000 (2005: $1,759,000). Interest is charged at 6.0% per annum (2005: 6.0% pa).

Loans from associates total $4,900,000 (2005: nil). Currently no interest is charged on these balances.

(iii) Other transactions with associates

Details of interest revenue from associates is disclosed in note 3 to the financial statements.

Aggregate amounts receivable from and payable to associates are disclosed in notes 10 and 13 to the financial statements.

Other transactions that occurred during the financial year with associates were:

- the sale of vessels at market value;
- bare boat charter of vessels on normal commercial terms and conditions; and
- rental of premises at commercial rates.

	Consolidated	
For the year ended 30 June (in $000s)	2006	2005
Management and directors' fees	1,105	1,114
Net charter fees	339	75
Profit on sale of assets	139	715
Rent received	77	92
Total	**1,660**	**1,996**

Note 42: Subsequent Events

The financial effect of the event set out below has not been recognised in these financial statements.

Off-market takeover bid made by SvitzerWijsmuller Marine Pty Limited for all of the ordinary shares in Adsteam Marine Limited.

On 3 July 2006, Adsteam Marine Limited and SvitzerWijsmuller A/S announced SvitzerWijsmuller's conditional takeover offer of $2.54 cash per share for all of the ordinary shares in Adsteam Marine Limited.

Under the terms of SvitzerWijsmuller's offer, Adsteam shareholders will receive $2.54 cash per share (inclusive of any dividend, if one is declared or paid). The Board of Adsteam Marine Limited has resolved to defer the decision to pay a dividend while it waits upon the outcome of the offer.

The SvitzerWijsmuller offer is subject to a number of conditions as set out in the SvitzerWijsmuller Bidder's Statement including:

- 90% minimum acceptance; and
- competition approvals in the United Kingdom.

The terms and conditions of the offer are described in more detail in the Adsteam Marine Target's Statement and SvitzerWijsmuller's Bidder's Statement.

There are no other events requiring disclosure.

Note 43: Transition to Australian Equivalents to International Financial Reporting Standards

Introduction

For all periods up to and including the year ended 30 June 2005, the Group prepared its financial statements in accordance with Australian generally accepted accounting practice (AGAAP). These financial statements for the year ended 30 June 2006 are the first the Group is required to prepare in accordance with Australian Equivalents to International Financial Reporting Standards (AIFRS).

Accordingly, the Group has prepared financial statements that comply with AIFRS applicable for periods beginning on or after 1 January 2005 and the significant accounting policies meeting those requirements are described in note 2. In preparing these financial statements, the Group has started from an opening balance sheet as at 1 July 2004, the Group's date of transition to AIFRS, and made those changes in accounting policies and other restatements required by AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*.

This note explains the principal adjustments made by the Group in restating its AGAAP balance sheet as at 1 July 2004 and its previously published AGAAP financial statements for the year ended 30 June 2005.

Exemptions applied

AASB 1 allows first-time adopters certain exemptions from the general requirements to apply AIFRS retrospectively.

The Group has taken the following exemptions:

- Comparative information for financial instruments is prepared in accordance with AGAAP and the company and group have adopted AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* from 1 July 2005.
- AASB 3 *Business Combinations* has not been applied to acquisitions of subsidiaries or of interests in associates and joint ventures that occurred before 1 July 2004.
- Cumulative currency translation differences for all foreign operations are deemed to be zero as at 1 July 2004.
- AASB 2 *Share-based Payment* has not been applied to any equity instruments that were granted on or before 7 November 2002, nor has it been applied to equity instruments granted after 7 November 2002 that vested before 1 January 2005.

The impacts of adopting AIFRS on the total equity and profit after tax as reported under AGAAP are illustrated below:

(i) Reconciliation of total equity as presented under previous AGAAP to that under AIFRS:

		Consolidated		Parent	
As at (in $000s)	Note	30 June 2005	1 July 2004	30 June 2005	1 July 2004
Total equity under previous AGAAP		315,448	319,552	306,992	295,216
Adjustments to issued capital					
Consolidation of the Adsteam Marine Employee Share Plan	A	(2,729)	(4,134)	–	–
Tax effect of equity raising costs	B	495	495	495	495
Adjustment to reserves (net of tax)					
Transfer balance of foreign currency translation reserve at 1 July 2004 to accumulated losses	C	22,387	23,166	–	–
Foreign exchange variance on translation of UK pension fund deficits	D	5,298	–		
Change in accounting for foreign exchange relating to the sale of Northland	J	807	–	(539)	–
Recognition of fair value of share based payments	E	110	75	–	–
Adjustment to accumulated losses (net of tax)					
Recognition of pension fund liability	D	(65,884)	(46,379)	–	–
Recognition of deferred tax asset relating to the UK pension fund liability as a result the passing of government legislation relating to the exit from tonnage tax	F	18,794	–	–	–
Transfer balance of foreign currency translation reserve at 1 July 2004 to accumulated losses	C	(22,387)	(23,166)	–	–
Recognition of fair value of share based payments	E	399	104	–	–
Consolidation of the Adsteam Marine Employee Share Plan	A	1,354	1,564	–	–
Tax effect of equity raising costs	B	(309)	(210)	(309)	(210)
Tax effect of on previously revalued assets	G	(1,234)	(1,331)	–	–
Tax effect of investment in associates	H	(601)	(518)	–	–
Tax effect of deferred receivable from the sale of Northland	I	(265)	(469)	–	–
Change in accounting for foreign exchange relating to the sale of Northland	J	(1,273)	276	1,163	276
Cessation of amortisation of goodwill	K	15,248	–	–	–
Total equity under AIFRS		**285,658**	**269,025**	**307,802**	**295,777**

A) The Adsteam Marine Employee Share Plan Pty Limited (AMESP), previously accounted for under AGAAP as an investment in an associate is now consolidated. The fair value of the shares in Adsteam Marine Limited, held in trust by AMESP, are recognised as a reduction in issued capital and called treasury shares.

B) Costs relating to share issues in 2002 and 2004 have been recognised directly in equity. Under AASB 112 Income Taxes, a deferred tax asset is now recognised and adjusted for in equity.

C) In accordance with AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, the Group has transferred the balance of the foreign currency translation reserve at 1 July 2004 to opening retained earnings.

D) A pension liability is recognised under AASB 119 *Employee Benefits*, but was not recognised under previous AGAAP, which used a cash basis to account for defined benefit plans. This has resulted in a decrease in total equity.

E) The fair value of equity settled transactions with employees is recognised in equity, in accordance with AASB 2 *Share-based Payment*, but not under previous AGAAP. Share-based payment costs under AIFRS are charged to the Income Statement.

F) AASB 112 *Income Taxes* requires the tax effect of legislation 'substantially enacted' to be recognised (refer to note 2(g) for more information regarding the passing of UK tonnage tax transition arrangements). The AIFRS adjustment is the estimated deferred tax asset created by recognising the defined benefit plan liability in Adsteam UK.

G) The previously revalued assets of various subsidiary companies recognised under previous AGAAP has been tax effected under AASB 116 *Property, Plant and Equipment* at the tax rate of 30%. This has resulted in a decrease in total equity.

H) AASB 112 *Income Taxes* requires a deferred tax liability to be recognised on certain equity accounted investments. This was not the case under previous AGAAP.

I) AASB 112 *Income Taxes* requires a deferred tax liability to be recognised on a portion of the deferred receivable from the sale of the investment in the Northland businesses. This was not the case under previous AGAAP.

J) Adjustment to the impact of foreign exchange on the sale of the Northland businesses in accordance with AASB 121 *The Effects of Changes in Foreign Exchange Rates*.

K) Goodwill is not amortised under AASB 3 *Business Combinations*, but was amortised under previous AGAAP. This caused an increase in profit for the half year ended 31 December 2004 and full year ended 30 June 2005.

L) The above changes resulted in an increase in deferred tax liability as follows:

		Consolidated		Parent	
As at (in $000s)	Note	30 June 2005	1 July 2004	30 June 2005	1 July 2004
Accumulated losses – note (G), (H) and (I) above		2,100	2,318	–	–
Increase in deferred tax liability		2,100	2,318	–	–

(ii) Reconciliation of profit after tax under previous AGAAP to that under AIFRS:

Year end 30 June 2005 (in $000s)	Note	Consolidated	Parent
Prior year net profit after tax as previously reported		23,374	18,244
Cessation of amortisation of goodwill	A	15,248	–
Accounting for defined benefit pensions	B	(565)	–
Recognition of fair value of share based payments	C	295	–
Consolidation of the Adsteam Marine Employee Share Plan	D	(210)	–
Net foreign exchange gain/(loss) transferred to the Income Statement	E	(770)	867
Other tax effect adjustments		119	(99)
Prior year net profit after tax under AIFRS		**37,491**	**19,012**

A) Goodwill is not amortised under AASB 3 *Business Combinations*, but was amortised under previous AGAAP. This caused an increase in profit.

B) A pension liability is recognised under AASB 119 *Employee Benefits*, but was not recognised under previous AGAAP. The pension liability increased during 2004/05. This caused a decrease in net profit.

C) Share-based payment costs are charged to the Income Statement under AASB 2 *Share-based Payment*. Adsteam Marine recognised a cost in excess of that required under AIFRS.

D) The Adsteam Marine Employee Share Plan Pty Limited (AMESP), previously accounted for under AGAAP as an investment in an associate is now consolidated. The reversal of a provision for diminution, recorded as an increase in net profit in the full year ended 30 June 2005 under previous AGAAP, has now been reversed.

E) Adjustment to the impact of foreign exchange variances in accordance with AASB 121 *The Effects of Changes in Foreign Exchange Rates*.

F) The adjustments above lead to an increase of $38,000 and an increase of $122,000 in deferred tax expense for the full year ended 30 June 2005 and half year ended 31 December 2004, respectively.

(iii) Explanation of material adjustments to the cash flow statement

There are no differences between the cash flow statement presented under AIFRS and the cash flow statement presented under previous AGAAP.

The impacts of adopting AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* as at 1 July 2005 are illustrated below:

(in $000s)	Note	Consolidated	Parent
Total equity under AIFRS as at 30 June 2005		285,658	307,802
Adjustment to reserves (net of tax)			
Re measurement of the investment in Flinders Ports Pty Limited to fair value (net of tax)	A	11,985	–
Hedging foreign currency payable (net of tax)	B	(881)	–
Interest rate contracts	C	(603)	–
Adjustment to accumulated losses (net of tax)			
Hedging foreign currency payable (net of tax)	B	539	–
Total equity under AIFRS as at 1 July 2005		**296,698**	**307,802**

A) The investment in Flinders Ports Pty Limited, previously accounted for under AGAAP at the lower of cost and recoverable amount, is now measured at fair value. Movements in fair value (net of tax) are accounted for in equity.

B) For foreign exchange contracts that are designated as cash flow hedges under AASB 139 *Financial Instruments: Recognition and Measurement*, the effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred to the income statement when the forecast transaction occurs.

C) Interest rate contracts were previously not recognised on balance sheet and net receipts and payments were recognised as an adjustment to interest expense. Under AASB 139 *Financial Instruments: Recognition and Measurement* all derivatives must be recognised on balance sheet at fair value. The interest rate swap held at 30 June 2005 was not designated as a hedge and has been accounted for as a derivative with movements in fair value recorded in the income statement.

Directors' Declaration

Adsteam Marine Limited ABN 87 065 888 440

In accordance with a resolution of the Directors of Adsteam Marine Limited, we state that:

1 In the opinion of Directors:

   (a) The financial report and the additional disclosures included in the directors' report designated as audited, of the Company and of the Group are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the Company's and Group's financial position as at 30 June 2006 and of their performance for the year ended on that date; and

      (ii) complying with Accounting Standards and Corporations Regulations 2001.

   (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2 This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 30 June 2006.

On behalf of the Board

R B Corlett	J L Moller
Chairman	Managing Director and Chief Executive Officer

Sydney, 24 August 2006

Ernst & Young Centre
680 George Street
Sydney NSW 2000
Australia

GPO Box 2646
Sydney NSW 2001

Tel 61 2 9248 5555
Fax 61 2 9248 5959
DX Sydney Stock Exchange 10172

Independent audit report to members of Adsteam Marine Limited

Scope

The financial report, remuneration disclosures and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Adsteam Marine Limited (the company) and the consolidated entity, for the year ended 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

The company has disclosed information as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard 124 Related Party Disclosures ("remuneration disclosures") in sections 2 to 4 of the "Remuneration Report" which forms a part of the directors' report, as permitted by Corporations Regulation 2M.6.04.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures comply with Accounting Standard AASB 124 Related Party Disclosures. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows and whether the remuneration disclosures comply with Accounting Standard AASB 124 Related Party Disclosures.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report and the remuneration report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report and the remuneration disclosures. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence
We are independent of the company and the consolidated entity and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration a copy of which is included in the Directors' Report. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Audit opinion
In our opinion:

1. the financial report of Adsteam Marine Limited is in accordance with:

(a) the Corporations Act 2001, including:

   (i) giving a true and fair view of the financial position of Adsteam Marine Limited and the consolidated entity at 30 June 2006 and of their performance for the year ended on that date; and

   (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

2. the remuneration disclosures that are contained in sections 2 to 4 of the "Remuneration Report" which forms a part of the directors' report comply with Accounting Standard AASB 124 Related Party Disclosures.

Ernst & Young

Ernst & Young

Rob Lewis

Rob Lewis
Partner
Sydney
Date: 24 August 2006

Shareholder Information

Shareholder Information

Shareholdings as at 22 August 2006

(i) There were 8,842 holders of ordinary voting shares.

(ii) Distribution of shareholders – Marketable parcels

Size of holding	Number of ordinary shareholders
1 – 1,000	1,338
1,001 – 5,000	4,060
5,001 – 10,000	1,962
10,001 – 100,000	1,423
100,001 – 99,999,999,999	59
Total shareholders	8,842

(iii) There were 459 shareholders holding less than a marketable parcel of shares in the Company.

(iv) Register of substantial shareholders

Information included in the last notices lodged pursuant to Section 671B of the Corporations Act 2001.

		Number of fully paid shares	
Holder giving notice	Date of notice	Number of shares	% of issued capital
Investors Mutual Limited	12 July 2006	37,368,163	13.70%
Perennial Value Management Ltd	7 February 2006	27,136,655	10.05%
Schroder Investment Management Australia Limited	12 December 2005	24,130,661	8.94%
Maple-Brown Abbott Limited	12 October 2005	21,367,476	7.92%
Promina Group Limited	19 April 2006	14,553,802	5.33%
SvitzerWijsmuller Marine Pty Limited	22 August 2006	7,850,878	2.88%

Top 20 shareholders as at 22 August 2006

Holder name	Number of shares	% of issued capital
J P Morgan Nominees Australia Limited	35,836,834	13.138
National Nominees Limited	29,900,248	10.961
RBC Dexia Investor Services Australia Nominees Pty Limited <Bkcust A/C>	26,897,210	9.861
Westpac Custodian Nominees Limited	25,684,541	9.416
RBC Dexia Investor Services Australia Nominees Pty Limited	22,367,859	8.200
ANZ Nominees Limited <Cash Income A/C>	11,983,224	4.393
Citicorp Nominees Pty Limited	9,886,796	3.625
Cogent Nominees Pty Limited	9,759,126	3.578
Queensland Investment Corporation	7,773,327	2.850
Tasman Asset Management Ltd <Tyndall Australian Share Wholesale Portfolio A/C>	6,764,195	2.480
HSBC Custody Nominees (Australia) Limited-Gsco Ecsa	4,000,000	1.466
Promina Equities Limited	2,705,493	0.992
HSBC Custody Nominees (Australia) Limited	2,500,000	0.917
Tasman Asset Management Ltd <Tyndall Australian Core Sharevalue Fund A/C>	1,789,040	0.656
Sandhurst Trustees Ltd <Sisf A/C>	1,786,983	0.655
Citicorp Nominees Pty Limited <Cfsil Cwlth Aust Shs 2 A/C>	1,776,249	0.651
Citicorp Nominees Pty Limited <Cfsil Cwlth Aust Shs 18 A/C>	1,596,273	0.585
AMP Life Limited	1,556,704	0.571
UBS Nominees Pty Ltd	1,160,979	0.426
Citicorp Nominees Pty Limited <Cfsil Cwlth Aust Shs 14 A/C>	1,149,777	0.422

The 20 largest shareholders hold 75.84% of the issued capital of the Company.

Voting rights of ordinary shares

On a show of hands every member present in person or in the case of a corporation by a representative authorised in accordance with the provisions of the Corporations Act 2001 shall have one vote and on a poll every member present in person or by attorney or by proxy or in the case of a corporation by proxy or representative authorised as aforesaid shall have one vote for every share held by them.

Communications

Enquiries or notifications by shareholders regarding their shareholdings or their dividends should be directed to the share registry of Adsteam Marine Limited.

Registries Limited

Level 2
28 Margaret Street
Sydney NSW 2000

PO Box R67
Royal Exchange
Sydney NSW 1223

Telephone +61 2 9290 9600
Facsimile +61 2 9279 0664

Email registries@registriesltd.com.au

Shareholders communicating with the share registry should advise them that the enquiry relates to Adsteam Marine Limited shares and, in addition, when writing to the share registry, should quote their shareholder reference number as it appears on their holding statement along with their current address.

Continuous disclosure

Adsteam Marine embraces continuous disclosure and within the rules as set by the Australian Stock Exchange (ASX) immediately informs the ASX of matters which may have a material effect on the price or value of the Company's shares.

Announcements made to the ASX are posted on the Company's website www.adsteam.com.au

Listing details

Adsteam Marine Limited is listed on the Australian Stock Exchange, its ASX code is ADZ and its SEATS abbreviation code is ADSTEAM 97.

Corporate Directory

Annual General Meeting
Tuesday 7 November 2006 at 10am

Location
Australian National Maritime Museum
(ANZ Theatre)
2 Murray Street
Darling Harbour NSW 2009

Company details
Adsteam Marine Limited
ACN 065 888 440
ABN 87 065 888 440

Registered office
Level 22, Tower 2
101 Grafton Street
Bondi Junction NSW 2022

Telephone +61 2 9369 9200
Facsimile +61 2 9369 9288

Email info@adsteam.com.au

Head office
Level 22, Tower 2
101 Grafton Street
Bondi Junction NSW 2022

Telephone +61 2 9369 9200
Facsimile +61 2 9369 9288

Email info@adsteam.com.au

Address for correspondence
PO Box 644
Bondi Junction NSW 1355

Email info@adsteam.com.au

Company share register
Registries Limited
Level 2
28 Margaret Street
Sydney NSW 2000

PO Box R67
Royal Exchange
Sydney NSW 1223

Telephone +61 2 9290 9600
Facsimile +61 2 9279 0664

Email registries@registriesltd.com.au

Secretary
D D Smith
BA, LLB, LLM, DipLegS, FCIS, FAICD

Auditors
Ernst & Young

Further information
Visit our website at www.adsteam.com.au for Company information including Annual Reports, financial results and Company announcements.

Financial calendar*

2006	
30 June	Financial year end
24 August	Full year results announced
20 September	Annual Report, Notice of Meeting and Proxy Form mailed to shareholders
5 November	Proxy returns close, 10am Sydney time
7 November	Annual General Meeting

2007	
February	Half year results and interim dividend announced
30 June	Financial year end

* Timing of events is subject to change.

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adsteam marine

www.adsteam.com.au

Adsteam Marine Limited
Full Year Results 2006
(12 months ended 30 June 2006)

John Moller – Managing Director

24 August 2006

Full year results 2006 – Highlights

- Results in line with guidance
- Good result demonstrating the strength and diversity of the Adsteam business
  - NPAT $43.1 million, up 15% on last year
- Australian business performing strongly
- UK business improved second half
- SvitzerWijsmuller offer

Full year results 2006 – Agenda

- Financials
- Australian operations
- UK operations
- SvitzerWijsmuller offer

Full year results 2006 – Summary financials

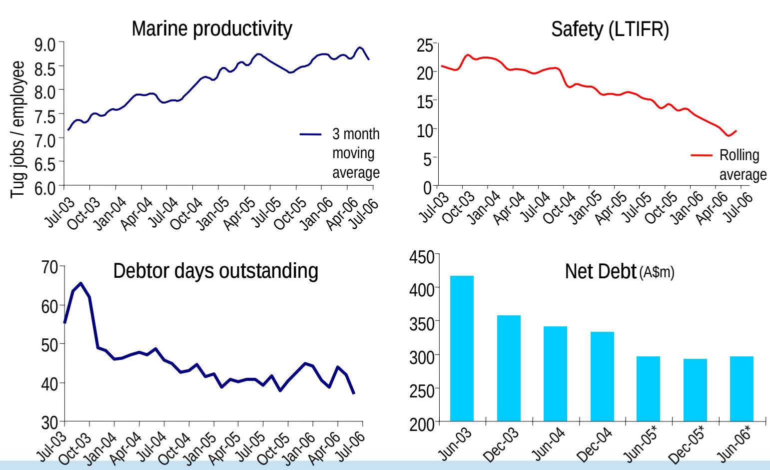
12 months to 30 June (A$m)	2006	2005	% change
Revenue from services	321.5	320.8	0
EBITDA (like-for-like)	96.5	92.2	5
Total significant items (pre tax)	2.0	(0.3)	n/a
EBITDA	98.5	91.9	7
EBIT	73.3	68.0	8
Profit before tax	47.9	39.3	22
NPAT	43.1	37.5	15
EPS (cents per share)	16.0	14.1	13
Cashflow from operations	49.1	44.7	10
Net debt	297.3	296.6	0

Full year results 2006 – Significant and one-off items

12 months to 30 June (A$m)	Profit after tax impact 2006	2005
Reported NPAT	43.1	23.4
Impact of adopting AIFRS^	–	14.1
NPAT BASED ON SAME ACCOUNTING TREATMENT	43.1	37.5
Add back		
One-off redundancies and tug charter costs	4.7	1.6
Non-recurring restructuring costs	1.3	4.3
Non-core items	(8.6)	(6.5)
NPAT (like-for-like)	40.5	36.9

^ Principally due to cessation of goodwill amortisation

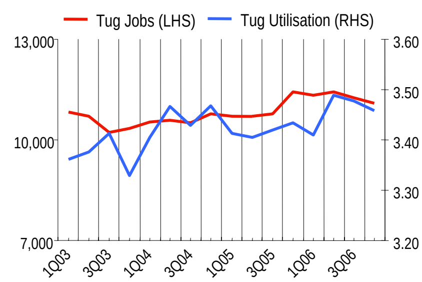
Business fitness further improved



* Prepared using AIFRS definition of net debt. Prior period data based on AGAAP definition.

Australasia – Volume growth

12 months to 30 June 2006	Adsteam tug jobs % change on 2005
Queensland	12
NSW	0
Victoria	(5)
South Australia	4
Western Australia, Northern Territory	3
All Adsteam ports	3

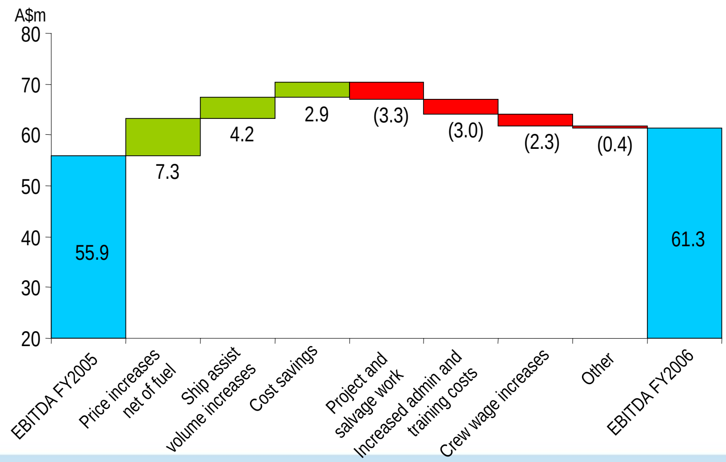


Australasia – Strong performance

12 months to 30 June (A$m)	2006	2005	% change
Revenue from services	208.0	206.9	1
EBITDA (like-for-like)	61.3	55.9	10
One-off redundancies and tug charter costs	–	(2.4)	n/a
Non-recurring costs	(1.2)	(3.1)	n/a
Non-core items	5.7	0.7	n/a
Depreciation	(14.0)	(13.7)	2
EBIT	51.8	37.4	39

- Solid volume growth in Australian ports
- Some price increases
- Increased fuel costs passed on with fuel surcharge
- Australasian business performing very well

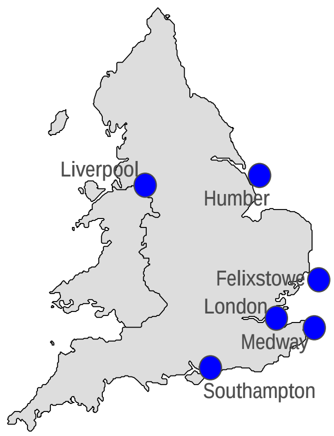
Australasia – EBITDA (like-for-like)



Australasia – Update

Emergency response	• Awarded five year contract following competitive tender • Five year total revenue $15 million
Darwin LNG	• Fully operational January 2006 • Positive contribution to earnings in second half of FY2006
Licences	• Fremantle and Mackay – Retained following competitive tenders • Albany and Gladstone – Licence extension and upgrade of services
Fleet strength	• Introduction of five new tugs
Project Magnet	• OneSteel / CSL project to commence in 2007
EBA	• Average wage increase over next three years 3.6 per cent per annum with productivity offsets

UK – Ports



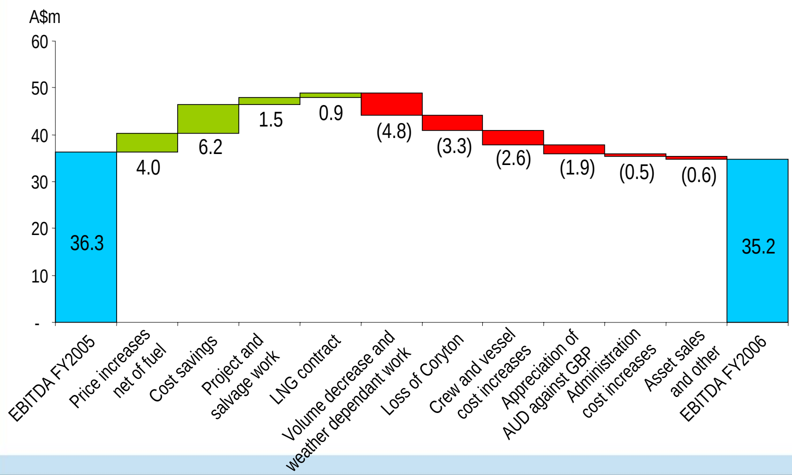
12 months to 30 June 2006	Adsteam tug jobs % change on 2005
Liverpool	(8)
Humber	(9)
Felixstowe	13
London	(16)
Medway	8
Southampton	(5)
All Adsteam ports	(4)

UK – Financials

12 months to 30 June	2006 £m	2005 £m	% change	2006 A$m	2005 A$m	% change
Revenue from services	47.6	46.0	3	113.5	113.9	0
EBITDA (like-for-like)	14.7	14.4	2	35.2	36.3	(3)
One-off redundancies and charter costs	(2.1)	–	n/a	(5.3)	0.1	n/a
Non-recurring costs	(0.2)	(0.8)	n/a	(0.4)	(2.0)	n/a
Non-core items	–	–	n/a	(0.4)	3.0	n/a
Depreciation	(4.7)	(4.1)	15	(11.2)	(10.2)	10
EBIT	7.7	9.5	(19)	17.9	27.2	(34)

- Revenue up slightly despite low volumes – mix of work (projects)
- EBITDA (like-for-like) in GBP slightly higher despite 4% lower towage volumes
- EBITDA (like-for-like) in AUD $1.9 million lower due to higher AUD exchange rate
- Cost savings realised in second half of FY2006
- Increased fuel costs passed on with fuel surcharge

UK – EBITDA (like-for-like)



UK – Workplace reform

- Three person crewing now in all ports
- Substantial changes to work practices achieved
  - Gravesend
  - Medway
  - Liverpool
- Further change required in next 12 months
  - Southampton
  - Felixstowe
  - Humber

UK – Update

Medway LNG	• Operational and contributing to the bottom line
Fleet upgrade	• Three new tugs introduced and two scheduled to arrive in FY2007
Humber	• Adsteam launched “Humber Tugs” in August 2006 – lower cost operation
New tenders	• Substantial tender activity

Tonnage Tax

- As expected, UK Finance Act 2005 received Royal Assent in July 2005
- From July 2006
  - Asset uplift to market value
  - Adsteam now subject to UK corporate tax
- Based on current profit levels, no significant cash tax liabilities until 2014
- Consolidated average tax rate in FY2007 15% to 20%, depending on mix of earnings between Australia and the UK and final transition adjustments

Balance sheet – Debt refinancing

- Refinancing A$173 million of syndicated debt with new A$300 million, 5 year syndicated debt facility
- Completed – April 2006
- Head room in new facility to fund capex and "bolt on" acquisitions
- Incremental interest savings in FY2007 approximately $2.3 million (pre tax), based on current debt levels

Capital expenditure

Capital expenditure (A$m)	FY2004	FY2005	FY2006
Business as usual capex	27.8	30.0	30.0
Growth tug capex	0	6.3	43.2
TOTAL CAPEX	27.8	36.3	73.2

- Low risk growth strategy
- Growth capex provides increased revenue and returns greater than WACC
- FY2006 capex – matched to revenues from tender wins and salvage funding
- FY2007 capex – $60 million to $80 million

SvitzerWijsmuller offer

- SvitzerWijsmuller announced conditional cash takeover offer for $2.54 per share on 3 July 2006
- Adsteam Board recommendation, subject to no higher offer (after regulatory conditions are satisfied or waived)

Conditions of offer	Status
ACCC approval	Approval on 19 July 2006
FIRB approval	Approval on 8 August 2006
UK competition approval	In progress
Absence of higher offer	None to date
90% minimum acceptance	Offer closes 29 September 2006

Summary

- Results in line with guidance
- Good result demonstrating the strength and diversity of the Adsteam business
  - NPAT $43.1 million, up 15% on last year
- Australian business performing strongly
- UK business improved second half
- SvitzerWijsmuller offer