

# MERMAID MARINE AUSTRALIA LIMITED

## 2013 PRELIMINARY FINANCIAL REPORT



### CONTINUED STRONG EARNINGS GROWTH IN FY2013

The Directors of Mermaid Marine Australia Ltd (“MMA” or “the Company”) (ASX: MRM) are pleased to announce another year of strong earnings growth.

Net Profit after Tax (“NPAT”) for the year increased by 18.2% to \$60.3 million and Earnings per Share (“EPS”) increased by 15.0% to 26.9c per share.

The Directors are also pleased to announce a final dividend of 7.0c per share, taking the full year dividend to 12.5c per share, an increase of 13.6% on the previous financial year.

### Financial Highlights

| Key Financials      | FY2013          | FY2012          | Variance |
|---------------------|-----------------|-----------------|----------|
| Revenue             | \$449.5M        | \$380.4M        | ↑ 18.2%  |
| EBIT                | \$92.3M         | \$79.8M         | ↑ 15.7%  |
| NPAT                | \$60.3M         | \$51.0M         | ↑ 18.2%  |
| EPS                 | 26.9c           | 23.4c           | ↑ 15.0%  |
| Full year dividends | 12.5c per share | 11.0c per share | ↑ 13.6%  |

Commenting on the result, MMA Chairman, Mr Tony Howarth said:

“Offshore oil and gas activity in Australia continues to be strong with four major LNG projects currently under construction in the North West of Western Australia.

“Activity in the Browse Basin is picking up with both major projects now secured on MMA’s Broome Supply Base, and major vessel scopes currently being tendered.

“MMA’s success is based on working with its clients to provide unique marine logistics solutions with a combination of vessels and supply bases.”

MMA Managing Director, Mr Jeffrey Weber said:

“MMA delivered another year of strong growth albeit with some volatility during the year, particularly in the fleet”

“We were successful in securing a number of significant long term production support contracts during the year providing a secure earnings base for the Company going forward.

“We continued to focus on diversifying our service offering; broadening our international footprint and securing our first exploration support contract.

“Whilst cargo volumes and activity associated with the downstream component of the Gorgon Project is expected to taper in FY2014, the outlook for MMA’s services remains positive, based on anticipated vessel demand in the region.”

## Dividend

The MMA Board has declared a final fully franked dividend of 7.0 cents per share, taking the full year dividend to 12.5 cents per share. This represents a 13.6% increase on the dividend with respect to the previous financial year.

| Dividend              |                   |
|-----------------------|-------------------|
| Final dividend        | 7.0c per share    |
| Dividend record date  | 6 September 2013  |
| Dividend payment date | 27 September 2013 |

MMA has a Dividend Reinvestment Plan (DRP) in place, which allows shareholders to elect to have all or part of their dividends reinvested in additional shares in the Company. A discount of 2.5% will apply to shares issued in relation to this current dividend. Elections to participate in the DRP for the dividend to be paid on 27 September 2013 must be received by the Company’s share registry, Computershare Investor Services Pty Ltd, by the Record Date of 6 September 2013.

## Operational Highlights

The 2013 financial year result once again emphasised the benefit of MMA's diversified service offering. For the first time in the Company's history the Dampier Supply Base generated a higher EBIT contribution than our vessels business. The Slipway and Broome Supply Base also made significant contributions to earnings.

### *Vessel Operations*

Revenue from vessel operations was up 3.0% to \$283.7 million, whilst EBIT reduced to \$44.5 million, down 15.2% on the previous year.

The vessel business was impacted by lower utilisation in the third quarter as a number of vessels came off contract and took some time to redeploy in a temporarily soft market. This was compounded by cyclones during the period which resulted in higher crew and fuel costs for these vessels while they were off hire. Utilisation levels picked up again in the fourth quarter as our vessels moved onto new contracts.

The average utilisation for the fleet across the year was 76.2%.

MMA's vessel fleet continued to support oil and gas activities in Australia across the exploration, construction and production sectors of the market.

MMA had a number of vessels engaged on various scopes supporting construction of the Gorgon Project on Barrow Island. During the year MMA was also awarded a new tug and barge contract to transport cargo from Henderson to Barrow Island. The project involved the design and mobilisation of a new concept 400ft "Super Barge" fitted with a 400 tonne crane and sourcing a towing vessel capable of achieving average speeds of over 10 knots, the first of its kind to operate in Australia. Following the success of the initial concept, a second contract for a similar tug and barge set has been awarded and will begin operations in the second quarter FY2014. The success of these projects is a good example of MMA's ongoing focus on delivering unique marine solutions to its clients.

MMA also supported the construction of the Gorgon Domestic Gas Pipeline Installation Project and BHP Billiton's Macedon Project during the year as well as supporting Allseas in its pipelay operations.

MMA has recently been awarded a significant vessel contract by Subsea 7 to provide tug and barge support for the Heavy Lift and Tie-in Scope of the Gorgon Project. MMA will provide a fleet of 9 tug and barge sets for subsea installation works as well as an offshore support tug. MMA will act as lead contractor and will subcontract with other vessel operators to provide the overall vessel requirements. The contract value is in excess of A\$100 million with operations commencing in October 2013 and completing in the 2014 calendar year.

MMA commenced its first major drilling support contract during the year with the Platform Supply Vessel, the Mermaid Leveque, supporting the Ensco 109 jack up rig for Santos. This was an important milestone for the Company, further diversifying our service offering and validating our strategy of entering the PSV market.

MMA continues to provide services to a number of major oil and gas production facilities in Australia. MMA currently supports 12 of the 13 FPSO facilities operating in the North West Shelf of Australia as well as operating in the spot market in the Bass Strait working for Origin, Nexus and Santos. We have also been operating consistently out for Darwin for the past 6 months and currently have two vessels working in the region.

During the year MMA was successful in winning two new major long term production support contracts. MMA was awarded a 5 year, \$50 million contract with BHP Billiton Petroleum for the provision of offtake support services to the company's FPSOs, Stybarrow Venture and Pyrenees Venture, operating in the North West Shelf. MMA also secured a 2 year, \$15 million contract with Santos for the provision of offtake support to their FPSO, Modec Venture 11, in the Fletcher Finucane fields in the Carnarvon Basin.

MMA also secured a number of contract extensions including a 2 year extension with Woodside for the Mermaid Searcher with an option for a third year.

Long term production support contracts are critical to balancing our portfolio with shorter term construction and spot market work and are a particular focus of the Company over the medium term.

To support this focus, MMA continued to invest in its fleet with the addition of 2 new vessels during the year.

The Mermaid Cove, a technically sophisticated 53m DP2 Offshore Support Vessel was built for MMA in Singapore and delivered in January 2013. The vessel is contracted to BHP Billiton Petroleum for a 5 year production support contract. The Cove has the ability to work in close quarters to tankers during offtake operations and is the first OSV operating off the North West Shelf to be fitted with a daughter craft and a 7m fast rescue craft, significantly increasing the vessel's capability as a search and rescue and emergency response vessel. The Cove is also equipped to undertake oil dispersant and recovery operations.

The Mermaid Inscription, an 87m Platform Supply Vessel, was purchased in January 2013 and configured to meet the latest requirements of the oil and gas offshore drilling and construction industries. The Inscription went on hire immediately on arriving in Australia on a pipelay support contract with Allseas.

In addition, MMA has its fourth Platform Supply Vessel under construction in Singapore. The vessel, a technically sophisticated, 82m STX design, is due for delivery in November 2013.

The offshore construction outlook for the Australian vessel market remains positive with major vessel scopes currently being tendered for Chevron's Wheatstone Project, INPEX's Ichthys Project and Shell's Prelude Project.

International operations contributed approximately \$13.9 million in revenue during the 2013 financial year, up marginally from \$13.0 million the previous financial year.

The South East Asian vessel market was soft for most of the year but we have recently seen signs of tightening on the supply side which we expect to translate to an improvement in day rates.

MMA, having added some key personnel to its Singapore office, continues to broaden its client base in the region with vessels operating in Malaysia, Myanmar, Indonesia and Thailand during the year for a range of clients.

During the year the Company secured a 20 month FPSO support contract with Salamander Energy in Thailand, an important milestone for the Company.

MMA will continue to focus on expanding its presence in the South East Asian market where demand for oil and gas support services is expected to remain strong over the coming years.

Further afield, the Mermaid Vigilance continues on charter with Geokinetics in Mexico.

### ***Dampier Supply Base***

The Dampier Supply Base delivered strong growth in earnings during the year, driven by high demand for services across the Base and increased contributions from the Mermaid Logistics Base and Burrup Materials Facility.

Revenue was up 62.3% to \$150.3 million and EBIT increased by 42.5% to \$52.3 million for the year.

Drilling activity during the year was strong with Chevron, BHP, Santos, Exxon Mobil, Apache and Vermillion conducting drilling campaigns resulting in high utilisation across the base and wharf.

MMA continued to upgrade its Supply Base facilities with upgrades made to the Mermaid Logistics Base and main Supply Base during the year.

The Mermaid Logistics base, having been under MMA ownership for 18 months now, is performing well with a number of key clients taking footprints within the facility.

MMA continues to service most major operators in the region with the new Logistics Base adding flexibility to MMA's overall service offering.

MMA is currently subleasing and operating the Woodside Burrup Materials Facility to support additional freight activities in relation to the Gorgon Project. It is expected that the current sub-lease arrangement will continue until 31 December 2013.

Productivity continues to be a major focus area on the Supply Base and a number of initiatives were implemented during the year including the introduction of rosters to increase service coverage. This has been positively received by our clients. In addition MMA bolstered its management and supervisory team with a number of key personnel appointments. Whilst adding to overhead, these appointments were critical to the ongoing safe and reliable operations of the Supply Base.

Looking forward, the Supply Base is expected to remain a strong contributor to earnings and cashflow. Whilst overall cargo volumes from the Gorgon Project are expected to reduce, general activity in the region is expected to continue. The Supply Base is well positioned to add additional service offerings to clients in the region which will assist in driving ongoing demand for MMA's services.

### ***Dampier Slipway***

The Slipway had an exceptional year generating Revenue of \$24.9 million and EBIT of \$3.5 million, up 67% on the previous year.

Utilisation and margins were boosted by a number of large and unique third party jobs completed during the first half. In addition, a focus on improved work planning and cost control had a positive impact on margins.

Demand for Slipway services from third parties was strong. Over the course of the year, a total of 59 vessels were docked including 50 third party vessels.

MMA invested in improving its Slipway facilities during the year with the installation of a new cradle enabling larger vessels to be slipped and a new Paint facility improving safety and environmental protection.

In addition to contributing to overall earnings, the Slipway remains a key strategic asset critical to maintaining the reliability and performance of MMA's fleet.

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

The Broome Supply Base delivered strong growth for the year with MMA's share of JV NPAT up significantly to \$3.9 million.

Drilling activity in the region was buoyant with Conoco Phillips, Santos, Shell and Murphy Oil all conducting drilling campaigns during the year.

In addition, the Broome Supply Base completed a short term logistics contract for the Gorgon Project during the first half.

The Broome Supply Base continued to invest in infrastructure to meet the increasing activity in the region. During the year new facilities were completed for Shell's Prelude Project and INPEX's Ichthys Project.

Long term (5 year) contracts have now been secured with both Shell and INPEX for the provision of Supply Base services.

Activity is expected to increase over the coming 12 months. Shell is expected to commence development drilling for their Prelude Project in early FY2014. The Prelude Project will utilise floating LNG (FLNG) technology which will liquefy the gas from a 488m long floating facility which will be moored on location for 25 years. This is expected to generate ongoing demand for supply base and offshore services over the coming years. INPEX are expected to commence a 3 year development drilling programme in early FY2015.

During the year Woodside announced that they would not be going ahead with an on-shore processing facility at James Price Point for their Browse LNG Project. They have now recommended to the Browse joint venture partners to use FLNG to commercially develop the significant reserves in the Browse Basin.

The outlook for the Broome Supply Base is very positive, with drilling and project activity through the region expected to drive strong demand for services.

## **Outlook**

The Australian offshore oil and gas industry will continue to develop in the medium term with construction of a number of major projects underway.

Construction of the \$52 billion Gorgon Project is expected to continue through FY2014 with downstream cargo volumes starting to taper but the major upstream construction phase about to begin.

Major offshore vessel subcontracts are yet to be awarded on Chevron's \$29b Wheatstone Project, INPEX's \$32b Ichthys Project and Shell's \$12b (est) Prelude Projects.

MMA's Broome Supply Base is set to benefit from increased activity in the region.

International vessel charter rates are improving on the back of solid oil and gas demand.

The overall outlook for FY2014 remains positive based on increased demand for vessel services and ongoing demand for supply base services in Dampier and Broome.

## Contacts

For further information contact:

**Mr Jeffrey Weber**

Managing Director

Jeff.Weber@mma.com.au

Tel: +61 8 9431 7431

Mob: +61 418 855 275

**Mr Peter Raynor**

Chief Financial Officer

Peter.Raynor@mma.com.au

Tel: +61 8 9431 7431

Mob: +61 418 901 620



ABN 21 083 185 693

**Preliminary Financial Report and Appendix 4E  
for the Year Ended 30 June 2013**

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## Results for Announcement to the Market

**Current Reporting Period** : Year ended 30 June 2013

**Previous Reporting Period** : Year ended 30 June 2012

|   | <b>% Change</b> | <b>Amount<br/>\$'000</b> |
|---|-----------------|--------------------------|
| <b>Earnings</b>   |                 |                          |
| Revenue from ordinary activities                                  | + 18.2%         | 449,490                  |
| Profit from ordinary activities after tax attributable to members | + 18.2%         | 60,298                   |
| Net profit attributable to members                                | + 18.2%         | 60,298                   |

Information regarding the increase in revenue and profit for the year is set out in the covering announcement accompanying this Report.

|                           | <b>Amount per share</b> | <b>Franked<br/>Amount per<br/>Share</b> |
|---------------------------|-------------------------|---|
| <b>Dividends</b>          |                         |   |
| Interim dividend for 2013 | 5.5 cents               | 5.5 cents                               |
| Final dividend for 2013   | 7.0 cents               | 7.0 cents                               |

The Company paid an interim fully franked dividend for the 2013 financial year of 5.5 cents per share on 28 March 2013.

The Company has declared a fully franked final dividend with respect to the year ended 30 June 2013 of 7.0 cents per share.

The record date for entitlement to the final dividend is 6 September 2013.

The payment date for the final dividend is 27 September 2013.

### Dividend reinvestment plan

The Company has in place a dividend reinvestment plan (DRP) in which shareholders can elect to participate.

The subscription price for shares issued under the DRP will be the average of the daily volume weighted average sale price of the Company's shares sold on the ASX during the 5 trading days immediately after the record date for the dividend less a 2.5% discount.

Elections to participate in the DRP for the dividend to be paid on 27 September 2013 must be received by the Company's share registry, Computershare Investor Services Pty Ltd, by the record date of 6 September 2013.

|                                      | <b>2013</b> | <b>2012</b> |
|--------------------------------------|-------------|-------------|
| <b>Net Tangible Asset Backing</b>    |             |             |
| Net tangible asset backing per share | \$1.66      | \$1.37      |

### Details of Entities Where Control Has Been Gained or Lost During the Period

The Company has not gained or lost control of any entities during the period up to the release of this Preliminary Financial Report.

### Audit Report

The Preliminary Financial Report is based on financial statements which are in the process of being audited.

There are no likely disputes or qualifications to the accounts.

**Consolidated statement of profit or loss and other comprehensive income  
for the year ended 30 June 2013**

|   | Note | 2013<br>\$'000 | 2012<br>\$'000 |
|---|------|----------------|----------------|
| Revenue                                       | 5(a) | 449,490        | 380,358        |
| Interest Income                               |      | 1,261          | 1,962          |
| Other losses                                  | 5(b) | (163)          | (345)          |
| Share of profits of jointly controlled entity | 12   | 3,893          | 362            |
| Vessel expenses                               |      | (239,249)      | (222,965)      |
| Supply Base expenses                          |      | (96,066)       | (53,015)       |
| Slipway expenses                              |      | (14,196)       | (12,612)       |
| Administration expenses                       |      | (11,427)       | (12,013)       |
| Finance costs                                 | 5(c) | (9,788)        | (10,130)       |
| Profit before tax                             |      | 83,755         | 71,602         |
| Income tax expense                            | 7    | (23,457)       | (20,566)       |
| <b>PROFIT FOR THE YEAR</b>                    |      | <b>60,298</b>  | <b>51,036</b>  |

**Other Comprehensive Income, net of tax**

**Items that may be reclassified subsequently to profit and loss:**

|   |    |               |               |
|---|----|---------------|---------------|
| Exchange differences on translation of foreign operations                 | 22 | 14,166        | 7,136         |
| Gain/(loss) on cashflow hedges  | 22 | 1,822         | (921)         |
| Transfer of cashflow hedge loss to initial carrying amount of fixed asset | 22 | 973           | 1,768         |
| Other comprehensive income for the year, net of tax                       |    | 16,961        | 7,983         |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>                            |    | <b>77,259</b> | <b>59,019</b> |

|  |   |        |        |
|--|---|--------|--------|
| Profit attributable to owners of the Company                     |   | 60,298 | 51,036 |
| Total comprehensive income attributable to owners of the Company |   | 77,259 | 59,019 |
| Earnings per share   |   |        |        |
| - Basic (cents per share)  | 6 | 26.89  | 23.44  |
| - Diluted (cents per share)                                      | 6 | 26.47  | 22.93  |

*The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.*

**Consolidated statement of financial position as at 30 June 2013**

|   | Note  | 2013<br>\$'000 | 2012<br>\$'000 |
|---|-------|----------------|----------------|
| <b>Current Assets</b>                             |       |                |                |
| Cash and cash equivalents                         | 24(a) | 58,824         | 55,283         |
| Trade and other receivables                       | 9     | 122,231        | 83,441         |
| Inventories                                       | 10    | 2,454          | 1,555          |
| Other financial assets                            | 13    | 2,030          | -              |
| Other   | 11    | 9,118          | 12,195         |
| <b>Total Current Assets</b>                       |       | <b>194,657</b> | <b>152,474</b> |
| <b>Non-Current Assets</b>                         |       |                |                |
| Investments accounted for using the equity method | 12    | 8,915          | 5,022          |
| Other financial assets                            | 13    | 2,000          | 2,000          |
| Property, plant and equipment                     | 14    | 448,195        | 377,679        |
| Goodwill  | 15    | 20,710         | 20,710         |
| <b>Total Non-Current Assets</b>                   |       | <b>479,820</b> | <b>405,411</b> |
| <b>Total Assets</b>                               |       | <b>674,477</b> | <b>557,885</b> |
| <b>Current Liabilities</b>                        |       |                |                |
| Trade and other payables                          | 16    | 48,329         | 41,614         |
| Unearned revenue                                  | 17    | 11,274         | 4,023          |
| Borrowings  | 18    | 29,196         | 21,762         |
| Other financial liabilities                       | 19    | -              | 765            |
| Provisions  | 20    | 8,293          | 5,961          |
| Current tax liabilities                           | 7(c)  | 8,912          | 7,426          |
| <b>Total Current Liabilities</b>                  |       | <b>106,004</b> | <b>81,551</b>  |
| <b>Non-Current Liabilities</b>                    |       |                |                |
| Unearned revenue                                  | 17    | -              | 2,748          |
| Borrowings  | 18    | 150,443        | 136,363        |
| Provisions  | 20    | 1,986          | 1,204          |
| Deferred tax liabilities                          | 7(d)  | 13,018         | 14,240         |
| <b>Total Non-Current Liabilities</b>              |       | <b>165,447</b> | <b>154,555</b> |
| <b>Total Liabilities</b>                          |       | <b>271,451</b> | <b>236,106</b> |
| <b>Net Assets</b>                                 |       | <b>403,026</b> | <b>321,779</b> |
| <b>Equity</b>                                     |       |                |                |
| Issued capital                                    | 21    | 226,382        | 197,694        |
| Reserves  | 22    | 2,280          | (15,745)       |
| Retained earnings                                 | 23    | 174,364        | 139,830        |
| <b>Total Equity</b>                               |       | <b>403,026</b> | <b>321,779</b> |

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

**Consolidated statement of changes in equity for the year ended 30 June 2013**

|  | Issued<br>Capital | Employee<br>equity<br>settled<br>benefits<br>reserve | Hedging<br>reserve | Foreign<br>currency<br>translation<br>reserve | Retained<br>earnings | Total          |
|--|-------------------|--|--------------------|---|----------------------|----------------|
|  | \$'000            | \$'000   | \$'000             | \$'000  | \$'000               | \$'000         |
| <b>Balance at 1 July 2011</b>                    | <b>186,416</b>    | <b>2,165</b>   | <b>(1,612)</b>     | <b>(27,712)</b>                               | <b>110,469</b>       | <b>269,726</b> |
| Profit for the year                              | -                 | -  | -                  | -   | 51,036               | 51,036         |
| Other comprehensive income for the year          | -                 | -  | 847                | 7,136   | -                    | 7,983          |
| <b>Total comprehensive income for the year</b>   | <b>-</b>          | <b>-</b>   | <b>847</b>         | <b>7,136</b>                                  | <b>51,036</b>        | <b>59,019</b>  |
| Payment of dividends                             | -                 | -  | -                  | -   | (21,675)             | (21,675)       |
| Issue of shares under dividend reinvestment plan | 8,660             | -  | -                  | -   | -                    | 8,660          |
| Issue of shares under employee option plans      | 2,208             | -  | -                  | -   | -                    | 2,208          |
| Related income tax benefit                       | -                 | 1,718  | -                  | -   | -                    | 1,718          |
| Transfer to share capital                        | 410               | (410)  | -                  | -   | -                    | -              |
| Recognition of share based payments              | -                 | 2,123  | -                  | -   | -                    | 2,123          |
| <b>Balance at 30 June 2012</b>                   | <b>197,694</b>    | <b>5,596</b>   | <b>(765)</b>       | <b>(20,576)</b>                               | <b>139,830</b>       | <b>321,779</b> |
| Profit for the year                              | -                 | -  | -                  | -   | 60,298               | 60,298         |
| Other comprehensive income for the year          | -                 | -  | 2,795              | 14,166  | -                    | 16,961         |
| <b>Total comprehensive income for the year</b>   | <b>-</b>          | <b>-</b>   | <b>2,795</b>       | <b>14,166</b>                                 | <b>60,298</b>        | <b>77,259</b>  |
| Payment of dividends                             | -                 | -  | -                  | -   | (25,764)             | (25,764)       |
| Issue of shares under dividend reinvestment plan | 10,044            | -  | -                  | -   | -                    | 10,044         |
| Issue of shares under employee option plans      | 16,102            | -  | -                  | -   | -                    | 16,102         |
| Related income tax benefit                       | -                 | 1,622  | -                  | -   | -                    | 1,622          |
| Transfer to share capital                        | 2,542             | (2,542)  | -                  | -   | -                    | -              |
| Recognition of share based payments              | -                 | 1,984  | -                  | -   | -                    | 1,984          |
| <b>Balance at 30 June 2013</b>                   | <b>226,382</b>    | <b>6,660</b>   | <b>2,030</b>       | <b>(6,410)</b>                                | <b>174,364</b>       | <b>403,026</b> |

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

**Consolidated statement of cash flows for the year ended 30 June 2013**

|  | Note         | 2013<br>\$'000  | 2012<br>\$'000  |
|--|--------------|-----------------|-----------------|
| <b>Cash flows from Operating Activities</b>  |              |                 |                 |
| Receipts from customers  |              | 459,186         | 394,562         |
| Interest received  |              | 1,111           | 1,650           |
| Payments to suppliers and employees  |              | (358,184)       | (288,769)       |
| Income tax paid  |              | (21,490)        | (17,719)        |
| Interest and other costs of finance paid   |              | (9,788)         | (10,130)        |
| <b>Net cash provided by Operating Activities</b>                                   | <b>24(c)</b> | <b>70,835</b>   | <b>79,594</b>   |
| <b>Cash flows from Investing Activities</b>  |              |                 |                 |
| Payments for property, plant and equipment   |              | (89,026)        | (66,573)        |
| Proceeds from sale of property, plant and equipment                                |              | 23              | 100             |
| Net cash outflow on purchase of business   |              | -               | (11,950)        |
| Amounts advanced to jointly controlled entity                                      |              | -               | (1,250)         |
| <b>Net cash used in Investing Activities</b>                                       |              | <b>(89,003)</b> | <b>(79,673)</b> |
| <b>Cash flows from Financing Activities</b>  |              |                 |                 |
| Proceeds from issue of shares  |              | 16,102          | 2,208           |
| Proceeds from borrowings   |              | 45,403          | 129,717         |
| Repayment of borrowings  |              | (25,025)        | (118,448)       |
| Dividends paid   |              | (15,720)        | (13,042)        |
| <b>Net cash provided by Financing Activities</b>                                   |              | <b>20,760</b>   | <b>435</b>      |
| Net increase in cash and cash equivalents  |              | 2,592           | 356             |
| Cash and cash equivalents at the beginning of the financial year                   |              | 55,283          | 55,090          |
| Effects of exchange rate changes on the balance of cash held in foreign currencies |              | 949             | (163)           |
| <b>Cash and cash equivalents at the end of the financial year</b>                  |              | <b>58,824</b>   | <b>55,283</b>   |

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

## Notes to the Preliminary Financial Report

### 1. Adoption of New and Revised Accounting Standards

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

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements.

##### Standards affecting presentation and disclosure.

AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'

The amendments require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to AASB 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

##### Standards and Interpretations affecting the reported results or financial position

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

### 2. Significant Accounting Policies

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

#### Basis of preparation

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

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

The accounting policies adopted are consistent with those of the previous financial year.

## **Notes to the Preliminary Financial Report (continued)**

### **3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty**

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

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

#### **3.1 Key sources of estimation uncertainty**

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

#### **Useful lives of property, plant and equipment**

The Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. At the end of this reporting period, the Directors have determined that there was no adjustment required to the Group's property, plant and equipment's useful lives.

#### **Impairment of goodwill**

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

The carrying amount of goodwill at 30 June 2013 was \$20.7 million (2012: \$20.7 million). No impairment was recognised during the year. Details of goodwill are set out in note 15.



## Notes to the Preliminary Financial Report (continued)

### 4. Segment Information

#### 4.1 Products and services from which reportable segments derive their revenues

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

- Vessels
- Supply Base
- Slipway

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

#### 4.2 Segment revenues and results

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

|                           | Revenue from external customers |                | Inter-segment Revenue |                | Total Segment Revenue |                |
|---------------------------|---------------------------------|----------------|-----------------------|----------------|-----------------------|----------------|
|                           | 2013<br>\$'000                  | 2012<br>\$'000 | 2013<br>\$'000        | 2012<br>\$'000 | 2013<br>\$'000        | 2012<br>\$'000 |
| <b>Segment Revenues</b>   |                                 |                |                       |                |                       |                |
| Vessels                   | 283,718                         | 275,483        | -                     | 1              | 283,718               | 275,484        |
| Supply Base               | 148,341                         | 89,743         | 1,966                 | 2,824          | 150,307               | 92,567         |
| Slipway                   | 17,431                          | 15,132         | 7,463                 | 9,692          | 24,894                | 24,824         |
| Total                     | 449,490                         | 380,358        | 9,429                 | 12,517         | 458,919               | 392,875        |
| Eliminations              |                                 |                |                       |                | (9,429)               | (12,517)       |
| <b>Total consolidated</b> |                                 |                |                       |                | <b>449,490</b>        | <b>380,358</b> |

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

## Notes to the Preliminary Financial Report (continued)

### 4. Segment Information (continued)

|  | 2013<br>\$'000 | 2012<br>\$'000 |
|--|----------------|----------------|
| <b>Segment Profit</b>                        |                |                |
| Vessels                                      | 44,469         | 52,518         |
| Supply Base                                  | 52,275         | 36,729         |
| Slipway                                      | 3,479          | 2,061          |
| Eliminations                                 | (244)          | 458            |
| Total for continuing operations              | 99,979         | 91,766         |
| Investment revenue                           | 1,261          | 1,962          |
| Other losses                                 | (163)          | (345)          |
| Central administration costs                 | (11,427)       | (12,013)       |
| Share of profit of jointly controlled entity | 3,893          | 362            |
| Unallocated finance costs                    | (9,788)        | (10,130)       |
| <b>Profit before income tax</b>              | <b>83,755</b>  | <b>71,602</b>  |

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

#### 4.3 Segment Assets

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

|                       | 2013<br>\$'000 | 2012<br>\$'000 |
|-----------------------|----------------|----------------|
| <b>Segment assets</b> |                |                |
| Vessels               | 397,881        | 313,995        |
| Supply Base           | 186,245        | 163,295        |
| Slipway               | 16,263         | 13,723         |
| Unallocated           | 74,088         | 66,872         |
| <b>Total</b>          | <b>674,477</b> | <b>557,885</b> |

For the purposes of monitoring segment performance and allocating resources between segments, all assets are allocated to reportable segments other than cash, investments in jointly controlled entities, other financial assets and central administration assets.

## Notes to the Preliminary Financial Report (continued)

### 4. Segment Information (continued)

#### 4.4 Other segment information

|              | Depreciation and amortisation |                | Additions to non-current assets |                | Carrying value of equity accounted investments |                |
|--------------|-------------------------------|----------------|---------------------------------|----------------|--|----------------|
|              | 2013<br>\$'000                | 2012<br>\$'000 | 2013<br>\$'000                  | 2012<br>\$'000 | 2013<br>\$'000                                 | 2012<br>\$'000 |
| Vessels      | 23,760                        | 20,519         | 74,682                          | 49,850         | -  | -              |
| Supply Base  | 12,053                        | 4,970          | 16,553                          | 32,662         | -  | -              |
| Slipway      | 692                           | 607            | 2,502                           | 607            | -  | -              |
| Unallocated  | 1,004                         | 744            | 1,901                           | 970            | 8,915  | 5,022          |
| <b>Total</b> | <b>37,509</b>                 | <b>26,840</b>  | <b>95,638</b>                   | <b>84,089</b>  | <b>8,915</b>                                   | <b>5,022</b>   |

#### 4.5 Revenue from major services

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

|                               | 2013<br>\$'000 | 2012<br>\$'000 |
|-------------------------------|----------------|----------------|
| Vessel services               | 283,095        | 273,994        |
| Property and equipment rental | 66,508         | 39,613         |
| Supply Base services          | 81,769         | 50,035         |
| Slipway services              | 17,432         | 15,131         |
| Others                        | 686            | 1,585          |
| <b>Total</b>                  | <b>449,490</b> | <b>380,358</b> |

#### 4.6 Geographical information

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

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

|              | Revenue from external customers |                | Non-current assets* |                |
|--------------|---------------------------------|----------------|---------------------|----------------|
|              | 2013<br>\$'000                  | 2012<br>\$'000 | 2013<br>\$'000      | 2012<br>\$'000 |
| Australia    | 435,602                         | 367,350        | 409,195             | 349,579        |
| Other        | 13,888                          | 13,008         | 59,710              | 48,810         |
| <b>Total</b> | <b>449,490</b>                  | <b>380,358</b> | <b>468,905</b>      | <b>398,389</b> |

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

#### 4.7 Information about major customers

Included in revenues arising from vessel and supply base services are revenues of approximately \$194.6 million (2012: \$142.2 million) which arose from sales to the Group's largest customer and revenues of approximately \$55.1 million (2012: \$45.5 million) which arose from sales to the Group's second largest customer.

## Notes to the Preliminary Financial Report (continued)

### 5. Profit from Operations

|  | <b>2013</b>    | <b>2012</b>    |
|--|----------------|----------------|
|  | <b>\$'000</b>  | <b>\$'000</b>  |
| <b>(a) Revenue from continuing operations consisted of the following items:</b>                |                |                |
| Rendering of services  | 382,982        | 340,745        |
| Rental revenue   | 66,508         | 39,613         |
|  | <b>449,490</b> | <b>380,358</b> |
| <b>(b) Other losses</b>  |                |                |
| Net foreign exchange losses  | (180)          | (197)          |
| Gain/(loss) on disposal of:  |                |                |
| Property, plant and equipment  | 17             | (148)          |
|  | <b>(163)</b>   | <b>(345)</b>   |
| <b>(c) Finance costs</b>   |                |                |
| Interest expense – other entities  | 8,746          | 7,979          |
| Finance charges – lease finance charges  | 1,042          | 2,151          |
|  | <b>9,788</b>   | <b>10,130</b>  |
| <b>(d) Profit for the year</b>   |                |                |
| <b>Profit for the year before income tax has been arrived at after charging the following:</b> |                |                |
| <b>(i) Depreciation</b>  |                |                |
| Leasehold buildings and improvements   | 10,152         | 3,969          |
| Vessels  | 21,970         | 18,469         |
| Vessels – hire purchase  | 1,574          | 1,911          |
| Plant and equipment  | 3,038          | 1,807          |
| Plant and equipment – hire purchase  | 775            | 684            |
|  | <b>37,509</b>  | <b>26,840</b>  |
| <b>(ii) Impairment losses</b>  |                |                |
| Impairment loss recognised on trade receivables  | 31             | 92             |
| Reversal of impairment losses recognised on trade receivables                                  | (69)           | (139)          |
| <b>(iii) Employee benefits</b>   |                |                |
| Post employment benefits:  |                |                |
| Defined contribution plans   | 7,185          | 5,873          |
| Share based payments:  |                |                |
| Equity settled share based payments  | 1,984          | 2,123          |
| Other employee benefits  | 166,761        | 141,405        |
|  | <b>175,930</b> | <b>149,401</b> |

**Notes to the Preliminary Financial Report (continued)**

**6. Earnings Per Share**

|                            | <b>2013</b>            | <b>2012</b>            |
|----------------------------|------------------------|------------------------|
|                            | <b>Cents per Share</b> | <b>Cents per Share</b> |
| Basic earnings per share   | 26.89                  | 23.44                  |
| Diluted earnings per share | 26.47                  | 22.93                  |

**Basic Earnings Per Share:**

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

|            | <b>2013</b>   | <b>2012</b>   |
|------------|---------------|---------------|
|            | <b>\$'000</b> | <b>\$'000</b> |
| Net Profit | 60,298        | 51,036        |

|   | <b>2013</b>    | <b>2012</b>    |
|---|----------------|----------------|
|   | <b>No.'000</b> | <b>No.'000</b> |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | 224,229        | 217,717        |

**Diluted Earnings Per Share:**

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

|            | <b>2013</b>   | <b>2012</b>   |
|------------|---------------|---------------|
|            | <b>\$'000</b> | <b>\$'000</b> |
| Net Profit | 60,298        | 51,036        |

|  | <b>2013</b>    | <b>2012</b>    |
|--|----------------|----------------|
|  | <b>No.'000</b> | <b>No.'000</b> |
| Weighted average number of ordinary shares used in the calculation of basic earnings per share   | 224,229        | 217,717        |
| Shares deemed to be issued for no consideration in respect of:<br>Employee options and rights    | 3,568          | 4,859          |
| Weighted average number of ordinary shares used in the calculation of diluted earnings per share | 227,797        | 222,576        |

## Notes to the Preliminary Financial Report (continued)

### 7. Income Taxes

#### (a) Income tax recognised in profit or loss

| Tax expense comprises:  | <b>2013</b>   | <b>2012</b>   |
|---|---------------|---------------|
|   | <b>\$'000</b> | <b>\$'000</b> |
| Current tax expense in respect of the current year                                      | 22,810        | 14,088        |
| Deferred tax expense in respect of the current year                                     | 399           | 6,471         |
| Adjustment recognised in the current year in relation to the current tax of prior years | 248           | 7             |
| <b>Total tax expense</b>  | <b>23,457</b> | <b>20,566</b> |

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

|   |               |               |
|---|---------------|---------------|
| <b>Profit from operations</b>   | <b>83,755</b> | <b>71,602</b> |
| Income tax expense calculated at 30%  | 25,126        | 21,480        |
| Effect of revenue that is exempt from taxation  | (1,156)       | (624)         |
| Effect of expenses that are not deductible in determining taxable profit                | 64            | 456           |
| Effect of tax deductible items not included in accounting profit                        | (559)         | (564)         |
| Effect of different tax rates of subsidiaries operating in other jurisdictions          | (266)         | (189)         |
|   | 23,209        | 20,559        |
| Adjustment recognised in the current year in relation to the current tax of prior years | 248           | 7             |
|   | <b>23,457</b> | <b>20,566</b> |

The Group was subject to taxes in a number of jurisdictions and the tax rates payable under these are:

|  | <b>2013</b> | <b>2012</b> |
|--|-------------|-------------|
|  | <b>%</b>    | <b>%</b>    |
| Australia                              | 30          | 30          |
| Singapore                              | 17          | 17          |
| Mexico                                 | 30          | 30          |
| Brunei                                 | -           | 20          |
| Indonesia (withholding tax on revenue) | 2.64        | -           |
| Thailand                               | 20          | -           |
| Malaysia                               | 25          | -           |

#### (b) Income tax recognised directly in equity

|                      |                |                |
|----------------------|----------------|----------------|
| Employee share trust | (1,622)        | (1,718)        |
|                      | <b>(1,622)</b> | <b>(1,718)</b> |

#### (c) Current tax liabilities

|                    |                |                |
|--------------------|----------------|----------------|
| Income tax payable | (8,912)        | (7,426)        |
|                    | <b>(8,912)</b> | <b>(7,426)</b> |

#### (d) Deferred tax balances

|                          |                 |                 |
|--------------------------|-----------------|-----------------|
| Deferred tax assets      | 9,234           | 7,199           |
| Deferred tax liabilities | (22,252)        | (21,439)        |
|                          | <b>(13,018)</b> | <b>(14,240)</b> |

## Notes to the Preliminary Financial Report (continued)

### 7. Income Taxes (continued)

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

|  | Opening<br>balance | Recognised<br>in profit or<br>loss | Recognised<br>in equity | Acquisitions | Closing<br>balance |
|--|--------------------|------------------------------------|-------------------------|--------------|--------------------|
|  | \$'000             | \$'000                             | \$'000                  | \$'000       | \$'000             |
| <b>2013</b>                            |                    |                                    |                         |              |                    |
| <b>Gross deferred tax liabilities:</b> |                    |                                    |                         |              |                    |
| Property, plant and equipment          | (19,931)           | (554)                              | -                       | -            | (20,485)           |
| Inventory                              | (391)              | (297)                              | -                       | -            | (688)              |
| Receivables                            | (949)              | 237                                | -                       | -            | (712)              |
| Other                                  | (168)              | (198)                              | -                       | -            | (366)              |
|  | <b>(21,439)</b>    | <b>(812)</b>                       | <b>-</b>                | <b>-</b>     | <b>(22,252)</b>    |
| <b>Gross deferred tax assets:</b>      |                    |                                    |                         |              |                    |
| Provisions                             | 2,232              | 917                                | -                       | -            | 3,149              |
| Share issue costs                      | 218                | (73)                               | -                       | -            | 145                |
| Employee share trust                   | 2,639              | (2,011)                            | 1,622                   | -            | 2,250              |
| Unearned revenue                       | 1,896              | 1,474                              | -                       | -            | 3,370              |
| Other                                  | 214                | 106                                | -                       | -            | 320                |
|  | <b>7,199</b>       | <b>413</b>                         | <b>1,622</b>            | <b>-</b>     | <b>9,234</b>       |
|  | <b>(14,240)</b>    | <b>(399)</b>                       | <b>1,622</b>            | <b>-</b>     | <b>(13,018)</b>    |
| <b>2012</b>                            |                    |                                    |                         |              |                    |
| <b>Gross deferred tax liabilities:</b> |                    |                                    |                         |              |                    |
| Property, plant and equipment          | (15,348)           | (4,063)                            | -                       | (520)        | (19,931)           |
| Inventory                              | (560)              | 169                                | -                       | -            | (391)              |
| Receivables                            | (53)               | (896)                              | -                       | -            | (949)              |
| Other                                  | (37)               | (130)                              | -                       | -            | (168)              |
|  | <b>(15,998)</b>    | <b>(4,920)</b>                     | <b>-</b>                | <b>(520)</b> | <b>(21,439)</b>    |
| <b>Gross deferred tax assets:</b>      |                    |                                    |                         |              |                    |
| Provisions                             | 1,663              | 569                                | -                       | -            | 2,232              |
| Share issue costs                      | 384                | (166)                              | -                       | -            | 218                |
| Employee share trust                   | -                  | 921                                | 1,718                   | -            | 2,639              |
| Unearned revenue                       | 3,891              | (1,995)                            | -                       | -            | 1,896              |
| Unused tax losses                      | 978                | (978)                              | -                       | -            | -                  |
| Other                                  | 116                | 98                                 | -                       | -            | 214                |
|  | <b>7,032</b>       | <b>(1,551)</b>                     | <b>1,718</b>            | <b>-</b>     | <b>7,199</b>       |
|  | <b>(8,966)</b>     | <b>(6,471)</b>                     | <b>1,718</b>            | <b>(520)</b> | <b>(14,240)</b>    |

#### (e) Tax consolidation

##### Relevance of tax consolidation to the Group

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

## Notes to the Preliminary Financial Report (continued)

### 7. Income Taxes (continued)

#### Nature of tax funding arrangements and tax sharing agreements

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

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

### 8. Dividends Provided for or Paid

|  | 2013<br>\$'000 | 2012<br>\$'000 |
|--|----------------|----------------|
| Adjusted franking account balance                              | 32,483         | 22,913         |
| Impact on franking account balance of dividends not recognised | (6,899)        | (5,643)        |

|                                   | 2013            |              | 2012            |              |
|-----------------------------------|-----------------|--------------|-----------------|--------------|
|                                   | Cents Per Share | Total \$'000 | Cents Per Share | Total \$'000 |
| <b>Recognised Amounts</b>         |                 |              |                 |              |
| <b>Fully paid ordinary shares</b> |                 |              |                 |              |
| Interim dividend:                 |                 |              |                 |              |
| Fully franked at a 30% tax rate   | 5.5             | 12,467       | 5.0             | 10,901       |
| Final dividend:                   |                 |              |                 |              |
| Fully franked at a 30% tax rate   | 6.0             | 13,297       | 5.0             | 10,774       |
| <b>Unrecognised Amounts</b>       |                 |              |                 |              |
| <b>Fully paid ordinary shares</b> |                 |              |                 |              |
| Final dividend:                   |                 |              |                 |              |
| Fully franked at a 30% tax rate   | 7.0             | 16,097       | 6.0             | 13,167       |

On 21 August 2013, the Directors declared a fully franked final dividend of 7.0 cents per share in respect of the financial year ended 30 June 2013 to the holders of fully paid ordinary shares, to be paid on 27 September 2013. The dividend will be paid to all shareholders on the register of members on 6 September 2013. This dividend has not been included as a liability in these financial statements.

### 9. Trade and Other Receivables

|                                    | 2013<br>\$'000 | 2012<br>\$'000 |
|------------------------------------|----------------|----------------|
| Trade receivables                  | 116,300        | 79,827         |
| Allowance for doubtful debts       | (59)           | (106)          |
| Other receivables                  | 4,487          | 2,270          |
| Goods and services tax recoverable | 1,503          | 1,450          |
|                                    | <b>122,231</b> | <b>83,441</b>  |



## Notes to the Preliminary Financial Report (continued)

### 9. Trade and other receivables (continued)

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

Of the trade receivables balance at the end of the year, \$62.5 million (30 June 2012: \$33.8 million) is outstanding from the Group's largest debtor and \$13.5 million (30 June 2012: \$12.8 million) from the Group's second largest debtor.

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

#### Ageing of past due but not impaired

|               | 2013<br>\$'000 | 2012<br>\$'000 |
|---------------|----------------|----------------|
| 31-60 days    | 40,054         | 24,103         |
| 61-90 days    | 19,181         | 4,409          |
| 91-120 days   | 300            | 1,789          |
| 121-150 days  | 296            | 3,278          |
| Over 150 days | 653            | 3              |
| <b>Total</b>  | <b>60,484</b>  | <b>33,582</b>  |

#### Movement in the allowance for doubtful debts

|   |           |            |
|---|-----------|------------|
| Balance at the beginning of the year        | 106       | 171        |
| Impairment losses recognised on receivables | 31        | 92         |
| Amounts written off as uncollectible        | (10)      | (18)       |
| Amounts recovered during the year           | (69)      | (139)      |
| <b>Balance at the end of the year</b>       | <b>59</b> | <b>106</b> |

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

### 10. Inventories

|                  | 2013<br>\$'000 | 2012<br>\$'000 |
|------------------|----------------|----------------|
| Fuel – at cost   | 1,974          | 1,426          |
| Consumables      | 320            | -              |
| Work in progress | 160            | 129            |
|                  | <b>2,454</b>   | <b>1,555</b>   |

### 11. Other Current Assets

|             |              |               |
|-------------|--------------|---------------|
| Prepayments | <b>9,118</b> | <b>12,195</b> |
|-------------|--------------|---------------|

## Notes to the Preliminary Financial Report (continued)

### 12. Investments Accounted For Using The Equity Method

| Name of Entity                        | Principal Activity  | Country of Incorporation | Ownership Interest |        | Consolidated Carrying Amount |             |
|---------------------------------------|---|--------------------------|--------------------|--------|------------------------------|-------------|
|                                       |   |                          | 2013 %             | 2012 % | 2013 \$'000                  | 2012 \$'000 |
| <b>Jointly Controlled Entity</b>      |   |                          |                    |        |                              |             |
| Toll Mermaid Logistics Broome Pty Ltd | Supply base services in Broome for the offshore oil and gas industry. | Australia                | 50                 | 50     | 8,915                        | 5,022       |
| Total                                 |   |                          |                    |        | 8,915                        | 5,022       |

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

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

|   | 2013 \$'000 | 2012 \$'000 |
|---|-------------|-------------|
| <b>Financial position:</b>                                    |             |             |
| Total assets  | 27,625      | 15,082      |
| Total liabilities   | (9,795)     | (5,039)     |
| Net assets  | 17,830      | 10,043      |
| Group's share of jointly controlled entity net assets         | 8,915       | 5,022       |
| <b>Financial performance:</b>                                 |             |             |
| Total revenue   | 48,042      | 12,925      |
| Total profit before tax for the year                          | 11,124      | 1,034       |
| Group's share of jointly controlled entity profit before tax  | 5,562       | 517         |
| Group's share of jointly controlled entity income tax expense | (1,669)     | (155)       |
| Group's share of jointly controlled entity profit             | 3,893       | 362         |

### Contingent Liabilities and Capital Commitments

The Company's share of the contingent liabilities, capital commitments and other expenditure commitments of the jointly controlled entity is nil (2012: nil).

### 13. Other Financial Assets

|  | 2013 \$'000  | 2012 \$'000  |
|--|--------------|--------------|
| <b>Current</b>                         |              |              |
| <b>Derivatives</b>                     |              |              |
| Interest Rate Swaps                    | (121)        | -            |
| Foreign currency forward contracts     | 2,151        | -            |
|  | <b>2,030</b> | <b>-</b>     |
| <b>Non-Current</b>                     |              |              |
| <b>Loans and receivables</b>           |              |              |
| Loans to jointly controlled entity (i) | 2,000        | 2,000        |
|  | <b>2,000</b> | <b>2,000</b> |

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

## Notes to the Preliminary Financial Report (continued)

### 14. Property, Plant and Equipment

|   | Leasehold<br>Buildings and<br>improvements<br>at cost<br>\$'000 | Vessels<br>at cost<br>\$'000 | Vessels –<br>Hire<br>purchase<br>at cost<br>\$'000 | Plant and<br>Equipment<br>at cost<br>\$'000 | Plant and<br>Equipment<br>– hire<br>purchase<br>at cost<br>\$'000 | Total<br>\$'000  |
|---|---|------------------------------|--|---|---|------------------|
| <b>Gross carrying amount:</b>                 |   |                              |  |   |   |                  |
| Balance at 1 July 2011                        | 107,450   | 203,857                      | 62,261   | 15,431                                      | 9,010   | 398,009          |
| Additions                                     | 7,284   | 49,815                       | 157  | 1,675                                       | 488   | 59,419           |
| Acquisitions through<br>business combinations | 3,611   | -                            | -  | 349   | -   | 3,960            |
| Disposals                                     | -   | (130)                        | -  | (260)                                       | (110)   | (500)            |
| Transfers                                     | -   | 36,132                       | (36,129)   | (3)   | -   | -                |
| Net currency exchange<br>differences          | -   | 7,202                        | -  | 3   | -   | 7,205            |
| Balance at 1 July 2012                        | 118,345   | 296,876                      | 26,289   | 17,195                                      | 9,388   | 468,093          |
| Additions                                     | 15,069  | 74,673                       | -  | 5,043                                       | 853   | 95,638           |
| Disposals                                     | (11)  | (5,160)                      | (492)  | (35)  | -   | (5,698)          |
| Transfers                                     | -   | 7,599                        | (7,599)  | -   | -   | -                |
| Net currency exchange<br>differences          | -   | 14,341                       | -  | 20  | -   | 14,361           |
| <b>Balance at 30 June<br/>2013</b>            | <b>133,403</b>  | <b>388,329</b>               | <b>18,198</b>                                      | <b>22,223</b>                               | <b>10,241</b>   | <b>572,394</b>   |
| <b>Accumulated depreciation:</b>              |   |                              |  |   |   |                  |
| Balance at 1 July 2011                        | (13,899)  | (31,618)                     | (12,291)   | (3,983)                                     | (1,534)   | (63,325)         |
| Disposals                                     | -   | -                            | -  | 196   | 56  | 252              |
| Transfers                                     | -   | (9,280)                      | 9,279  | 1   | -   | -                |
| Depreciation expense                          | (3,969)   | (18,469)                     | (1,911)  | (1,807)                                     | (684)   | (26,840)         |
| Depreciation capitalised<br>in assets         | -   | -                            | -  | -   | (4)   | (4)              |
| Net currency exchange<br>differences          | -   | (495)                        | -  | (2)   | -   | (497)            |
| Balance at 1 July 2012                        | (17,868)  | (59,862)                     | (4,923)  | (5,595)                                     | (2,166)   | (90,414)         |
| Disposals                                     | 10  | 5,158                        | 492  | 31  | -   | 5,691            |
| Transfers                                     | -   | (1,184)                      | 1,184  | -   | -   | -                |
| Depreciation expense                          | (10,152)  | (21,970)                     | (1,574)  | (3,038)                                     | (775)   | (37,509)         |
| Net currency exchange<br>differences          | -   | (1,961)                      | -  | (6)   | -   | (1,967)          |
| <b>Balance at 30 June<br/>2013</b>            | <b>(28,010)</b>   | <b>(79,819)</b>              | <b>(4,821)</b>                                     | <b>(8,608)</b>                              | <b>(2,941)</b>  | <b>(124,199)</b> |
| <b>Net book value:</b>                        |   |                              |  |   |   |                  |
| As at 30 June 2012                            | 100,477   | 237,014                      | 21,366   | 11,600                                      | 7,222   | 377,679          |
| As at 30 June 2013                            | <b>105,393</b>  | <b>308,510</b>               | <b>13,377</b>                                      | <b>13,615</b>                               | <b>7,300</b>  | <b>448,195</b>   |

### Assets Pledged as Security

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

## Notes to the Preliminary Financial Report (continued)

### 15. Goodwill

|                               | <b>2013</b>   | <b>2012</b>   |
|-------------------------------|---------------|---------------|
|                               | <b>\$'000</b> | <b>\$'000</b> |
| Cost                          | 20,710        | 20,710        |
| Accumulated impairment losses | -             | -             |
|                               | <b>20,710</b> | <b>20,710</b> |

#### Cost

|   |               |               |
|---|---------------|---------------|
| Balance at beginning of year  | 20,710        | -             |
| Amount recognised from business combination occurring during the year | -             | 20,710        |
| Balance at end of year  | <b>20,710</b> | <b>20,710</b> |

#### Allocation of goodwill to cash generating units

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

The recoverable amount of this cash-generating unit is determined based on a value in use calculation, which uses cash flow projections based on financial budgets approved by the Directors covering a five year period, and a discount rate of 11.50% per annum (2012: 12% per annum).

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

### 16. Trade and Other Payables

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

|                                | <b>2013</b>   | <b>2012</b>   |
|--------------------------------|---------------|---------------|
|                                | <b>\$'000</b> | <b>\$'000</b> |
| Trade payables                 | 8,544         | 10,204        |
| Other payables and accruals    | 34,820        | 28,523        |
| Goods and services tax payable | 4,965         | 2,887         |
|                                | <b>48,329</b> | <b>41,614</b> |

### 17. Unearned Revenue

|             |               |              |
|-------------|---------------|--------------|
| Current     | 11,274        | 4,023        |
| Non-current | -             | 2,748        |
|             | <b>11,274</b> | <b>6,771</b> |

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

## Notes to the Preliminary Financial Report (continued)

### 18. Borrowings

#### Secured – at amortised cost

| <b>Current</b>              | <b>2013</b>    | <b>2012</b>    |
|-----------------------------|----------------|----------------|
|                             | <b>\$'000</b>  | <b>\$'000</b>  |
| Hire purchase liability (i) | 7,796          | 6,392          |
| Bank loans (ii)             | 21,400         | 15,370         |
|                             | <b>29,196</b>  | <b>21,762</b>  |
| <b>Non-Current</b>          |                |                |
| Hire purchase liability (i) | 5,443          | 12,350         |
| Bank loans (ii)             | 145,000        | 124,013        |
|                             | <b>150,443</b> | <b>136,363</b> |

#### Summary of borrowing arrangements:

- (i) Secured by hire purchase assets, the borrowings are fixed interest rate debt with repayment periods not exceeding 5 years. The current weighted average effective interest rate on the hire purchase liabilities is 7.10% (2012: 7.45%).
- (ii) Prior to August 2011, the Company held a number of individual bank loans which were secured by mortgage debentures over the assets and undertakings of certain controlled entities, registered ships mortgages over the vessels owned by certain controlled entities and a registered mortgage by way of sub-demise of the Dampier Supply Base lease. The loans were variable interest rate debt with repayment periods up to 9 years.

In August 2011, the bank loans held with NAB were consolidated into a single Loan Facility Agreement for a term of 5 years. In April 2012 the Company entered into a separate Loan Facility Agreement with ANZ, also with a term of 5 years. The new Loan Facilities continue to be fully secured by fixed and floating charges given by certain controlled entities within the Group, registered ship mortgages over a number of vessels owned by certain controlled entities, real property mortgages, and a mortgage by way of sub-demise over the Dampier Supply Base lease. The assets secured under these Loan Facilities were consolidated under a Club structure whereby the assets are mortgaged by a security trustee who holds these mortgages on trust for the creditor beneficiaries, NAB and ANZ. The current weighted average effective interest rate on the bank loans is 5.48% (2012: 6.24%).

### 19. Other Financial Liabilities

|                                    | <b>2013</b>   | <b>2012</b>   |
|------------------------------------|---------------|---------------|
|                                    | <b>\$'000</b> | <b>\$'000</b> |
| <b>Derivatives</b>                 |               |               |
| Foreign currency forward contracts | -             | 73            |
| Interest rate swaps                | -             | 692           |
|                                    | <b>-</b>      | <b>765</b>    |

### 20. Provisions

#### Current

|                                  |              |              |
|----------------------------------|--------------|--------------|
| Employee benefits – annual leave | <b>8,293</b> | <b>5,961</b> |
|----------------------------------|--------------|--------------|

#### Non-current

|  |              |              |
|--|--------------|--------------|
| Employee benefits – long service leave | <b>1,986</b> | <b>1,204</b> |
|--|--------------|--------------|

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

## Notes to the Preliminary Financial Report (continued)

### 21. Issued Capital

|   | 2013<br>\$'000 | 2012<br>\$'000 |
|---|----------------|----------------|
| 229,962,314 fully paid ordinary shares<br>(2012: 219,453,350) | <b>226,382</b> | <b>197,694</b> |

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

| Fully Paid Ordinary Shares                             | 2013<br>No.'000                        | 2013<br>\$'000 | 2012<br>No.'000 | 2012<br>\$'000 |
|--|--|----------------|-----------------|----------------|
|  | Balance at beginning of financial year | 219,453        | 197,694         | 215,377        |
| Issue of shares under employee option plans            | 7,506                                  | 16,102         | 1,217           | 2,208          |
| Issue of shares under dividend reinvestment plan       | 3,003                                  | 10,044         | 2,859           | 8,660          |
| Transfer from employee equity settled benefits reserve | -                                      | 2,542          | -               | 410            |
| <b>Balance at end of financial year</b>                | <b>229,962</b>                         | <b>226,382</b> | <b>219,453</b>  | <b>197,694</b> |

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

### Share Options & Rights

As at 30 June 2013, executives and employees held options and rights over 4,775,681 ordinary shares (2012: 11,622,754) in aggregate.

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

### 22. Reserves

|   | 2013<br>\$'000 | 2012<br>\$'000  |
|---|----------------|-----------------|
| Employee equity settled benefits        | 6,660          | 5,596           |
| Hedging                                 | 2,030          | (765)           |
| Foreign currency translation            | (6,410)        | (20,576)        |
| <b>Balance at end of financial year</b> | <b>2,280</b>   | <b>(15,745)</b> |

#### Employee equity settled benefits reserve

|   |              |              |
|---|--------------|--------------|
| Balance at beginning of financial year  | 5,596        | 2,165        |
| Share based payment                     | 1,984        | 2,123        |
| Transfer to share capital               | (2,542)      | (410)        |
| Deferred income tax benefit             | 1,622        | 1,718        |
| <b>Balance at end of financial year</b> | <b>6,660</b> | <b>5,596</b> |

## Notes to the Preliminary Financial Report (continued)

### 22. Reserves (continued)

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

|  | 2013<br>\$'000 | 2012<br>\$'000 |
|--|----------------|----------------|
| <b>Hedging reserve</b>   |                |                |
| Balance at beginning of financial year                                     | (765)          | (1,612)        |
| Gain/(Loss) on cash flow hedges  | 1,822          | (921)          |
| Transfer of cash flow hedge loss to initial carrying amount of fixed asset | 973            | 1,768          |
| <b>Balance at end of financial year</b>                                    | <b>2,030</b>   | <b>(765)</b>   |

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

|   | 2013<br>\$'000 | 2012<br>\$'000  |
|---|----------------|-----------------|
| <b>Foreign currency translation reserve</b> |                |                 |
| Balance at beginning of financial year      | (20,576)       | (27,712)        |
| Translation of foreign operations           | 14,166         | 7,136           |
| <b>Balance at end of financial year</b>     | <b>(6,410)</b> | <b>(20,576)</b> |

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

### 23. Retained Earnings

|  | 2013<br>\$'000 | 2012<br>\$'000 |
|--|----------------|----------------|
| Balance at beginning of financial year       | 139,830        | 110,469        |
| Profit attributable to owners of the Company | 60,298         | 51,036         |
| Dividend provided for or paid                | (25,764)       | (21,675)       |
| <b>Balance at end of financial year</b>      | <b>174,364</b> | <b>139,830</b> |

### 24. Notes to the Statement of Cash flow

#### (a) Reconciliation of cash and cash equivalents

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

|                           | 2013<br>\$'000 | 2012<br>\$'000 |
|---------------------------|----------------|----------------|
| Cash and cash equivalents | 58,824         | 55,283         |

**Notes to the Preliminary Financial Report (continued)**

**24. Notes to the Statement of Cash flow (continued)**

**(b) Non cash financing and investing activities**

During the financial year, the Group acquired property, plant and equipment with an aggregate value of \$1.1 million (2012: \$0.5 million), which was financed by bank finance and hire purchase agreements. These acquisitions will be reflected in the cash flow statement as repayment of borrowings over the term of the facilities.

In addition, the Company issued shares to the value of \$10.0 million (2012: \$8.7 million) under the Dividend Reinvestment Plan.

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

|  | <b>2013</b>   | <b>2012</b>   |
|--|---------------|---------------|
|  | <b>\$'000</b> | <b>\$'000</b> |
| Profit for the year                                  | 60,298        | 51,036        |
| Depreciation of non-current assets                   | 37,509        | 26,840        |
| Gain/(Loss) on sale of property, plant and equipment | (17)          | 148           |
| Unrealised foreign exchange loss                     | 87            | 254           |
| Allowance for doubtful debts                         | 21            | 74            |
| Bad debts  | 10            | 18            |
| Reversal of impairment losses on trade receivables   | (69)          | (139)         |
| Equity settled share based payment                   | 1,984         | 2,123         |
| Share of jointly controlled entity profit            | (3,893)       | (362)         |
| Change in net assets and liabilities:                |               |               |
| Current trade and other receivables                  | (38,569)      | (18,312)      |
| Prepayments  | (8)           | (628)         |
| Inventories  | (894)         | 598           |
| Provisions   | 3,106         | 1,964         |
| Trade and other payables                             | 4,875         | 18,694        |
| Unearned revenue                                     | 4,503         | (6,199)       |
| Increase in deferred tax liabilities                 | 493           | 7,395         |
| Increase/(decrease) in current tax liability         | 1,399         | (3,910)       |
| <b>Net cash flows from operating activities</b>      | <b>70,835</b> | <b>79,594</b> |

**(d) Financing facilities**

|  | <b>2013</b>    | <b>2012</b>    |
|--|----------------|----------------|
|  | <b>\$'000</b>  | <b>\$'000</b>  |
| Secured loan facilities with various maturity dates through to 2017 and which may be extended by mutual agreement: |                |                |
| - Amount used  | 166,400        | 139,383        |
| - Amount unused  | 16,000         | 14,917         |
|  | <b>182,400</b> | <b>154,300</b> |
| Secured bank overdraft:  |                |                |
| - Amount used  | -              | -              |
| - Amount unused  | 4,000          | 4,000          |
|  | <b>4,000</b>   | <b>4,000</b>   |



**Notes to the Preliminary Financial Report (continued)**

**25. Commitments for Expenditure**

| <b>Capital expenditure commitments</b> | <b>2013<br/>\$'000</b> | <b>2012<br/>\$'000</b> |
|--|------------------------|------------------------|
| Plant and Equipment                    | 3,866                  | 666                    |
| Leasehold Improvements                 | 3,727                  | 367                    |
| Vessels                                | 28,751                 | 30,772                 |
|  | <b>36,344</b>          | <b>31,805</b>          |