

## Appendix 4E Preliminary final report

### 1. Details of the reporting period and the previous corresponding period

Name of entity: <b>Mermaid Marine Australia Limited</b>
ABN: 21 083 185 693
Financial year ended: 30 June 2005
Previous financial year ended: 30 June 2004

### 2. Results for announcement to the market

		Percentage change over previous year	\$'000
2.1	Revenues from ordinary activities	Up 51%	53,380
2.2	Profit from ordinary activities after tax attributable to members	Down 41%	2,523
2.3	Net profit attributable to members	Down 41%	2,523
2.4	Dividends: No dividends were declared or paid during the year.		
2.5	Record date for determining entitlements to the dividend: N/A		
2.6	Brief explanation of any of the figures reported in 2.1 to 2.4 necessary to enable the figures to be understood: Refer to note 14.3		

### 3. Statement of Financial Performance

	<b>2005</b> <b>\$'000</b>	<b>2004</b> <b>\$'000</b>
Revenue from ordinary activities	53,380	35,132
Share of net profit / (loss) of associates and joint ventures accounted for using the equity method	(98)	264
Vessel expenses	(32,297)	(20,800)
Supply base expenses	(7,075)	(6,165)
Engineering and labour hire expenses	(4,817)	(437)
Administration expenses	(2,845)	(2,114)
Borrowing costs	(2,209)	(2,335)
<b>Profit from ordinary activities before income tax expense</b>	<b>4,039</b>	<b>3,545</b>
Income tax (expense)/benefit relating to ordinary activities	(1,516)	755
<b>Profit from ordinary activities after income tax (expense)/benefit</b>	<b>2,523</b>	<b>4,300</b>
<b>Net profit attributable to members of the parent entity</b>	<b>2,523</b>	<b>4,300</b>
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>	<b>2,523</b>	<b>4,300</b>
<b>Basic earnings per share (¢/share)</b>	<b>1.81</b>	<b>3.75</b>
<b>Diluted earnings per share (¢/share)</b>	<b>1.81</b>	<b>3.74</b>

#### 4. Statement of Financial Position

	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current Assets</b>		
Cash assets	13,983	6,068
Receivables	9,773	8,516
Inventories	1,281	468
Other	663	919
<b>Total Current Assets</b>	<b>25,700</b>	<b>15,971</b>
<b>Non-Current Assets</b>		
Investments accounted for using the equity method	97	494
Property, plant and equipment	65,749	60,772
Intangibles	-	223
<b>Total Non-Current Assets</b>	<b>65,846</b>	<b>61,489</b>
<b>Total Assets</b>	<b>91,546</b>	<b>77,460</b>
<b>Current Liabilities</b>		
Payables	6,289	5,622
Interest-bearing liabilities	3,417	6,407
Current tax liabilities	436	-
Provisions	700	504
<b>Total Current Liabilities</b>	<b>10,842</b>	<b>12,533</b>
<b>Non-Current Liabilities</b>		
Interest-bearing liabilities	28,377	24,276
Deferred tax liabilities	1,272	207
Provisions	121	130
<b>Total Non-Current Liabilities</b>	<b>29,770</b>	<b>24,613</b>
<b>Total Liabilities</b>	<b>40,612</b>	<b>37,146</b>
<b>Net Assets</b>	<b>50,934</b>	<b>40,314</b>
<b>Equity</b>		
Contributed equity	47,755	39,658
Reserves	3,764	3,764
(Accumulated losses)	(585)	(3,108)
<b>Total Equity</b>	<b>50,934</b>	<b>40,314</b>

**5. Statement of Cash Flows**

	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Cash Flows From Operating Activities</b>		
Receipts from customers	54,394	37,369
Payments to suppliers and employees	(45,668)	(29,429)
Dividends received	300	-
Interest received	304	205
Interest and other costs of finance paid	(2,209)	(2,294)
Income tax (paid)/received	(17)	1,023
Net cash provided by/(used in) operating activities	<u>7,104</u>	<u>6,874</u>
<b>Cash Flows From Investing Activities</b>		
Payment for property, plant and equipment	(12,299)	(2,825)
Proceeds from sale of property, plant and equipment	3,901	53
Net cash provided by/(used in) investing activities	<u>(8,398)</u>	<u>(2,772)</u>
<b>Cash Flows From Financing Activities</b>		
Proceeds from issue of shares	8,393	-
Payment for share issue costs	(296)	-
Proceeds from borrowings	304	-
Repayment of borrowings	(4,042)	(937)
Hire purchase principal repayments	(4,167)	(2,889)
Proceeds from HP financing	9,016	-
Net cash provided by/(used in) financing activities	<u>9,208</u>	<u>(3,826)</u>
<b>Net Increase/(Decrease) In Cash Held</b>	<b>7,915</b>	<b>276</b>
<b>Cash At The Beginning Of The Financial Year</b>	<b>6,068</b>	<b>5,792</b>
<b>Cash At The End Of The Financial Year</b>	<b><u>13,983</u></b>	<b><u>6,068</u></b>

## 6. Dividends

No dividends have been declared or paid for the year ended 30 June 2005.

No dividends were declared or paid during the previous financial year.

## 7. Details of dividend reinvestments plans in operation

The Company has no dividend reinvestment plans in operation.

## 8. Movements in (Accumulated Losses)

	<b>2005 \$'000</b>	<b>2004 \$'000</b>
(Accumulated losses) at the beginning of the financial year	(3,108)	(7,408)
Net profit attributable to members	2,523	4,300
(Accumulated losses) at the end of financial year	(585)	(3,108)

## 9. Net Tangible Asset Backing

	<b>2005</b>	<b>2004</b>
Net tangible asset backing per ordinary security	36 cents	35 cents

**10. (i) Control gained over entities during the year**

Name of entity:	Mermaid Marine Charters Pte Ltd
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	<b>2005 \$'000</b>
Consolidated profit from ordinary activities and extraordinary items after tax of the controlled entity since the date on which control was acquired.	7
Date from which the profit has been calculated.	30 May 2005
Consolidated profit from ordinary activities and extraordinary items after tax of the controlled entity for the whole of the previous year.	N/A

**(ii) Loss of control of entities during the year**

Name of entity:	Nil
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**11. Details of associates and joint venture entities**

Equity accounted associates and joint venture entities	Percentage of ownership interest held at end of year or date of disposal		Contribution to net profit	
	2005 %	2004 %	2005 \$A'000	2004 \$A'000
Mermaid Clough Pty Ltd	50	50	(97)	264

**12. Any other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position**

Nil

**13. For Foreign entities details of which set of accounting standards is used in compiling the report (International Accounting Standards)**

N/A

**14. Commentary on the results for the period**

**14.1 Earnings per share (EPS)**

	<b>2005</b>	<b>2004</b>
Basic EPS	1.81 cents	3.75 cents
Diluted EPS	1.81 cents	3.74 cents

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

	<b>2005 \$'000</b>	<b>2004 \$'000</b>
Net Profit	2,523	4,300
Earnings used in calculation of basic and diluted earnings per share	2,523	4,300

	2005 No.'000	2004 No.'000
Weighted average number of ordinary shares used in calculating basic earnings per share:	139,364	114,682
Shares deemed to be issued for no consideration In respect of : <i>PSA Marine Options</i>	-	340
Weighted average number of ordinary shares used in calculating diluted earnings per share	139,364	115,022

## 14.2 Returns to shareholders (including distributions and buy backs)

N/A
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## 14.3 Significant features of operating performance

<p>The Company recorded an increase in revenues from ordinary activities during the year of 51% to \$53.4m.</p> <p>The Company also recorded an increase in profit from ordinary activities before income tax during the year of 14% to \$4.0m. However due to an income tax expense charge this year of \$1.5m versus an income tax credit last year of \$0.7m, the Company's profit from ordinary activities after income tax was down by 41% to \$2.5m.</p>
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## 14.4 Segment Information

### Segment Revenues

	External Sales		Inter-Segment (i)		Other		Total	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<i>Vessels</i>	35,685	26,769	722	744	3,892	-	40,299	27,513
<i>Supply Base</i>	7,811	7,447	2,265	3,250	8	-	10,084	10,697
<i>Engineering &amp; Labour Hire</i>	5,541	388	-	-	(97)	264	5,443	652
Total of all segments							55,826	38,862
Eliminations							(2,987)	(3,994)
Unallocated							443	528
Consolidated							53,282	35,396



**Segment Information (continued)**

- (i) Intersegment services are provided for amounts equal to competitive market prices charged to external customers for similar services.

**Segment Results**

	<b>2005 \$'000</b>	<b>2004 \$'000</b>
<i>Vessels</i>	7,280	5,969
<i>Supply Base</i>	743	1,282
<i>Engineering &amp; Labour Hire</i>	627	215
Total of all segments	8,650	7,466
Eliminations	(185)	(117)
Unallocated	(4,426)	(3,804)
Profit from ordinary activities before income tax expense	4,039	3,545
Income tax (expense) / benefit relating to ordinary activities	(1,516)	755
Profit from ordinary activities after related income tax (expense) / benefit	2,523	4,300
Extraordinary items	-	-
Net profit	2,523	4,300

**Segment Assets and Liabilities**

	<b>Assets</b>		<b>Liabilities</b>	
	<b>2005 \$'000</b>	<b>2004 \$'000</b>	<b>2005 \$'000</b>	<b>2004 \$'000</b>
<i>Vessels</i>	41,227	33,865	8,024	5,203
<i>Supply Base</i>	37,440	36,847	5,178	4,502
<i>Engineering &amp; Labour Hire</i>	4,990	4,313	213	109
Total of all segments	83,657	75,025	13,415	9,814
Eliminations	(5,680)	(3,565)	(5,680)	(3,565)
Unallocated	13,570	6,000	32,877	30,897
Consolidated	91,546	77,460	40,612	37,146

Segment Information (continued)

**Other Segment Information**

	Vessels		Supply Base		Engineering & Labour Hire		Unallocated	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Carrying value of investments accounted for using the equity method	-	-	-	-	97	494	-	-
Share of net profit/(loss) of associates and joint venture entities accounted for under the equity method	-	-	-	-	(97)	264	-	-
Sale of segment assets	3,892	-	8	-	-	-	-	-
Acquisition of segment assets	11,179	3,455	905	994	-	-	214	36
Other non-cash expenses	3,923	-	4	-	-	-	-	-
Depreciation and amortisation of segment assets	1,924	1,823	1,192	1,141	87	120	190	139

**Geographical Segment**

The consolidated entity conducted its business mainly within Australia during both financial years. Work conducted outside of Australia during both financial years was immaterial.

**14.5 Report on trends in performance**

Refer to note 14.3

- 14.6 Any other factors which have affected the results during the reporting period or which are likely to affect results in the future, including those where the effect could not be quantified.**

Refer to note 14.3

- 15. This report is based on accounts to which the following applies.**

The accounts are in the process of being audited.

- 16. If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification.**

N/A

- 17. If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification.**

N/A

- 18. Contingent Liabilities**

An entity in the consolidated entity has become aware of a potential claim for damages for personal injury arising from an alleged incident in 2002. The directors are presently obtaining legal advice in relation to the matter and intend to vigorously defend any action brought against the entity concerned.

## **19. Impact of Adopting AASB Equivalents to IASB Standards**

Mermaid Marine Limited ("Mermaid") will be required to adopt Australian Accounting Standards Board ("AASB") equivalents to International Financial Reporting Standards ("AIFRS's"), for its financial reporting at the half year ended 31 December 2005 and the full year ending 30 June 2006. At these dates a first time adopter of AIFRS will be required to restate its comparative financial statements using all AIFRS's, except for AASB 132 Financial Instruments: Disclosure and Presentation, and AASB 139 Financial Instruments: Recognition and Measurement, AASB 4 Insurance Contracts and AASB 6 Exploration for Evaluation of Mineral Resources. For Mermaid this means the preparation of an opening balance sheet in accordance with AIFRS's as at 1 July 2004, with the majority of restatement adjustments being made retrospectively against opening retained earnings.

During the year Mermaid established a project team to manage the transition to AIFRS's who have been working on the project together with independent experts. As a result of these procedures, Mermaid has graded impact areas as either high, medium, or low and has established dedicated project teams to address each of the areas in order of priority as represented by the grading. An AIFRS steering committee has been established to oversee the progress of each of the project teams and make necessary decisions. Regular updates are provided to the audit committee. As Mermaid has a 30 June year end, priority has been given to considering the preparation of an opening balance sheet in accordance with AIFRS's as at 1 July 2004. Set out below are the key areas where accounting policies will change and may have an impact on the financial report.

The amounts disclosed below are a best estimate as at the date of preparing the financial statements and may change due to:

- (a) Further work being performed by the AIFRS project team; and
- (b) Potential amendments to the AIFRS and interpretations thereof being issued by the standard setters and the International Financial Reporting Interpretations Committee ("IFRIC").

### **Financial Instruments**

The directors have elected to apply the first time adoption exemption available to Mermaid to defer the date of transition of AASB 132 Financial Instruments: Disclosure and Presentation, and AASB 139 Financial Instruments: Recognition and Measurement to 1 July 2005. Accordingly no impacts have been quantified in the 30 June 2005 financial statements.

## **Impairment of Assets**

Under AASB 136 Impairment of Assets, the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in a change in the current accounting policy which determines the recoverable amount of an asset on the basis of applying undiscounted cash flows. Under the new policy the recoverability of an asset or cash generating unit will be determined based on discounted cash flows. It is likely the impairment of assets will be recognised sooner and that the amount of any write-downs may be greater. There is not expected to be any adjustment required under A-IFRS in the consolidated entity for the year ended 30 June 2005.

In accordance with AASB 1 First time adoption of Australian equivalents to International Financial Reporting Standards, the carrying amount of goodwill at transition date has been tested for impairment and no initial impairment losses are to be recognised on transition to AIFRS.

## **Business Combinations**

The adoption of A-IFRS will not significantly impact the carrying amount of goodwill as at 1 July 2004 (the date of transition) as the directors have decided not to restate past business combinations. Under A-IFRS, goodwill is not subject to amortisation, but must be tested for impairment annually and whenever there is an indication that goodwill may be impaired. As a result, amortisation expense will decrease by \$32,834 (company: \$nil) for the financial year ended 30 June 2005.

## **Plant and Equipment – Asset Revaluation Reserve**

Under AASB 116 Property, Plant and Equipment, the directors have elected to apply the cost model with reference to measuring plant and equipment. The effect of this is the asset revaluation reserve can no longer be used and has been offset against retained earnings as at 1 July 2004. As a result the asset revaluation reserve has been written back to nil, with a corresponding increase to retained earnings of \$3,763,956.

## **Share-Based Payments**

Equity-settled share based payments in respect of equity instruments issued after 7 November 2002 that were unvested as at 1 January 2005 are measured at fair value at grant date. The fair value determined at grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the estimated number of equity instruments that will vest. As a consequence on transition to A-IFRS, contributed equity will increase by \$29,038 thousand (company: \$29,038) and an additional employee benefit

expense of \$163,667 (company: \$163,667) will be recognised in profit and loss for the financial year ended 30 June 2005.

### **Income Taxes**

Under A-IFRS, tax balances are determined using a 'balance sheet' approach, which significantly differs from the current methodology prescribed and applied. Changes in deferred tax assets and deferred tax liabilities will arise as a consequence of the different method of measurement, including increases in deferred tax assets and deferred tax liabilities arising as a consequence of the revaluations of land and buildings and investments in associates.

The impact on the Consolidated Entity's opening balance sheet as at 1 July 2004 will be the recognition of a deferred tax asset of \$314,652 and the reversal of the existing deferred tax liability of \$206,871

The impact on the Consolidated Entity's closing balance sheet as at 30 June 2005 will be the recognition of deferred tax liability of \$46,807.

### **Retained Earnings – Transitional Adjustments**

With limited exceptions adjustments required on first time adoption of AIFRS are recognised directly in retained earnings, or if appropriate, another category of equity, at the date of transition to AIFRS. The cumulative effect of these adjustments for the consolidated entity will be an increase in retained earnings of \$4,256,441 and \$177,833 for the company.