



MERMAID MARINE  
AUSTRALIA LTD

# MERMAID MARINE AUSTRALIA LIMITED

## 2013 HALF YEAR FINANCIAL REPORT

### MMA CONTINUES TO DELIVER STRONG EARNINGS GROWTH

The Directors of Mermaid Marine Australia Ltd (“MMA”) (ASX: MRM) are pleased to announce a 22% increase in pre-tax profit to \$45.7 million for the six months ended 31 December 2012.

The result was driven by strong demand for services across each of the Company’s Vessel, Supply Base and Slipway businesses.

### Financial Highlights

	Half year ended 31 Dec 2012	Half year ended 31 Dec 2011	Variance on PCP
<b>Revenue</b>	\$222.0M	\$192.9M	↑15%
<b>EBITDA</b>	\$63.9M	\$55.3M	↑16%
<b>Profit before Tax</b>	\$45.7M	\$37.6M	↑22%
<b>NPAT</b>	\$32.5M	\$27.6M	↑18%
<b>EPS</b>	14.6c	12.8c	↑14%
<b>Interim Dividend</b>	5.5c	5.0c	↑10%

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

“MMA once again delivered strong growth for shareholders in the first half.

“Oil and gas activity in the North West Shelf was strong, with a number of projects under construction during the first half and significant drilling activity.

“The Company continued to invest in its fleet with two new vessels acquired during January and upgrades to infrastructure completed at the Dampier and Broome Supply Bases.

“MMA also secured two additional long term production support vessel contracts with BHP Billiton and Santos and a five year Supply Base contract with INPEX for the Broome Supply Base.

“The outlook for MMA’s business remains positive, with investment in the Australian oil and gas sector at historical highs and a number of major new projects commencing development”.

MMA’s Managing Director, Mr Jeffrey Weber, commented:

“I am very pleased with MMA’s performance in the first half.

“All business segments performed well, with the Company experiencing strong demand for its Vessels, Supply Base and Slipway services.

“Vessel utilisation was high, averaging 81% across the fleet.

“The Dampier Supply Base delivered a very strong first half result driven by high demand for services, combined with the impact of increased infrastructure.

“Activity on the Supply Base is expected to remain strong into the second half with consistent demand for land and services across the Base.

MMA’s overall performance for the second half will largely depend on vessel demand, however, the overall FY2013 performance will be one of continued growth”.

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**Financial Report and Appendix 4D  
for the Half Year Ended 31 December 2012**

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## Results for Announcement to the Market

**Current Reporting Period:** Half year ended 31 December 2012

**Previous Reporting Period:** Half year ended 31 December 2011

<b>Earnings</b>	<b>% Change</b>	<b>Amount \$'000</b>
Revenue from ordinary activities	+15.1%	221,986
Profit before tax	+21.5%	45,685
Profit from ordinary activities after tax attributable to members	+17.6%	32,492
Net profit attributable to members	+17.6%	32,492

Information regarding the increase in revenue and profit for the period is set out in the covering announcement accompanying this Report and in the Review of Operations in the Directors' Report on Page 4.

<b>Dividends</b>	<b>Amount per share</b>	<b>Franked Amount per share</b>
Interim dividend for 2013	5.5 cents	5.5 cents
Interim dividend for 2012	5.0 cents	5.0 cents
Final dividend for 2012	6.0 cents	6.0 cents

The Company has declared a fully franked interim dividend with respect to the year ended 30 June 2013 of 5.5 cents per share.

The Company paid a final fully franked dividend for the 2012 financial year of 6.0 cents per share on 28 September 2012.

The Record Date for entitlement to the interim dividend is 8 March 2013.

The Payment Date for the interim dividend is 28 March 2013.

### Dividend reinvestment plan

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

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 28 March 2013 must be received by the Company's share registry, Computershare Investor Services Pty Ltd, by the Record Date of 8 March 2013.

<b>Net Tangible Asset Backing</b>	<b>31 Dec 2012</b>	<b>31 Dec 2011</b>
Net tangible asset backing per share	\$1.46	\$1.30

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

MMA has not gained or lost control of any entities during the period up to the release of this Report.

## Directors' Report

The Directors of Mermaid Marine Australia Limited (MMA) submit herewith the Financial Report of the Company and its subsidiaries (the Group) for the half year ended 31 December 2012. In order to comply with the provisions of the Corporations Act 2001 (Cth), the Directors report as follows:

The names of the Directors of the Company during or since the end of the half year are:

- Mr A J Howarth AO
- Mr J A Weber
- Mr J H Carver
- Mr M F Bradley
- Mr H A Edwards
- Ms E Howell
- Mr C G Heng (appointed 5 July 2012)

### Review of Operations

The Company continued its track record of delivering strong growth in earnings in the first half of the 2013 financial year.

All business segments performed well during the first half, with the Company experiencing strong demand for its Vessels, Supply Base and Slipway services.

As compared to the previous corresponding period:

- Revenue increased by 15% to a total of \$222.0 million;
- Profit before tax increased by 22% to \$45.7 million;
- Net profit after tax (NPAT) increased by 18% to \$32.5 million;
- Earnings per share (EPS) increased by 14% to 14.6c; and
- Fully franked interim dividend of 5.5 cents per share, an increase of 10%.

### *Vessel Operations*

As compared to the previous corresponding period:

- Revenue from vessel operations decreased by 9% to \$142.1 million; and
- EBIT decreased by 29% to \$23.9 million.

Whilst down on the previous corresponding period, our Vessels division performed strongly during the first half. It should be noted that the previous corresponding period included profits from a number of one-off short term contracts, which boosted the result for that half year. Comparing the result to the second half of 2012, Vessel revenue was up 19% and EBIT increased by 26%.

Utilisation was high, averaging 81% across the overall fleet and was particularly strong on our specialised larger fleet.

MMA's vessel fleet remained active in supporting major oil and gas construction activities in the North West Shelf, with a number of vessels on various charters relating to the construction of the Gorgon Project on Barrow Island, the Gorgon DomGas Project and BHP Billiton's Macedon Project. MMA also supported Origin Energy's operations in the Bass Strait, with the Mermaid Vision contracted to support the Yolla and Thylacene production facilities during the period.

MMA was also successful in winning two additional long term production support contracts during the half. MMA was awarded a 5 year, \$50 million contract with BHP Billiton Petroleum for the provision of offshore marine support to the company's FPSO operations off the North West Coast of Western Australia. The Mermaid Cove, our newest OSV, will commence work on this contract in early 2013, with the Mermaid Supporter acting as a lead in vessel until the Cove is delivered. MMA also secured a 2 year, \$15 million contract with Santos for the provision of offshore marine support to their MV11 FPSO facility in the Carnarvon Basin. MMA continues to seek to balance its portfolio of longer term production support contracts with shorter term construction and spot projects.

## Directors' Report

### Review of Operations (continued)

MMA continued to invest in its fleet, with the Mermaid Cove delivered in January 2013. The Mermaid Cove is a technically sophisticated 53m DP2 Offshore Support Vessel that can work in close quarters to tankers during FPSO offtake operations. The Cove is an innovative vessel, in that it will be the first OSV operating off the North West Shelf to be fitted with a 10m 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 will also be equipped to undertake oil dispersant and recovery operations.

MMA also expanded its PSV fleet with the purchase of the Mermaid Inscription in January 2013. The Inscription is an 87 metre DP2 PSV, which has been configured to meet the latest requirements of the oil and gas offshore drilling and construction industries. It is expected that the Mermaid Inscription will commence operations in the North West Shelf of Australia around March 2013.

Internationally, the South East Asian market continues to be subdued. However, MMA having recently added a number of key personnel to its Singapore office, has been successful in expanding its customer base in the region, undertaking projects in Thailand, Malaysia and Myanmar during the half. Importantly, MMA recently secured a 20 month FPSO support contract for the Mermaid Resolution with Salamander Energy in Thailand. MMA will continue to focus on increasing its presence in the South East Asian market. Further afield, the Mermaid Vigilance continues on charter with Geokinetics in Mexico, undertaking seismic work on a project for PEMEX.

### *Dampier Supply Base*

As compared to the previous corresponding period:

- Revenue from the Dampier Supply Base operations increased by 114% to \$71.4 million; and
- EBIT increased by 109% to \$27.4 million.

The Dampier Supply Base delivered a very strong first half result, driven by high demand for services combined with the impact of increased infrastructure, with the Burrup Materials Facility and Mermaid Logistics Base both making a positive contribution to earnings during the period.

Drilling activity was strong with Chevron, Exxon Mobil, BHP Billiton, Hess, Santos, Apache and Vermillion all conducting drilling campaigns and resulting in high utilisation across the Supply Base and wharf.

The Mermaid Logistics Base (MLB) is performing well with strong demand for the new facility and a number of new clients on the Base. The MLB is progressively being upgraded with a major upgrade of a dedicated area for the Gorgon Project completed in November 2012.

MMA is also currently subleasing and operating the Woodside Burrup Materials Facility to support additional freight throughput for the Gorgon Project. It is expected that this arrangement will continue through the second half.

Activity on the Supply Base is expected to remain strong into the second half, with consistent demand for land and services across the Base.

Given the rapid growth the Dampier Supply Base has experienced in recent years, MMA is in the process of bolstering its management and supervisory team with a number of key personnel appointments. A number of these new appointments commenced in December/January and, while adding to the overhead, they are critical to ensure ongoing safe and reliable operations on the Supply Base. MMA is also continuing to work to improve productivity on the Supply Base through a range of initiatives, which will ensure MMA continues to service its clients to the highest level possible.

## **Directors' Report**

### Review of Operations (continued)

#### *Broome Supply Base – JV with Toll Holdings Ltd*

The Broome Supply Base had a strong first half performance, with MMA's share of NPAT for the half totalling \$2.0 million.

Drilling activity was busy, with campaigns being conducted by Conoco Phillips, Santos, Shell and Murphy Oil.

In addition, the first half result included a short term contract for the Gorgon Project, where the Broome Supply Base was utilised to facilitate additional freight deliveries to Barrow Island. This project was completed in December 2012.

The Broome Supply Base secured a major, \$20 million, long term supply base contract with INPEX during the period in support of their Ichthys Project. General activity in the Browse Basin is set to increase as construction of Shell's Prelude and INPEX's Ichthys LNG Projects ramp up over the next 12 to 18 months. MMA is in a strong position to benefit from this increased activity, with long term supply base contracts now in place for both projects.

Infrastructure developments at the Broome Supply Base are continuing with dedicated facilities currently being developed for Shell and INPEX. In addition, the casing yard is being upgraded to cater for the increased drilling activity in the region.

The outlook for the Broome Supply Base remains positive with ongoing drilling activity and the development activity forecast for the Browse Basin.

#### *Slipway*

The Dampier Slipway had an excellent first half, generating revenue of \$13.4 million and EBIT of \$2.4 million.

Strong utilisation was driven by a number of large and unique third party jobs, which boosted the result for the half. In addition, management's drive to improve margins through cost control and improved work planning has had a positive impact on earnings.

It is expected that there will be continued demand for Slipway services in the second half, although some of the larger and more unique projects will not be repeated.

The Slipway remains a strategic success factor in MMA's business, increasing flexibility within the fleet and limiting the amount of down time required for vessel maintenance and repair.

#### *Outlook*

MMA once again delivered strong growth in earnings during the first half of FY2013, with all business units performing strongly.

Looking forward, the outlook for MMA's business remains positive with investment in the Australian oil and gas sector at historical highs and a number of major new projects sanctioned for development.

MMA's performance for the second half of FY2013 will largely be dependent on vessel demand, however, the overall FY2013 performance will once again be one of continued growth.

#### Dividends

Full details with respect to the dividends are set out on page 3 of this Financial Report.



## **Directors' Report**

### Auditor's Independence Declaration

The Auditor's Independence Declaration is included on page 8 of this Financial Report.

### Rounding off of Amounts

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

Signed in accordance with a resolution of Directors made pursuant to s306(3) of the Corporations Act 2001.

On behalf of the Directors



**TONY HOWARTH AO**  
Chairman

Perth, 20 February 2013

## Auditor's Independence Declaration



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The Board of Directors  
Mermaid Marine Australia Limited  
1 Mews Road  
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Fremantle  
WA 6160

20 February 2013

Dear Board Members  
**Mermaid Marine Australia Limited**

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

As lead audit partner for the review of the financial statements of Mermaid Marine Australia Limited for the half year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

A handwritten signature in black ink, appearing to read "Ross Jerrard".

**DELOITTE TOUCHE TOHMATSU**

A handwritten signature in black ink, appearing to read "Ross Jerrard".

**Ross Jerrard**  
Partner  
Chartered Accountants

## Audit Review Report



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# Independent Auditor's Review Report to the Members of Mermaid Marine Australia Limited

We have reviewed the accompanying half year financial report of Mermaid Marine Australia Limited, which comprises the condensed statement of financial position as at 31 December 2012, and the condensed consolidated statement of profit or loss and comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half year or from time to time during the half year as set out on pages 11 to 26.

### *Directors' Responsibility for the Half Year Financial Report*

The directors of the company are responsible for the preparation of the half year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half year financial report that is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Mermaid Marine Australia Limited's financial position as at 31 December 2012 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Mermaid Marine Australia Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Audit Review Report (continued)

# Deloitte.

### *Auditor's Independence Declaration*

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

### *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Mermaid Marine Australia Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU



Ross Jerrard  
Partner  
Chartered Accountants  
Perth, 20 February 2013

## Directors' Declaration

The Directors declare that:

- a) In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- b) In the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001 (Cth), including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the Directors made pursuant to s303(5) of the Corporations Act 2001 (Cth).

On behalf of the Directors,



**TONY HOWARTH AO**  
Chairman

Perth, 20 February 2013

**Condensed consolidated statement of profit or loss and other comprehensive income  
 for the half year ended 31 December 2012**

	Note	Half year ended 31 Dec 2012 \$'000	Half year ended 31 Dec 2011 \$'000
Revenue	4(a)	221,986	192,908
Interest Income		690	913
Other gains	4(b)	23	67
Share of profits of jointly controlled entity		1,997	22
Vessel expenses		(118,146)	(122,172)
Supply Base expenses		(42,950)	(18,665)
Slipway expenses		(7,355)	(4,512)
Administration expenses		(5,716)	(6,519)
Finance costs	4(c)	(4,844)	(4,435)
<b>Profit before tax</b>		<b>45,685</b>	<b>37,607</b>
Income tax expense	6	(13,193)	(9,976)
<b>Profit for the period</b>		<b>32,492</b>	<b>27,631</b>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit and loss</b>			
Exchange differences on translation of foreign operations		(2,748)	7,316
Gain/(Loss) on cash flow hedges		(940)	121
<b>Other comprehensive income for the period (net of tax)</b>		<b>(3,688)</b>	<b>7,437</b>
<b>Total comprehensive income for the period</b>		<b>28,804</b>	<b>35,068</b>
<b>Profit attributable to owners of the parent</b>		<b>32,492</b>	<b>27,631</b>
<b>Total comprehensive income attributable to owners of the parent</b>		<b>28,804</b>	<b>35,068</b>
<b>Earnings per share</b>			
- Basic (cents per share)	5	14.64	12.75
- Diluted (cents per share)	5	14.38	12.49

The accompanying notes form part of these half year financial statements.

**Condensed consolidated statement of financial position  
 as at 31 December 2012**

	Note	31 Dec 2012 \$'000	30 June 2012 \$'000
<b>Current Assets</b>			
Cash and cash equivalents		37,358	55,283
Trade and other receivables	7	101,725	83,441
Inventories	8	1,002	1,555
Other	9	14,964	12,195
<b>Total Current Assets</b>		<b>155,049</b>	<b>152,474</b>
<b>Non-Current Assets</b>			
Investments accounted for using the equity method	10	7,019	5,022
Other financial assets	11	2,000	2,000
Property, plant and equipment	12	381,153	377,679
Goodwill	13	20,710	20,710
<b>Total Non-Current Assets</b>		<b>410,882</b>	<b>405,411</b>
<b>Total Assets</b>		<b>565,931</b>	<b>557,885</b>
<b>Current Liabilities</b>			
Trade and other payables	14	33,193	41,614
Unearned revenue	15	4,861	4,023
Borrowings	16	18,021	21,762
Other financial liabilities	17	1,705	765
Provisions	18	7,742	5,961
Current tax liabilities		6,473	7,426
<b>Total Current Liabilities</b>		<b>71,995</b>	<b>81,551</b>
<b>Non-Current Liabilities</b>			
Unearned revenue	15	1,487	2,748
Borrowings	16	127,633	136,363
Provisions	18	1,386	1,204
Deferred tax liabilities		15,146	14,240
<b>Total Non-Current Liabilities</b>		<b>145,652</b>	<b>154,555</b>
<b>Total Liabilities</b>		<b>217,647</b>	<b>236,106</b>
<b>Net Assets</b>		<b>348,284</b>	<b>321,779</b>
<b>Equity</b>			
Issued capital	19	207,137	197,694
Reserves	20	(17,878)	(15,745)
Retained earnings	21	159,025	139,830
<b>Total Equity</b>		<b>348,284</b>	<b>321,779</b>

The accompanying notes form part of these half year financial statements.

**Condensed consolidated statement of changes in equity  
 for the half year ended 31 December 2012**

	Issued Capital	Employee equity settled benefits reserve	Hedging Reserve	Foreign Currency Translation Reserve	Retained 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 period	-	-	-	-	27,631	27,631
Other comprehensive income for the period	-	-	121	7,316	-	7,437
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>121</b>	<b>7,316</b>	<b>27,631</b>	<b>35,068</b>
Recognition of share based payments	-	913	-	-	-	913
Related income tax benefit	-	1,495	-	-	-	1,495
Issue of shares under employee option plans	1,677	-	-	-	-	1,677
Issue of shares under dividend reinvestment plan	4,635	-	-	-	-	4,635
Dividends paid	-	-	-	-	(10,774)	(10,774)
<b>Balance at 31 December 2011</b>	<b>192,728</b>	<b>4,573</b>	<b>(1,491)</b>	<b>(20,396)</b>	<b>127,326</b>	<b>302,740</b>
<b>Balance at 1 July 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 period	-	-	-	-	32,492	32,492
Other comprehensive income for the period	-	-	(940)	(2,748)	-	(3,688)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(940)</b>	<b>(2,748)</b>	<b>32,492</b>	<b>28,804</b>
Recognition of share based payments	-	1,017	-	-	-	1,017
Related income tax benefit	-	538	-	-	-	538
Issue of shares under employee option plans	4,166	-	-	-	-	4,166
Issue of shares under dividend reinvestment plan	5,277	-	-	-	-	5,277
Dividends paid	-	-	-	-	(13,297)	(13,297)
<b>Balance at 31 December 2012</b>	<b>207,137</b>	<b>7,151</b>	<b>(1,705)</b>	<b>(23,324)</b>	<b>159,025</b>	<b>348,284</b>

The accompanying notes form part of these half year financial statements.



**Condensed consolidated statement of cash flows  
 for the half year ended 31 December 2012**

	Note	Half year ended 31 Dec 2012 \$'000	Half year ended 31 Dec 2011 \$'000
<b>Cash flows from Operating Activities</b>			
Receipts from customers		223,697	201,191
Interest received		625	831
Payments to suppliers and employees		(185,246)	(150,516)
Income tax paid		(12,678)	(12,258)
Interest and other costs of finance paid		(4,844)	(4,404)
<b>Net cash provided by Operating Activities</b>		<b>21,554</b>	<b>34,844</b>
<b>Cash flows from Investing Activities</b>			
Payments for property, plant and equipment		(22,541)	(29,930)
Proceeds from sale of property, plant and equipment		14	56
Purchase of business		-	(12,000)
<b>Net cash used in Investing Activities</b>		<b>(22,527)</b>	<b>(41,874)</b>
<b>Cash flows from Financing Activities</b>			
Proceeds from issue of shares		4,166	1,677
Proceeds from borrowings		-	115,018
Repayment of borrowings		(12,866)	(106,149)
Dividends paid		(8,021)	(6,168)
<b>Net cash (used in) / provided by Financing Activities</b>		<b>(16,721)</b>	<b>4,378</b>
Net decrease in cash and cash equivalents		(17,694)	(2,652)
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		(231)	22
<b>Cash and Cash Equivalents at the end of the Half Year</b>		<b>37,358</b>	<b>52,460</b>

The accompanying notes form part of these half year financial statements.

## Notes to the condensed consolidated financial statements

### 1. Significant accounting policies

#### Statement of compliance

The half year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

#### Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of financial instruments. Cost is 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 directors' report and the half year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Company's 2012 annual financial report for the financial year ended 30 June 2012, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

#### New or revised Standards and Interpretations that are first effective in the current reporting period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current reporting period.

New and revised Standards and amendments thereof and Interpretations effective for the current half year that are relevant to the Group include:

- Amendments to the AASB 1, 7, 101, 112, 121, 132, 133 and 134 as a consequence of AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'

The adoption of all of the new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior half years. However, the application AASB 2011-9 has resulted in changes to the Group's presentation of, or disclosure in, its half year financial statements.

The amendments to AASB 101 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.

## Notes to the condensed consolidated financial statements

### 2. Dividends

During the period, Mermaid Marine Australia Limited made the following dividend payments:

	Half year ended 31 December 2012		Half year ended 31 December 2011	
	Cents per share	Total \$'000	Cents per share	Total \$'000
<b>Fully paid ordinary shares</b>				
Final Dividend (fully franked at a 30% tax rate)	6.0	13,297	5.0	10,774

On 20 February 2013, the Directors declared a fully franked interim dividend in respect to the year ending 30 June 2013 of 5.5 cents per share to the holders of fully paid ordinary shares. The dividend will be paid to all shareholders recorded on the register of members as at 8 March 2013 (the Record Date). This dividend will be paid on 28 March 2013. This dividend has not been included as a liability in these financial statements.

### 3. Segment Information

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

- Vessel Operations
- Supply Base
- Slipway

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

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

**Notes to the condensed consolidated financial statements**

3. Segment Information (continued)	Revenue from external customers		Inter-segment revenue		Total segment revenue	
	Half year ended 31 Dec 2012	Half year ended 31 Dec 2011	Half year ended 31 Dec 2012	Half year ended 31 Dec 2011	Half year ended 31 Dec 2012	Half year ended 31 Dec 2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Segment Revenues</b>						
Vessels	142,087	155,764	43	1	142,130	155,765
Supply Base	70,351	31,796	1,065	1,550	71,416	33,346
Slipway	9,548	5,348	3,878	4,139	13,426	9,487
Total	221,986	192,908	4,986	5,690	226,972	198,598
Eliminations					(4,986)	(5,690)
<b>Total consolidated revenue</b>					<b>221,986</b>	<b>192,908</b>

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

**Segment Profit**

Vessels	23,941	33,592
Supply Base	27,401	13,131
Slipway	2,423	448
Eliminations	(230)	388
Total for continuing operations	53,535	47,559
Investment revenue	690	913
Other gains	23	67
Central administration costs	(5,716)	(6,519)
Share of profit of jointly controlled entity	1,997	22
Unallocated finance costs	(4,844)	(4,435)
<b>Profit before tax</b>	<b>45,685</b>	<b>37,607</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.

The comparatives have been adjusted to reflect foreign currency gains and losses being removed from revenue and allocated against other gains and losses. This is the revised measure reported to the chief operating decision maker.

## Notes to the condensed consolidated financial statements

### 3. Segment Information (continued)

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

	31 Dec 2012 \$'000	30 June 2012 \$'000
Vessels	324,673	313,995
Supply Base	174,609	163,295
Slipway	15,866	13,723
Unallocated	50,783	66,872
	<u>565,931</u>	<u>557,885</u>

The following is an analysis of other segment information.

	Depreciation and amortisation		Additions to non-current assets		Carrying value of equity accounted investments	
	31 Dec 2012 \$'000	31 Dec 2011 \$'000	31 Dec 2012 \$'000	31 Dec 2011 \$'000	31 Dec 2012 \$'000	31 Dec 2011 \$'000
Vessels	10,325	11,203	6,314	20,055	-	-
Supply Base	2,872	2,275	11,233	29,237	-	-
Slipway	334	303	1,804	320	-	-
Unallocated	482	358	546	553	7,019	4,681
	<u>14,013</u>	<u>14,139</u>	<u>19,897</u>	<u>50,165</u>	<u>7,019</u>	<u>4,681</u>

### 4. Profit from Operations

	Half year ended 31 Dec 2012 \$'000	Half year ended 31 Dec 2011 \$'000
<b>a) Revenue from continuing operations consisted of the following items:</b>		
Rendering of services	193,788	177,338
Rental revenue	28,198	15,570
	<u>221,986</u>	<u>192,908</u>
<b>b) Other gains</b>		
Net foreign exchange gain	9	191
Gain / (loss) on disposal of :		
Property, plant and equipment	14	(124)
	<u>23</u>	<u>67</u>
<b>c) Finance costs</b>		
Interest expense – other entities	4,293	3,280
Finance charges – lease finance charges	551	1,155
	<u>4,844</u>	<u>4,435</u>

**Notes to the condensed consolidated financial statements**

**4. Profit from Operations (continued)**

	<b>Half year ended 31 Dec 2012 \$'000</b>	<b>Half year ended 31 Dec 2011 \$'000</b>
<b>d) Profit for the period</b>		
<b>Profit for the period before income tax has been arrived at after charging the following:</b>		
<b>i) Depreciation</b>		
Depreciation of Non-Current assets:		
Leasehold buildings and improvements	2,318	1,793
Vessels	9,406	9,611
Vessels – hire purchase	813	1,520
Plant and equipment	1,107	868
Plant and equipment – hire purchase	369	347
	<b>14,013</b>	<b>14,139</b>
<b>ii) Impairment losses</b>		
Impairment losses recognised on trade receivables	-	27
Reversal of impairment losses recognised on trade receivables	-	(74)
<b>iii) Employee benefits</b>		
Post employment benefits:		
Defined contribution plans	3,506	2,944
Share based payments:		
Equity settled share based payments	1,017	913
Other employee benefits	84,549	72,732
	<b>89,072</b>	<b>76,589</b>

**Notes to the condensed consolidated financial statements**

**5. Earnings per Share**

	<b>Half year ended 31 Dec 2012 Cents per Share</b>	<b>Half year ended 31 Dec 2011 Cents per Share</b>
Basic earnings per share	14.64	12.75
Diluted earnings per share	14.38	12.49

**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>Half year ended 31 Dec 2012 \$'000</b>	<b>Half year ended 31 Dec 2011 \$'000</b>
Net Profit	32,492	27,631
	<b>No.'000</b>	<b>No.'000</b>
Weighted average number of ordinary shares for the purposes of basic earnings per share	221,922	216,756

**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>\$'000</b>	<b>\$'000</b>
Net Profit	32,492	27,631
	<b>No.'000</b>	<b>No.'000</b>
Weighted average number of ordinary shares used in the calculation of basic earnings per share	221,922	216,756
Shares deemed to be issued for no consideration in respect of:		
Employee options/performance rights	4,006	4,418
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	225,928	221,174

**Notes to the condensed consolidated financial statements**

**6. Income Tax**

	<b>Half year ended 31 Dec 2012 \$'000</b>	<b>Half year ended 31 Dec 2011 \$'000</b>
<b>Income tax recognised in profit or loss</b>		
Tax expense comprises:		
Current tax expense in respect of the current year	11,501	8,335
Deferred tax expense relating to origination and reversal of temporary differences	1,445	1,940
Adjustment recognised in the current year in relation to the current tax of prior years	247	(299)
<b>Total tax expense</b>	<b>13,193</b>	<b>9,976</b>
The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:		
Profit from operations	45,685	37,607
Income tax expense calculated at 30%	13,706	11,282
Effect of revenue that is exempt from taxation	(844)	(220)
Effect of expenses that are not deductible in determining taxable profit	112	181
Effect of tax deductible items not included in accounting profit	-	(663)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(28)	(305)
	12,946	10,275
Adjustment recognised in the current year in relation to the current tax of prior years	247	(299)
	<b>13,193</b>	<b>9,976</b>

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



## Notes to the condensed consolidated financial statements

### 7. Trade and Other Receivables

	31 Dec 2012 \$'000	30 June 2012 \$'000
Trade receivables	97,293	79,827
Allowance for doubtful debts	(106)	(106)
Other receivables	3,266	2,270
Goods and services tax recoverable	1,272	1,450
	<u>101,725</u>	<u>83,441</u>

### 8. Inventories

Fuel – at cost	721	1,426
Work in progress	281	129
	<u>1,002</u>	<u>1,555</u>

### 9. Other Current Assets

Prepayments	14,964	12,195
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### 10. Investments Accounted For Using the Equity Method

Name of Entity	Principal Activity	Country of Incorporation	Ownership Interest		Consolidated Carrying Amount	
			2012 %	2011 %	31 Dec 2012 \$'000	30 June 2012 \$'000
<b>Jointly Controlled Entity</b>						
Toll Mermaid Logistics Broome Pty Ltd <sup>(i)</sup>	Supply base services in Broome for the offshore oil and gas industry	Australia	50	50	7,019	5,022

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

### 11. Other Financial Assets

	31 Dec 2012 \$'000	30 June 2012 \$'000
Loan to jointly controlled entity	2,000	2,000

**Notes to the condensed consolidated financial statements**

**12. Property, Plant & Equipment**

	<b>Leasehold Buildings and Improvements at cost</b>	<b>Vessels at cost</b>	<b>Vessels – Hire Purchase at cost</b>	<b>Plant and Equipment at cost</b>	<b>Plant and Equipment – Hire Purchase at cost</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Gross carrying amount:</b>						
Balance at 1 July 2012	118,345	296,876	26,289	17,195	9,388	468,093
Additions	11,586	3,417	992	3,666	236	19,897
Transfers	-	23,761	(23,761)	-	-	-
Net currency exchange differences	-	(2,672)	-	(1)	-	(2,673)
<b>Balance at 31 December 2012</b>	<b>129,931</b>	<b>321,382</b>	<b>3,520</b>	<b>20,860</b>	<b>9,624</b>	<b>485,317</b>
<b>Accumulated depreciation:</b>						
Balance at 1 July 2012	(17,868)	(59,862)	(4,923)	(5,595)	(2,166)	(90,414)
Transfers	-	(5,171)	5,171	-	-	-
Depreciation expense	(2,318)	(9,406)	(813)	(1,107)	(369)	(14,013)
Net currency exchange differences	-	263	-	-	-	263
<b>Balance at 31 December 2012</b>	<b>(20,186)</b>	<b>(74,176)</b>	<b>(565)</b>	<b>(6,702)</b>	<b>(2,535)</b>	<b>(104,164)</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 31 December 2012	109,745	247,206	2,955	14,158	7,089	381,153

**Notes to the condensed consolidated financial statements**

**13. Goodwill**

	<b>31 Dec 2012</b>	<b>30 June 2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Balance at beginning of financial period	20,710	-
Amount recognised from business combination occurring during the period	-	20,710
Balance at the end of the financial period	<u>20,710</u>	<u>20,710</u>

**14. Trade and Other Payables**

Trade payables	4,407	10,204
Other payables and accruals	24,502	28,523
GST payable	4,284	2,887
	<u>33,193</u>	<u>41,614</u>

**15. Unearned revenue**

Current	4,861	4,023
Non-Current	1,487	2,748
	<u>6,348</u>	<u>6,771</u>

**16. Borrowings**

**Secured – at amortised cost**

**Current**

Hire purchase liability	2,651	6,392
Bank loan	15,370	15,370
	<u>18,021</u>	<u>21,762</u>

**Non-Current**

Hire purchase liability	11,306	12,350
Bank loan	116,327	124,013
	<u>127,633</u>	<u>136,363</u>

## Notes to the condensed consolidated financial statements

### 17. Other Financial Liabilities

	31 Dec 2012	30 June 2012
	\$'000	\$'000
<b>Derivatives</b>		
Foreign currency forward contracts	1,237	73
Interest rate swaps	468	692
	<u>1,705</u>	<u>765</u>

### 18. Provisions

#### Current

Employee benefits – Annual Leave	7,742	5,961
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#### Non-Current

Employee benefits – Long Service Leave	1,386	1,204
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### 19. Issued capital

223,832,900 fully paid ordinary shares	207,137	197,694
(30 June 2012: 219,453,350)		

During the half year, the Company issued 4,379,550 shares for \$9,442,834 on exercise of 2,643,851 share options issued under its various employee share option plans, with the remaining 1,735,699 shares issued under the Company's dividend reinvestment plan.

During the half year, the Company granted 933,734 performance rights (2012: 1,504,655) under its various employee rights plans. These rights plans had a weighted average fair value at grant date of \$2.80 per right (2012: \$1.94).

### 20. Reserves

Employee equity settled benefits	7,151	5,596
Hedging	(1,705)	(765)
Foreign currency translation	(23,324)	(20,576)
	<u>(17,878)</u>	<u>(15,745)</u>

### 21. Retained Earnings

Balance at beginning of financial period	139,830	110,469
Net profit attributable to members of the parent entity	32,492	51,036
Dividend provided for or paid	(13,297)	(21,675)
Balance at end of financial period	<u>159,025</u>	<u>139,830</u>

### 22. Subsequent Events

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