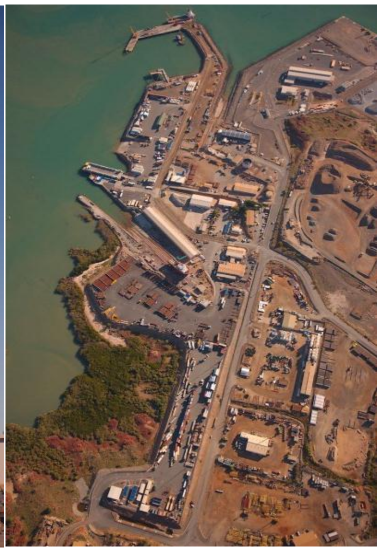
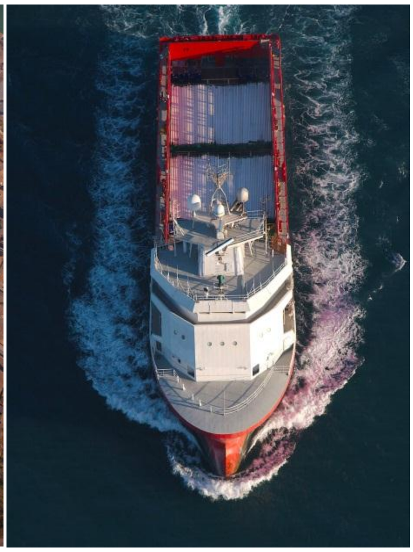
MERMAID MARINE AUSTRALIA LIMITED

2012 PRELIMINARY FINANCIAL REPORT



MERMAID MARINE DELIVERS SOLID EARNINGS GROWTH IN FY2012

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

Net Profit after Tax ("NPAT") for the year increased by 18% to $51.0 million and Earnings per Share ("EPS") increased by 11% to 23.4c per share.

The Directors are also pleased to announce a final dividend of 6c per share, taking the full year dividend to 11c per share, an increase of 22% on the previous financial year.

Financial Highlights

Key Financials	FY2012	FY2011	Variance
Revenue	$380.4M	$285.3M	33.3%
EBITDA	$106.6M	$87.6M	21.7%
NPAT	$51.0M	$43.1M	18.3%
EPS	23.4c	21.1c	10.9%
Full year dividends	11c per share	9c per share	22.2%

Dividend	
Final dividend	6c per share
Dividend record date	7 September 2012
Dividend payment date	28 September 2012

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

"Offshore Oil & Gas activity in the North West of Australia continues to be buoyant with ongoing construction of the $43 billion Gorgon Project and three other major LNG projects with a combined capital cost approaching $75 billion recently sanctioned for development.

"MMA increased the capacity of its Dampier Supply Base facilities during the year with the acquisition of the Bis Industries Ltd Dampier Supply Base, expanding our landholding in the area by almost 60% and providing significant opportunities for growth.

"Activity in the Browse Basin is expected to increase considerably and MMA's Broome Supply Base Joint Venture is well positioned to service this growth."

MMA Managing Director, Mr Jeffrey Weber said:

"FY2012 presented a number of challenges for MMA but the Company once again produced a strong financial result.

"The year highlighted the advantage of providing a broad range of services with the different business units of vessels, supply bases and slipway combining to deliver the overall growth in earnings. This is despite each of the business units experiencing some volatility over the course of the year.

"The Dampier Supply Base business is now a material contributor to the Company's earnings and the acquisition of the Bis business is critical to ongoing growth.

"Internationally, the vessel market is showing signs of improvement but it remains slightly long on capacity with rates slow to increase over the last 12 months. MMA's focus on delivering safe and effective marine logistics solutions to its customers allows the Company to maintain a competitive advantage, which has been well supported by both existing and new clients.

"The outlook for MMA's services remains strong with a number of major new projects initially driving demand for our Supply Base services at Dampier and Broome, followed by increased demand for our vessels as offshore construction of these projects commences and then moves into the production phase."

Dividend

The MMA Board has declared a final fully franked dividend of 6 cents per share, taking the full year dividend to 11 cents per share. This represents a 22% increase on the dividend with respect to the previous financial year.

The record date for entitlement to the final dividend is 7 September 2012 and the payment date for the final dividend is 28 September 2012.

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 28 September 2012 must be received by the Company's share registry, Computershare Investor Services Pty Ltd, by the Record Date of 7 September 2012.

Operational Highlights

The 2012 financial year result emphasised the benefit of MMA's integrated marine logistics business model.

Vessel Operations

The vessel business delivered strong growth in earnings with an exceptional first half performance offsetting lower activity in the second half.

Earnings in the first half were boosted by short term contracts as well as generally high utilisation across the fleet. Second half earnings were lower, with utilisation rates falling in the first few months before returning to normal averages towards the end of the year. The average utilisation for the fleet across the year was 77% and we expect 2013 to improve from this level.

Revenue from vessel operations was up 30% to $275.5 million, with EBIT also up significantly to $52.5 million, an increase of 23% on the previous year and representing approximately 66% of group EBIT in FY2012.

MMA completed two large one-off projects during the first half. The Mermaid Vision was fitted out as an offshore desalination plant and engaged for five months by the Gorgon Project. The Company also completed a large seismic project with Geokinetics for Woodside in the Browse Basin. The latter project involved chartering in a specialised vessel for approximately four months.

Construction of the Gorgon Project is ongoing and MMA continues to provide a range of vessels to support the Project under its fuel and cargo transportation contracts, which have recently been extended in terms of both scope and duration. The Platform Supply Vessel, Mermaid Leveque, is currently contracted to Allseas supporting the Gorgon Pipelay Contract. MMA also recently commenced a contract with Sapura Clough providing a range of vessels to support the Gorgon Domestic Gas Export Pipeline installation. The installation of the subsea structures and tie-ins is scheduled for FY2013/14 and will be managed by Subsea 7.

During the year, MMA also had two vessels contracted to support the construction of PTTEP's Montara Development Project and the Company has recently commenced a contract with McDermott for the provision of six vessels to support the construction of BHPB's Macedon Project.

Offshore construction activity in the region is expected to remain buoyant over the coming years, with three major projects sanctioned for development in the past 14 months. Shell's $12(est) billion Floating LNG Project, Chevron's $29 billion Wheatstone LNG Project and INPEX's $32 billion Ichthys LNG Project will all require significant offshore vessel support with demand for vessels expected to ramp up in FY2014.

MMA continued its fleet expansion strategy with one new vessel delivered and commencement of construction of two further vessels during the financial year. The Mermaid Strait, a 53m DP1 OSV, was delivered in April 2012 and went straight into an FPSO Offtake Support contract with Woodside. A second 53m DP2 OSV vessel, the Mermaid Cove, is currently under construction and is scheduled for delivery in January 2013. MMA also continued to execute on its strategy to expand into the medium sized Platform Supply Vessel (PSV) market, with an STX Design PSV currently under construction in Singapore and due for delivery in October 2013. This will be the third PSV in our fleet. Demand for this type of vessel is expected to be strong and MMA has also secured an option to build a second vessel at the same shipyard.

MMA's Marine Projects Department continued to design and deliver unique marine solutions to meet the specific and often complex needs of our clients. With competition in the Australian market increasing, the Marine Projects Department is a key differentiator of the Company going forward.

International operations contributed approximately $13 million in revenue during the 2012 financial year, down from $24 million the previous financial year.

Internationally, the vessel market continues to be challenging but there are signs of improvement. Utilisation levels in South East Asia have increased but rates have been slow to improve.

MMA continues to work internationally for Geokinetics, with the Mermaid Vigilance currently working in Mexico supporting a large seismic project. The Mermaid Discovery and Mermaid Vanquish completed seismic projects in Brunei for Geokinetics during the first half and these vessels are now redeployed. The Mermaid Achiever has also been moved to Singapore and is working in the South East Asian spot market.

The Company is focussed on increasing its presence in the South East Asian market. The Singapore Office was expanded during FY2012, with the addition of some key personnel including a Commercial Manager with significant contacts and experience in the region. This has enabled MMA to broaden its international client base, completing short term projects for a number of new clients during the year. MMA now has 11 internationally flagged vessels valued at $132 million capable of working internationally.

MMA is pleased to advise that all but one of the claims in relation to the "Hurricane Nate/Gulf of Mexico" incident have now been settled.

MMA can confirm that:

- The settlement of each of the nine claims included a release of MMA from all liability; and
- In relation to each of those nine claims, neither MMA nor its insurers have been required to contribute any payments towards those settlements.

As a consequence of the above settlements, MMA has obtained orders dismissing the exoneration and limitation proceedings and the P&I Club Letter of Undertaking in the sum of $US21,085,000 has been returned. MMA understands that an in-principal settlement has been reached with the final claimant, however this settlement is still undergoing formal court approval. Again, neither MMA nor its insurers will be required to contribute any payment towards this final settlement.

Dampier Supply Base

The Dampier Supply Base also delivered strong growth in earnings during the year, with a challenging first half impacted by industrial action and low drilling activity. Activity and earnings improved significantly in the second half of the year.

Revenue was up 51% to $92.6 million and EBIT increased by 21% to $36.7 million for the year.

Margins were impacted in the first half by lower activity across the wharf, industrial action and rising costs of labour, land rentals and outgoings.

During the second half, the situation improved as the industrial action was settled and drilling resumed in the region, improving wharf utilisation. The Company was able to improve on the first half margins, however overall, margins were lower than the previous financial year. This was also due to a different mix of activity across the supply base business during the year.

During the year, MMA secured a major extension to its Gorgon related contracts, which resulted in an increase in the number of dedicated Gorgon personnel. In addition, MMA secured a contract to operate Woodside's Burrup Materials Facility as another dedicated Gorgon facility, which will be utilised to increase the project's freight throughput. The contract is for an initial 12 month term, with options to extend.

MMA also secured an extension of its current Stevedoring Services Agreement with the Gorgon Project to utilise the Broome Supply Base to facilitate additional freight deliveries to Barrow Island. MMA has subcontracted its joint venture company, Toll Mermaid Logistics Broome Pty Ltd to undertake the work.

An exciting development during the year was the acquisition of the Bis Industries Ltd Dampier Supply Base in December 2011. The Bis facility is located directly adjacent to our Dampier Supply Base and increases our landholding in the area by almost 60%. With the existing supply base close to capacity, the acquisition allows us to continue to grow and meet the needs of new and existing clients in the region. The facility has been renamed "Mermaid Logistics Base (MLB)" and initial demand for the new facility has been strong with a number of new clients moving on to the MLB during the second half.

Drilling activity was subdued during the first half but the second half saw drilling campaigns ramp up. Drilling activity is expected to remain strong throughout FY2013. Chevron, Apache, Santos, Hess and BHPB all carried out drilling campaigns during the second half.

The Supply Base business faced a number of major challenges during the year. The negotiations around the new Enterprise Bargaining Agreement were difficult and protracted. This resulted in the shutdown of the Supply Base for 14 days due to strike action. With the new terms agreed, MMA is now focused on working with our people to optimise productivity and meet our clients' ongoing requirements. This remains a key challenge of the business going forward.

Notwithstanding the challenges, the outlook for the Dampier Supply Base is very positive, with offshore construction, exploration and production activity in the region expected to remain strong, driving continued demand for MMA's service offering.

Dampier Slipway

The Slipway delivered a solid financial performance generating EBIT of $2.1 million, which was down from EBIT of $2.9 million the previous financial year.

Over the course of the year, a total of 54 vessels were docked.

The Dampier Slipway remains a key strategic asset for MMA, enabling timely and cost effective maintenance and repair of MMA's own fleet of vessels, with demand from third parties contributing to earnings.

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

The Broome Supply Base reported a small profit for the year with MMA's 50% share totalling $0.4 million.

Activity in the Browse Basin region has started to increase and the Broome Supply Base JV, having strategically invested in infrastructure development over the past few years, is very well positioned with its modern and well located supply base facilities.

Shell's $12(est) billion Prelude Floating LNG Project was approved for development in May 2011 and project activity has already commenced. During the year, the Broome Supply Base JV signed a five year Supply Base Services contract with Shell to support the Prelude Project. Development drilling is due to commence during FY2013 and offshore construction activity is expected to commence in FY2014. The Prelude development will utilise Shell's Floating LNG technology, which will liquefy the gas and export it from an offshore facility. The facility will remain moored on location for 25 years and is expected to produce 3.6 million tonnes of LNG per annum. This will drive strong activity through the Broome Supply Base over the coming years.

INPEX sanctioned its $32 billion Ichthys Project in January 2012. The Ichthys field is estimated to contain 12.8 trillion cubic feet of gas and 527 million barrels of condensate and is expected to have an operational life of more than 40 years. The gas plant will be constructed in Darwin connected by an 885 km pipeline to the field. Field development will consist of a Central Processing Facility and a Floating Production, Storage and Offtake vessel (FPSO) for production and export of condensate.

As mentioned above, the Broome Supply Base also commenced a contract supporting the Gorgon Project in the second half of FY2012, to facilitate additional freight deliveries to Barrow Island.

In addition, Conoco Phillips commenced their drilling campaign in the second half, which will continue during FY2013. A number of other drilling programs are also planned for FY2013.

With the increased activity at the Broome Supply Base, a number of new personnel have been employed, with further personnel expected to be recruited during the coming year to support the increased demand.

The outlook for the Broome Supply Base is positive, with a number of drilling programs planned for FY2013 and construction of Prelude and Ichthys set to drive increased demand for services in the future.

Outlook

Demand for MMA's services is expected to remain strong as construction activity on the North West Shelf and in the Browse Basin and Timor Sea remains buoyant. MMA's client base continued to grow in FY2012, with several new clients seeking both supply base and vessel services throughout the year. The Bis acquisition was integral to the Company's ability to meet increasing demand on the Burrup Peninsular.

Construction of the $43 billion Gorgon Project is expected to continue through to FY2014, with major components of the downstream scope still under construction and the major upstream construction phase about to begin.

BHP Billiton's Macedon Project, which recently commenced construction, will continue during the first half of FY2013.

Shell's Prelude FLNG Project, Chevron's Wheatstone LNG Project and INPEX's Ichthys Project will drive demand for supply base services from FY2013, with vessel demand increasing from FY2014.

MMA, with its modern fleet of vessels and strategically located supply bases, is well placed to take advantage of continued strong activity in the Oil and Gas sector and looks forward to continued earnings growth in FY2013.

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MERMAID MARINE
AUSTRALIA LTD

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Preliminary Financial Report and Appendix 4E for the Year Ended 30 June 2012

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Results for Announcement to the Market

Current Reporting Period : Year ended 30 June 2012
Previous Reporting Period : Year ended 30 June 2011

Earnings	% Change	Amount $'000
Revenue from ordinary activities	+ 33.3%	380,358
Profit from ordinary activities after tax attributable to members	+ 18.3%	51,036
Net profit attributable to members	+ 18.3%	51,036

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

Dividends	Amount per share	Franked Amount per Share
Interim dividend for 2012	5 cents	5 cents
Final dividend for 2012	6 cents	6 cents

The Company paid an interim fully franked dividend for the 2012 financial year of 5 cents per share on 23 March 2012.

The Company has declared a fully franked final dividend with respect to the year ended 30 June 2012 of 6 cents per share.

The record date for entitlement to the final dividend is 7 September 2012.

The payment date for the final dividend is 28 September 2012.

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 28 September 2012 must be received by the Company's share registry, Computershare Investor Services Pty Ltd, by the record date of 7 September 2012.

Net Tangible Asset Backing	2012	2011
Net tangible asset backing per share	$1.37	$1.25

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 comprehensive income for the year ended 30 June 2012

	Note	2012 $'000	2011 $'000
Revenue	2(a)	380,358	285,268
Interest Income		1,962	2,567
Other gains/(losses)	2(b)	(345)	932
Share of profits/(losses) of jointly controlled entity	8	362	(59)
Vessel expenses		(222,965)	(168,840)
Supply Base expenses		(53,015)	(27,958)
Slipway expenses		(12,612)	(12,321)
Administration expenses		(12,013)	(9,751)
Finance costs	2(c)	(10,130)	(11,678)
Profit before tax		71,602	58,160
Income tax expense	4	(20,566)	(15,010)
PROFIT FOR THE YEAR		**51,036**	**43,150**
Other Comprehensive Income			
Exchange differences on translation of foreign operations	18	7,136	(24,901)
Loss on cashflow hedges	18	(921)	(2,760)
Transfer of cashflow hedge loss to initial carrying amount of fixed asset	18	1,768	1,148
Other comprehensive income for the year, net of tax		7,983	(26,513)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**59,019**	**16,637**
Profit attributable to owners of the Company		51,036	43,150
Total comprehensive income attributable to owners of the Company		59,019	16,637
Earnings per share			
- Basic (cents per share)	3	23.44	21.09
- Diluted (cents per share)	3	22.93	20.72

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

Consolidated statement of financial position as at 30 June 2012

	Note	2012 $'000	2011 $'000
Current Assets			
Cash and cash equivalents		55,283	55,090
Trade and other receivables	5	83,441	64,396
Inventories	6	1,555	2,153
Other	7	12,195	5,278
Total Current Assets		**152,474**	**126,917**
Non-Current Assets			
Investments accounted for using the equity method	8	5,022	4,659
Other financial assets	9	2,000	750
Property, plant and equipment	10	377,679	334,684
Goodwill	11	20,710	-
Total Non-Current Assets		**405,411**	**340,093**
Total Assets		**557,885**	**467,010**
Current Liabilities			
Trade and other payables	12	41,614	23,275
Unearned revenue	13	4,023	7,708
Borrowings	14	21,762	30,260
Other financial liabilities	15	765	1,612
Provisions	16	5,961	4,216
Current tax liabilities		7,426	10,958
Total Current Liabilities		**81,551**	**78,029**
Non-Current Liabilities			
Unearned revenue	13	2,748	5,262
Borrowings	14	136,363	104,085
Provisions	16	1,204	942
Deferred tax liabilities		14,240	8,966
Total Non-Current Liabilities		**154,555**	**119,255**
Total Liabilities		**236,106**	**197,284**
Net Assets		**321,779**	**269,726**
Equity			
Issued capital	17	197,694	186,416
Reserves	18	(15,745)	(27,159)
Retained earnings	19	139,830	110,469
Total Equity		**321,779**	**269,726**

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 2012

	Issued capital	Employee equity settled benefits reserve	Hedging reserve	Foreign currency translation reserve	Retained earnings	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2010	**112,954**	**1,676**	**-**	**(2,811)**	**85,234**	**197,053**
Profit for the year	-	-	-	-	43,150	43,150
Other comprehensive income for the year	-	-	(1,612)	(24,901)	-	(26,513)
Total comprehensive income for the year	**-**	**-**	**(1,612)**	**(24,901)**	**43,150**	**16,637**
Payment of dividends	-	-	-	-	(17,915)	(17,915)
Issue of shares under dividend reinvestment plan	7,077	-	-	-	-	7,077
Issue of shares under employee option plans	1,290	-	-	-	-	1,290
Issue of shares under share placement	35,000	-	-	-	-	35,000
Issue of shares under share purchase plan	29,237	-	-	-	-	29,237
Share issue costs	(1,147)	-	-	-	-	(1,147)
Related income tax benefit	350	-	-	-	-	350
Transfer of share capital	1,655	(1,655)	-	-	-	-
Recognition of share based payments	-	2,144	-	-	-	2,144
Balance at 30 June 2011	**186,416**	**2,165**	**(1,612)**	**(27,712)**	**110,469**	**269,726**
Profit for the year	-	-	-	-	51,036	51,036
Other comprehensive income for the year	-	-	847	7,136	-	7,983
Total comprehensive income for the year	**-**	**-**	**847**	**7,136**	**51,036**	**59,019**
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
Balance at 30 June 2012	**197,694**	**5,596**	**(765)**	**(20,576)**	**139,830**	**321,779**

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 2012

	Note	2012 $'000	2011 $'000
Cash flows from Operating Activities			
Receipts from customers		395,041	307,746
Interest received		1,650	2,489
Payments to suppliers and employees		(289,248)	(216,996)
Income tax paid		(17,719)	(2,501)
Interest and other costs of finance paid		(10,130)	(11,237)
Net cash provided by Operating Activities	20(b)	79,594	79,501
Cash flows from Investing Activities			
Payments for property, plant and equipment		(66,573)	(78,225)
Proceeds from sale of property, plant and equipment		100	63
Net cash outflow on purchase of business	22(d)	(11,950)	-
Amounts advanced to jointly controlled entity		(1,250)	-
Net cash used in Investing Activities		(79,673)	(78,162)
Cash flows from Financing Activities			
Proceeds from issue of shares		2,208	64,602
Payment for share issue costs		-	(141)
Proceeds from borrowings		129,717	800
Repayment of borrowings		(118,448)	(26,047)
Dividends paid		(13,042)	(10,838)
Net cash provided by Financing Activities		435	28,376
Net increase in cash and cash equivalents		356	29,715
Cash and cash equivalents at the beginning of the financial year		55,090	26,789
Effects of exchange rate changes on the balance of cash held in foreign currencies		(163)	(1,414)
Cash and cash equivalents at the end of the financial year		**55,283**	**55,090**

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

Notes to the Preliminary Financial Report

1. Summary of Significant Accounting Policies

These preliminary consolidated financial statements relate to Mermaid Marine Australia Limited and the entities it controlled at the end of, or during the year ended 30 June 2012.

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

2. Profit from Operations

	2012 $'000	2011 $'000
(a) Revenue from continuing operations consisted of the following items:		
Rendering of services	340,745	259,455
Rental revenue	39,613	25,813
	380,358	285,268
(b) Other gains and losses		
Net foreign exchange gains/(losses)	(197)	1,290
Loss on disposal of :		
Property, plant and equipment	(148)	(358)
	(345)	932
(c) Finance costs		
Interest expense – other entities	7,979	8,788
Finance charges – lease finance charges	2,151	2,890
Total interest expenses	10,130	11,678
(d) Profit for the year		
Profit for the year before income tax has been arrived at after charging the following:		
(i) Depreciation:		
Leasehold buildings and improvements	3,969	3,221
Vessels	18,469	12,097
Vessels – hire purchase	1,911	3,022
Plant and equipment	1,807	1,329
Plant and equipment – hire purchase	684	687
	26,840	20,356

Notes to the Preliminary Financial Report (continued)

2. Profit from Operations (continued)

	2012 $'000	2011 $'000
(ii) Impairment losses:		
Impairment loss recognised on trade receivables	91	141
Reversal of impairment losses recognised on trade receivables	(139)	(15)
(iii) Employee benefit expense:		
Post employment benefits:		
Defined contribution plans	5,873	4,258
Share based payments:		
Equity settled share based payments	2,123	2,144
Termination benefits	-	41
Other employee benefits	141,405	109,835
	149,401	116,278

3. Earnings Per Share

	2012 Cents per Share	2011 Cents per Share
Basic earnings per share	23.44	21.09
Diluted earnings per share	22.93	20.72

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:

	2012 $'000	2011 $'000
Net Profit	51,036	43,150

	2012 No.'000	2011 No.'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	217,717	204,614

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:

	2012 $'000	2011 $'000
Net Profit	51,036	43,150

	2012 No.'000	2011 No.'000
Weighted average number of ordinary shares used in the calculation of basic earnings per share	217,717	204,614
Shares deemed to be issued for no consideration in respect of:		
Employee options and rights	4,859	3,682
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	222,576	208,296

Notes to the Preliminary Financial Report (continued)

3. Earnings Per share (continued)

	2012 No.'000	2011 No.'000
The following potential ordinary shares are non-dilutive and are therefore excluded from the weighted average number of ordinary shares used in the calculation of diluted earnings per share.		
Employee options	-	4,600

4. Income Tax

	2012 $'000	2011 $'000
(a) Income tax recognised in profit or loss		
Tax expense comprises:		
Current tax expense in respect of the current year	14,088	15,661
Deferred tax expense relating to origination and reversal of temporary differences	6,471	(528)
Adjustment recognised in the current year in relation to the current tax of prior years	7	(123)
Total tax expense	20,566	15,010
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	71,602	58,160
Income tax expense calculated at 30%	21,480	17,448
Effect of revenue that is exempt from taxation	(624)	(2,922)
Effect of expenses that are not deductible in determining taxable profit	456	644
Effect of tax deductible items not included in accounting profit	(564)	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	(189)	(37)
	20,559	15,133
Adjustment recognised in the current year in relation to the current tax of prior years	7	(123)
	20,566	15,010

During the financial year the Group was subject to taxes in Australia, Singapore, Brunei 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 rates payable under other jurisdictions are:

- Singapore 17%
- Brunei 20%
- Mexico 30%

5. Trade & Other Receivables

	2012 $'000	2011 $'000
Trade receivables	79,827	61,943
Allowance for doubtful debts	(106)	(171)
Other receivables	2,270	1,507
Goods and services tax recoverable	1,450	1,117
	83,441	64,396

Notes to the Preliminary Financial Report (continued)

6. Inventories

	2012 $'000	2011 $'000
Fuel – at cost	1,426	1,867
Work in progress	129	286
	1,555	2,153

7. Other Current Assets

Prepayments	12,195	5,278

8. Investments Accounted for Using the Equity Method

Name of Entity	Principal Activity	Country of Incorporation	Ownership Interest 2012 %	Ownership Interest 2011 %	Consolidated Carrying Amount 2012 $'000	Consolidated Carrying Amount 2011 $'000
Jointly controlled entity						
Toll Mermaid Logistics Broome Pty Ltd (i)	Supply base services in Broome for the offshore oil and gas industry.	Australia	50	50	5,022	4,659
Total					5,022	4,659

(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:

	2012 $'000	2011 $'000
Financial position:		
Total assets	15,082	11,179
Total liabilities	(5,039)	(1,861)
Net assets	10,043	9,318
Group's share of jointly controlled entity net assets	5,022	4,659
Financial performance:		
Total revenue	12,925	9,479
Total profit/(loss) before tax for the year	1,034	(148)
Group's share of jointly controlled entity profit/(loss) before tax	517	(74)
Group's share of jointly controlled entity income tax (expense)/benefit	(155)	15
Group's share of jointly controlled entity profit/(loss)	362	(59)

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 (2011: nil).

9. Other Financial Assets

	2012 $'000	2011 $'000
Loan to jointly controlled entity	2,000	750

Notes to the Preliminary Financial Report (continued)

10. Property, Plant & Equipment

	Leasehold Buildings and improvements at cost	Vessels at cost	Vessels – Hire purchase at cost	Plant and Equipment at cost	Plant and Equipment – hire purchase at cost	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000
Gross carrying amount:						
Balance at 1 July 2010	100,586	168,242	61,659	11,887	7,548	349,922
Additions	6,876	57,653	-	5,708	1,544	71,781
Disposals	(12)	(30)	-	(2,132)	(82)	(2,256)
Transfers	-	(602)	602	-	-	-
Net currency exchange differences	-	(21,406)	-	(32)	-	(21,438)
Balance at 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
Acquisition through Business Combinations	3,611	-	-	349	-	3,960
Disposals	-	(130)	-	(260)	(110)	(500)
Transfers	-	36,132	(36,129)	(3)	-	-
Net currency exchange differences	-	7,202	-	3	-	7,205
Balance at 30 June 2012	**118,345**	**296,876**	**26,289**	**17,195**	**9,388**	**468,093**
Accumulated depreciation:						
Balance at 1 July 2010	(10,691)	(21,525)	(8,767)	(4,440)	(856)	(46,279)
Disposals	13	30	-	1,783	9	1,835
Transfers	-	502	(502)	-	-	-
Depreciation expense	(3,221)	(12,097)	(3,022)	(1,329)	(687)	(20,356)
Depreciation capitalised in assets	-	-	-	(5)	-	(5)
Net currency exchange differences	-	1,472	-	8	-	1,480
Balance at 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 in assets	-	-	-	-	(4)	(4)
Net currency exchange differences	-	(495)	-	(2)	-	(497)
Balance at 30 June 2012	**(17,868)**	**(59,862)**	**(4,923)**	**(5,595)**	**(2,166)**	**(90,414)**
Net book value:						
As at 30 June 2011	93,551	172,239	49,970	11,448	7,476	334,684
As at 30 June 2012	100,477	237,014	21,366	11,600	7,222	377,679

Notes to the Preliminary Financial Report (continued)

11. Goodwill

	2012 $'000	2011 $'000
Cost (note 22c)	20,710	-
Accumulated impairment losses	-	-
	20,710	-

Cost		
Balance at beginning of year	-	-
Amount recognised from business combination occurring during the year	20,710	-
Balance at end of year	20,710	-

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 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.

12. Trade & Other Payables

	2012 $'000	2011 $'000
Trade payables	10,204	6,071
Other payables and accruals	28,523	15,368
Goods and services tax payable	2,887	1,836
	41,614	23,275

13. Unearned revenue

Current	4,023	7,708
Non Current	2,748	5,262
	6,771	12,970

Notes to the Preliminary Financial Report (continued)

14. Borrowings

Secured – at amortised cost

Current	**2012 $'000**	**2011 $'000**
Hire purchase liability	6,392	12,014
Bank loan	15,370	18,246
	21,762	30,260

Non-Current		
Hire purchase liability	12,350	18,313
Bank loan	124,013	85,772
	136,363	104,085

15. Other Financial Liabilities

Derivatives		
Foreign currency forward contracts	73	1,61
Interest rate swaps	692	-
	765	1,612

16. Provisions

Current		
Employee benefits - annual leave	5,961	4,216
Non-Current		
Employee benefits - long service leave	1,204	942

17. Issued Capital

219,453,350 fully paid ordinary shares (2011: 215,376,756)	197,694	186,416

18. Reserves

Employee equity settled benefits	5,596	2,165
Hedging	(765)	(1,612)
Foreign currency translation	(20,576)	(27,712)
	(15,745)	(27,159)

Notes to the Preliminary Financial Report (continued)

18. Reserves (continued)

	2012 $'000	2011 $'000
Employee equity settled benefits reserve		
Balance at beginning of financial year	2,165	1,676
Share based payment	2,123	2,144
Transfer to share capital	(410)	(1,655)
Deferred income tax benefit	1,718	-
Balance at end of financial year	5,596	2,165

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.

	2012 $'000	2011 $'000
Hedging reserve		
Balance at beginning of financial year	(1,612)	-
Loss on cashflow hedges	(921)	(2,760)
Transfer of cashflow hedge loss to initial carrying amount of fixed asset	1,768	1,148
Balance at end of financial year	(765)	(1,612)

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

	2012 $'000	2011 $'000
Foreign currency translation reserve		
Balance at beginning of financial year	(27,712)	(2,811)
Translation of foreign operations	7,136	(24,901)
Balance at end of financial year	(20,576)	(27,712)

Notes to the Preliminary Financial Report (continued)

19. Retained Earnings

	2012 $'000	2011 $'000
Balance at beginning of financial year	110,469	85,234
Net profit attributable to members of the parent entity	51,036	43,150
Dividend provided for or paid	(21,675)	(17,915)
Balance at end of financial year	139,830	110,469

20. Notes to Statement of Cashflow

(a) Non cash financing and investing activities

During the financial year, the Group acquired property, plant and equipment with an aggregate value of $0.5 million (2011: $1.4 million), which was financed by bank finance and hire purchase agreements. These acquisitions will be reflected in the cash flow statement over the term of the finance facilities via repayments.

The purchase of the Bis Industries Ltd Dampier supply base for $24.0 million was funded through cash reserves of $12.0 million and the drawdown of $12.0 million of new debt.

In addition, the Company issued shares to the value of $8.7 million (2011: $7.1 million) in lieu of dividend payments under the Company's Dividend Reinvestment Plan.

	2012 $'000	2011 $'000
(b) Reconciliation of profit for the year to net cash flows from operating activities		
Profit for the year	51,036	43,150
Depreciation of non current assets	26,840	20,356
Loss on sale of property, plant and equipment	148	358
Allowance for doubtful debts	73	139
Bad debts	18	2
Reversal of impairment losses on trade receivables	(139)	(15)
Equity settled share based payment	2,123	2,144
Increase/(decrease) in current tax liability	(3,910)	13,214
Share of jointly controlled entity (profit)/loss	(362)	59
Increase/(decrease) in deferred tax liabilities	7,395	(878)
Change in net assets and liabilities:		
Current trade and other receivables	(17,832)	(21,942)
Prepayments	(628)	(299)
Inventories	598	39
Provisions	1,964	2,287
Trade and other payables	18,469	7,917
Unearned revenue	(6,199)	12,970
Net cash flows from operating activities	79,594	79,501

Notes to the Preliminary Financial Report (continued)

21. Segment Information

Products and services from which reportable segments derive their revenues

Information reported to the Board for the purposes of resource allocation and assessment of performance is based on the category of services provided. Accordingly, the Group's reportable segments under AASB 8 are 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.

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

	Revenue from external		Inter-segment Revenue		Total Segment Revenue	
	2012 $'000	**2011 $'000**	**2012 $'000**	**2011 $'000**	**2012 $'000**	**2011 $'000**
Segment Revenues						
Vessels	275,483	211,528	1	139	275,484	211,667
Supply Base	89,743	58,386	2,824	3,045	92,567	61,431
Slipway	15,132	15,354	9,692	8,415	24,824	23,769
Total	380,358	285,268	12,517	11,599	392,875	296,867
Eliminations					(12,517)	(11,599)
Total consolidated revenue					380,358	285,268

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

	2012 $'000	**2011 $'000**
Segment Profit		
Vessels	52,518	42,689
Supply Base	36,729	30,427
Slipway	2,061	2,901
Eliminations	458	132
Total for continuing operations	91,766	76,149
Investment Revenue	1,962	2,567
Other gains/(losses)	(345)	932
Central administration costs	(12,013)	(9,751)
Share of profit/(losses) of jointly controlled entity	362	(59)
Unallocated finance costs	(10,130)	(11,678)
Profit before income tax	71,602	58,160

Notes to the Preliminary Financial Report (continued)

21. Segment Information (continued)

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 finance costs and investment revenue no longer being allocated to the operating segments from this reporting period. This is the revised measure reported to the chief operating decision maker from 1 July 2011. The change in method is a result of drawing down the new group debt facility and reflects this being an overall group facility in contrast to the previous asset specific debt facilities.

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

	2012 $'000	2011 $'000
Segment assets		
Vessels	313,995	277,247
Supply Base	163,295	111,199
Slipway	13,723	13,890
Unallocated	66,872	64,674
Total	557,885	467,010

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

Other Segment Information

	Depreciation and amortisation		Additions to non-current assets		Carrying value of equity accounted investments	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Vessels	20,519	15,275	49,850	57,673	-	-
Supply Base	4,970	4,215	32,662	9,713	-	-
Slipway	607	549	607	1,799	-	-
Unallocated	744	317	970	2,596	5,022	4,659
Total	26,840	20,356	84,089	71,781	5,022	4,659

Notes to the Preliminary Financial Report (continued)

Revenue from major services

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

	2012 $'000	2011 $'000
Vessel services	273,994	210,659
Property and equipment rental	39,613	25,813
Supply base services	50,035	32,508
Slipway services	15,131	15,354
Others	1,585	934
	380,358	285,268

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*	
	2012 $ '000	2011 $ '000	2012 $ '000	2011 $ '000
Australia	367,350	260,464	349,579	288,363
Other	13,008	24,804	48,810	46,321
Total	380,358	285,268	398,389	334,684

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

Information about major customers

Included in revenues arising from vessel and supply base services are revenues of approximately $142.2 million (2011: $57.3 million) which arose from sales to the Group's largest customer, revenues of approximately $61.6 million (2011: $47.0 million) which arose from sales to the Group's second largest customer and revenues of approximately $45.5 million (2011: $27.0 million) which arose from sales to the Group's third largest customer.

22. Business Combination

On 22 November 2011, Mermaid Marine Australia Ltd entered into an agreement with Bis Industries Ltd to acquire their supply base in Dampier.

The Bis supply base is located in the King Bay Industrial estate, adjacent to MMA's existing Dampier Supply Base facility. The Bis supply base covers an area of 11.7 hectares and comprises open laydown, undercover storage and office space.

The transaction settled on 16 December 2011.

Notes to the Preliminary Financial Report (continued)

Details of the consideration transferred, fair value of the assets and liabilities acquired and cash flow on acquisition are as follows:

a) Consideration transferred

	$'000
Cash	24,000

In addition to the consideration transferred, acquisition related costs totalling $1.4 million have been recognised as an expense within the "Administration expenses" line in the Statement of Comprehensive Income.

b) Fair value of assets acquired and liabilities assumed at the date of acquisition

	$'000
Current assets	
Indemnification asset	50
Non-current assets	
Plant & equipment	3,960
Current liabilities	
Trade & other payables	(200)
Current liabilities	
Deferred tax liabilities	(520)
	3,290

c) Goodwill arising on acquisition

	$'000
Consideration transferred	24,000
Less: fair value of identifiable net assets acquired	(3,290)
Goodwill arising on acquisition	20,710

Goodwill arose on the acquisition because it provides access to substantial extra land adjacent to MMA's existing supply base. The capacity provided by the additional land, together with the expected synergies with existing operations, is where the value is expected to be realised.

None of the goodwill arising on acquisition is expected to be deductible for tax purposes.

d) Net cash outflow on acquisition

	$'000
Payment from cash reserves	12,000
Indemnification asset received	(50)
Drawdown new debt (paid by bank direct to vendor)	12,000
Direct costs relating to the acquisition	1,352
	25,302

Notes to the Preliminary Financial Report (continued)

e) Impact of acquisition on the results of the group

The acquired supply base contributed revenue of $4.2 million and net profit after tax of $1.3 million to the Group for the period 16 December 2011 to 30 June 2012. Had the supply base been acquired at 1 July 2011, the revenue for the Group would have been $383.8 million, and the net profit after tax would have been $52.5 million. The Directors consider these ‘pro-forma’ numbers to represent an approximate measure of the performance of the Group on an annualised basis and to provide a reference point for comparison in future periods.

In determining the ‘pro-forma’ revenue and profit as if the supply base had been acquired on 1 July 2011, the Directors have annualised the numbers for the period from the date of acquisition to 30 June 2012.