



MERMAID MARINE
AUSTRALIA LTD

MERMAID MARINE AUSTRALIA LIMITED

2011 HALF YEAR FINANCIAL REPORT

MMA CONTINUES TO ACHIEVE STRONG PROFIT GROWTH

The Directors of Mermaid Marine Australia Ltd (“MMA”) (ASX:MRM) are pleased to announce a 33% increase in pre-tax profit to \$27.0 million for the six months ended 31 December 2010.

The result was driven by solid demand for our Australian vessel fleet, strong growth in activity on the Dampier Supply Base and high utilisation of the Dampier Slipway.

The continued growth in earnings endorses MMA’s commitment to new vessels and infrastructure development in the 2010 financial year.

Financial Highlights

	Half year ended 31 Dec 2010	Half Year ended 31 Dec 2009	Variance on PCP
Revenue	\$135.3M	\$92.9M	↑46%
EBITDA	\$42.0M	\$30.9M	↑36%
Profit before Tax	\$27.0M	\$20.3M	↑33%
NPAT¹	\$20.4M	\$15.6M	↑31%
EPS¹	10.5c	8.4c	↑25%
Interim Dividend	4.0c	3.0c	↑33%

¹ NPAT and EPS for half year ended 31 Dec 2009 normalised to exclude the one-off impact of the Federal Government investment incentives which reduced the effective tax rate for FY2010

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

“The strength of the Australian Oil and Gas market continues to drive demand for MMA’s services, delivering ongoing earnings growth.

“However, competition is intense as a result of marked oversupply of offshore support vessels impacting demand within the international Oil and Gas market.

“It is a credit to the unique structure and strengths of MMA’s integrated service offering and reputation within the market that we have been able to maintain and even improve our asset utilisation”.

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

“It has been a positive first half.

“We secured new vessel contracts, moved head office, raised capital with a view to funding future growth opportunities and delivered substantial growth in first half earnings.

The Dampier Supply Base continued to perform as a key asset in the region. Most notably, MMA secured a significant new contract to support Chevron’s future exploration activities from this facility.

“The Dampier Slipway had a record first half in terms of revenue and earnings.

“The International fleet delivered safely from Egypt and West Africa and completion of the project in West Papua is imminent. Future deployment of these vessels is in the process of being finalised.

“On the basis of recent contract wins, MMA’s second half performance is expected to be stronger than its first half performance.”

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**Financial Report and Appendix 4D
for the Half Year Ended 31 December 2010**

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Results for Announcement to the Market

Current Reporting Period : Half year ended 31 December 2010

Previous Reporting Period : Half year ended 31 December 2009

Earnings	% Change	Amount \$'000
Revenue from ordinary activities	45.6%	135,253
Profit before tax	33.0%	27,015
Profit from ordinary activities after tax attributable to members	1.9%	20,393
Net profit attributable to members	1.9%	20,393

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.

Dividends	Amount per share	Franked Amount per Share
Interim dividend for 2011	4 cents	4 cents
Final dividend for 2010	5 cents	5 cents

The Company has declared a fully franked interim dividend with respect to the year ended 30 June 2011 of 4 cents per share.

The Company paid a final fully franked dividend for the 2010 financial year of 5 cents per share on 28 September 2010.

The record date for entitlement to the interim dividend is 4 March 2011.

The payment date for the interim dividend is 25 March 2011.

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 25 March 2011 must be received by the Company's share registry, Computershare Investor services Pty Ltd, by the record date of 4 March 2011.

Net Tangible Asset Backing	31 Dec 2010	31 Dec 2009
Net tangible asset backing per share	\$1.21	\$0.95

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

MMAL 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 for the half year ended 31 December 2010. In order to comply with the provisions of the Corporations Act 2001, 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 A Edwards

Review of Operations

The Company continued to deliver strong growth in earnings in the first half of the 2011 financial year, with the result reflecting solid demand for our services, driven by the ongoing activity associated with the offshore oil and gas industry and in particular the Gorgon Project.

As compared to the previous corresponding period:

- Revenue increased by 46% to a total of \$135.3 million
- Profit before tax increased by 33% to \$27.0 million
- Net profit after tax (NPAT) increased by 31% to \$20.4 million (on a normalised basis)
- Earnings per share (EPS) increased by 25% to 10.5c (on a normalised basis)
- The Board approved a fully franked interim dividend of 4 cents per share, up from 3 cents per share

The revenue increase was largely attributable to the Australian vessel operations as a number of chartered vessels were brought in to meet new contracts for the Gorgon Project. However the Dampier Supply Base and Slipway also posted substantial growth in revenue.

Growth in headline NPAT and EPS was impacted by a one off reduction in the effective tax rate in the previous corresponding period due to the Federal Government Investment Allowance. Normalising the results to exclude the one-off tax benefit results in a 31% increase in NPAT and a 25% increase in EPS.

In October, MMA raised a total of \$64.2 million by way of an Institutional Placement and Share Purchase Plan to pursue our strategy of entering the PSV market and to take advantage of international opportunities. The placement was extremely well supported and was undertaken at a minimal discount to the share price at the time. MMA is now in a strong position to move quickly on its growth strategy and secure the right vessels as they become available.

peter

In August the Company successfully transitioned to new offices at 1 Mews Road Fremantle. The building has a strong maritime heritage, being the site where the Endeavour Replica was built. New offices were required to cater for the ongoing growth in the organisation.

Vessel Operations

As compared to the previous corresponding period:

- Revenue from vessel operations increased by 37% to \$100.4 million
- EBIT increased by 20% to \$22.1 million
- Return on assets was consistent at 18.6%

The first half of the financial year has been busy for the Australian Vessel Operations team as a number of vessels were mobilised in Singapore to work in Australia. In total, four AHTs were brought into the country, three on a bareboat charter basis, and the other, the Mermaid Ranger, purchased.

Directors' Report

In addition, three barges were mobilised into Australia for the Gorgon Project. The Gorgon project has extraordinarily high quarantine standards due to Barrow Island's status as a Class A Nature Reserve, presenting unique challenges that were successfully met by our project team. MMA now operates two tug and barge sets for transportation of cargo, and two tug and barge sets for transportation of water to Barrow Island. These contracts are a strong endorsement of the Company's ability to mobilise vessels and operate them to the highest standard in Australia.

MMA was also successful in winning the fuel delivery contract for the Gorgon Project. To fulfil this contract the Company has purchased a new barge which is currently being fitted out with a sophisticated fuel storage and transfer system. A landing craft has also been chartered for this contract and is currently being fitted out for the operations in Australia. Once again, MMA's success in winning this tender highlights the Company's ability to manage complex marine projects.

The fleet was also engaged in supporting Apache's Devil's Creek domestic gas project during the first half, carrying out various duties including supply and barge towing. Woodside also utilised a number of our vessels during the period in the Carnarvon and Browse Basin regions.

During the period MMA entered into a contract to build a new state of the art offtake support vessel for the Australian and international FPSO support market. This vessel will be diesel electric and will have a number of distinct advantages over conventional offtake support vessels. The vessel is expected to be delivered in the first half of 2012.

Internationally, the entire fleet was moved out of West Africa and Egypt and back into South East Asia during the period. Three owned vessels and one chartered vessel are currently engaged in shallow water seismic work in West Papua. This current project is expected to be completed by the end of February 2011 and the Company is working through the next deployment with our client, Geokinetics.

Supply Bases

The Dampier Supply Base had an exceptional first half with revenue increasing by 56% to \$27.7 million and EBIT increasing by 65% to \$14.2 million.

The growth was driven by increased activity across the entire base, with the main wharf supporting Apache, BHP Billiton, Hess and Chevron, and the Gorgon wharf facilities experiencing ongoing volume increases. Total tonnages shipped through the Supply Base have increased by approximately 20% since the beginning of the current financial year. The Dampier Supply Base business now has a highly visible earnings stream and is core to our integrated marine service offering.

In late December, MMA was awarded a contract to support Chevron's exploration and production drilling activities from the Dampier Supply Base. The contract will commence in January 2011 for an initial 3.5 year term with options to extend. The services to be provided under the contract include general supply base services, stevedoring and related wharf services and the provision of dedicated personnel, equipment and offshore containers. The contract also includes the provision of laydown areas, office space and warehouse space. MMA is currently upgrading the area adjacent to the slipway to meet our contractual obligations. The cost of the upgrade is approximately \$5 million and work is expected to be completed by May 2011. In the interim, MMA has secured some additional land outside the main supply base to meet short term requirements. This is a significant contract for the Company and should contribute to earnings in the last quarter of the financial year.

Our Broome Supply Base joint venture, Toll Mermaid Logistics Broome, underperformed for the first half due to lower than expected drilling activity in the Browse Basin. Drilling operations are expected to pick up in the latter part of the financial year but expectations are now for a break-even result from this business. This business remains integral to MMA's longer term strategy with a number of large projects in the pipeline for the region and earnings are expected to rebound in the 2012 financial year. The majority of the current capital expenditure programme has now been completed with future capital expenditure contingent upon substantial growth in demand.

Directors' Report

The Dampier Slipway also had an exceptional first half performance as a result of high levels of utilisation. Revenue increased by approximately 50% to \$11.5 million and EBIT increased by approximately 200% compared to the previous corresponding period to \$1.2 million. Utilisation of the slipway was driven by internal demand and strong external demand for our services. A new three year Enterprise Agreement was negotiated for the business with an extremely positive negotiating process. Overall, apart from Broome being quieter than expected, these businesses have performed extremely well in the first half and will continue to do so going forward.

Outlook

The Company delivered another strong result for the first half of the 2011 financial year. Looking forward, demand is expected to remain strong in the Australian Oil and Gas market and on the basis of recent contract wins, earnings in the second half are expected to be stronger than the first half.

Dividends

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

Auditor's Independence Declaration

The Auditor's Independence Declaration is included on page 7 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, 14 February 2011

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

14 February 2011

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 2010, 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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Kathleen Bozanic

Kathleen Bozanic

Partner

Chartered Accountants

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

Report on the Half-Year Financial Report

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 2010, and the condensed statement of 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 10 to 25.

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 the Mermaid Marine Australia Limited's financial position as at 31 December 2010 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.

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 2010 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

Kathleen Bozanic

Kathleen Bozanic
Partner
Chartered Accountants
Perth, 14 February 2011

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*, 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.

On behalf of the Directors



TONY HOWARTH AO
Chairman

Perth, 14 February 2011

**Condensed consolidated statement of comprehensive income
 for the half year ended 31 December 2010**

	Note	Half year ended 31 Dec 2010 \$'000	Half year ended 31 Dec 2009 \$'000
Revenue	3(a)	135,253	92,906
Other gains and (losses)	3(b)	(296)	(74)
Share of profits / (losses) of associates		(9)	627
Vessel expenses		(78,136)	(55,018)
Supply base expenses		(11,942)	(7,887)
Slipway expenses		(6,941)	(2,688)
Administration expenses		(4,993)	(3,472)
Finance costs	3(c)	(5,921)	(4,083)
Profit before tax		27,015	20,311
Income tax expense	5	(6,622)	(301)
Profit for the period		20,393	20,010
Other comprehensive income			
Exchange differences on translation of foreign operations		(18,647)	(7,784)
Loss on cashflow hedges		(468)	(729)
Transfer of cashflow hedge loss to initial carrying amount of fixed asset		-	1,972
Income tax relating to components of other comprehensive income		140	(373)
Other comprehensive income for the period (net of tax)		(18,975)	(6,914)
Total comprehensive income for the period		1,418	13,096
Profit attributable to owners of the parent		20,393	20,010
Total comprehensive income attributable to owners of the parent		1,418	13,096
Earnings per share			
- Basic (cents per share)	4	10.46	10.82
- Diluted (cents per share)	4	10.27	10.61

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

**Condensed consolidated statement of financial position
 as at 31 December 2010**

	Note	31 Dec 2010 \$'000	30 June 2010 \$'000
Current Assets			
Cash and cash equivalents		67,265	26,789
Trade and other receivables	6	74,552	42,820
Inventories		1,508	2,192
Current tax assets		-	2,256
Other	7	2,218	1,078
Total Current Assets		145,543	75,135
Non-Current Assets			
Investments accounted for using the equity method	8	4,710	4,719
Other financial assets		750	750
Property, plant and equipment	9	298,088	303,643
Other	7	3,901	-
Total Non-Current Assets		307,449	309,112
Total Assets		452,992	384,247
Current Liabilities			
Trade and other payables	10	24,760	16,245
Unearned revenue		4,640	-
Borrowings	11	26,632	26,876
Other financial liabilities		468	-
Provisions	12	3,578	2,187
Current tax liabilities		2,954	-
Total Current Liabilities		63,032	45,308
Non-Current Liabilities			
Borrowings	11	122,759	131,358
Provisions	12	823	684
Deferred tax liabilities		8,299	9,844
Total Non-Current Liabilities		131,881	141,886
Total Liabilities		194,913	187,194
Net Assets		258,079	197,053
Equity			
Issued capital	13	180,551	112,954
Reserves	14	(18,735)	(1,135)
Retained earnings	15	96,263	85,234
Total Equity		258,079	197,053

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 2010**

	Ordinary Shares	Employee equity settled benefits reserve	Hedging Reserve	Foreign Currency Translation Reserve	Retained earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2009	108,489	670	(870)	(392)	60,342	168,239
Profit for the period	-	-	-	-	20,010	20,010
Other comprehensive income for the period	-	-	870	(7,784)	-	(6,914)
Total comprehensive income for the period	-	-	870	(7,784)	20,010	13,096
Recognition of share based payments	-	428	-	-	-	428
Shares issued	2,575	-	-	-	-	2,575
Dividends Paid	-	-	-	-	(7,414)	(7,414)
Deferred income tax	6	-	-	-	-	6
Balance at 31 December 2009	111,070	1,098	-	(8,176)	72,938	176,930
Balance at 1 July 2010	112,954	1,676	-	(2,811)	85,234	197,053
Profit for the period	-	-	-	-	20,393	20,393
Other comprehensive income for the period	-	-	(328)	(18,647)	-	(18,975)
Total comprehensive income for the period	-	-	(328)	(18,647)	20,393	1,418
Recognition of share based payments	-	1,375	-	-	-	1,375
Shares issued	68,384	-	-	-	-	68,384
Shares issue cost	(1,124)	-	-	-	-	(1,124)
Dividends Paid	-	-	-	-	(9,364)	(9,364)
Deferred income tax	337	-	-	-	-	337
Balance at 31 December 2010	180,551	3,051	(328)	(21,458)	96,263	258,079

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

**Condensed consolidated statement of cash flows
 for the half year ended 31 December 2010**

	Half year ended 31 Dec 2010 \$'000	Half year Ended 31 Dec 2009 \$'000
Cash flows from Operating Activities		
Receipts from customers	121,940	100,200
Interest received	413	227
Payments to suppliers and employees	(96,131)	(66,083)
Income tax paid	(2,788)	(2,388)
Interest and other costs of finance paid	(5,921)	(4,070)
Net cash provided by Operating Activities	17,513	27,886
Cash flows from Investing Activities		
Payments for property, plant and equipment	(25,210)	(80,350)
Proceeds from sale of property, plant and equipment	-	44
Loans received from related parties	-	550
Net cash used in Investing Activities	(25,210)	(79,756)
Cash flows from Financing Activities		
Proceeds from issue of shares	63,606	748
Payment for share issue costs	(107)	-
Proceeds from borrowings	800	50,827
Repayment of borrowings	(9,717)	(9,002)
Dividends paid	(5,604)	(5,588)
Net cash provided by Financing Activities	48,978	36,985
Net increase / (decrease) in cash and cash equivalents	41,281	(14,885)
Cash and cash equivalents at the beginning of the financial year	26,789	38,383
Effects of exchange rate changes on the balance of cash held in foreign currencies	(805)	(305)
Cash and Cash Equivalents at the end of the Half Year	67,265	23,193

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 certain non-current assets and 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 2010 annual financial report for the financial year ended 30 June 2010, 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 reporting period that are relevant to the Group include:

- Amendments to AASB 5, 8, 101, 107, 117, 118, 136 and 139 as a consequence of AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*.

AASB 2009-5 introduces amendments into Accounting Standards that are equivalent to those made by the IASB under its program of annual improvements to its standards. A number of the amendments are largely technical, clarifying particular terms or eliminating unintended consequences.

The adoption of these amendments has not resulted in any changes to the Group's accounting policies and have no affect on the amounts reported for the current or prior periods.

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 2010		Half year ended 31 December 2009	
	Cents per share	Total \$'000	Cents per share	Total \$'000
Fully paid ordinary shares				
Final Dividend (fully franked at a 30% tax rate)	5	9,364	4	7,414

On 14 February 2011, the directors declared a fully franked interim dividend in respect to the year ending 30 June 2011 of 4 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 4 March 2011. This dividend will be paid on 25 March 2011. This dividend has not been included as a liability in these financial statements.

3. Profit from Operations

	Half year ended 31 Dec 2010 \$'000	Half year ended 31 Dec 2009 \$'000
a) Revenue from continuing operations consisted of the following items:		
Rendering of services	122,025	87,258
Rental revenue	12,470	5,421
Interest – other entities	758	227
	135,253	92,906
b) Other gains and (losses)		
Net foreign exchange gain	606	146
Gain/(loss) on disposal of :		
Property, plant and equipment	(296)	(74)
c) Finance costs		
Interest expense – other entities	4,375	2,647
Finance charges – lease finance charges	1,546	1,683
Total interest expenses	5,921	4,330
Less: amounts included in the cost of qualifying assets	-	(247)
	5,921	4,083

Notes to the condensed consolidated financial statements

3. Profit from Operations (continued)

	Half year ended 31 Dec 2010 \$'000	Half year ended 31 Dec 2009 \$'000
d) Profit for the period		
Profit for the period before income tax has been arrived at after charging the following:		
i) Depreciation		
Depreciation of non current assets:		
Leasehold buildings and improvements	1,670	1,423
Vessels	5,059	3,207
Vessels – hire purchase	1,523	1,444
Plant and equipment	498	241
Plant and equipment – hire purchase	344	243
	9,094	6,558
ii) Impairment losses		
Impairment loss recognised on trade receivables	124	-
iii) Employee benefits		
Post employment benefits:		
Defined contribution plans	1,902	1,501
Share based payments:		
Equity settled share-based payments	1,375	428
Other employee benefits	51,766	36,099
	55,043	38,028

Notes to the condensed consolidated financial statements

4. Earnings Per Share

	Half year ended 31 Dec 2010 Cents per Share	Half year ended 31 Dec 2009 Cents per Share
Basic earnings per share	10.46	10.82
Diluted earnings per share	10.27	10.61

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:

	Half year ended 31 Dec 2010 \$'000	Half year ended 31 Dec 2009 \$'000
Net Profit	20,393	20,010
	No.'000	No.'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	194,874	185,002

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:

	\$'000	\$'000
Net Profit	20,393	20,010
	No.'000	No.'000
Weighted average number of ordinary shares used in the calculation of basic earnings per share	194,874	185,002
Shares deemed to be issued for no consideration in respect of:		
Employee options	3,671	3,578
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	198,545	188,580

Notes to the condensed consolidated financial statements

5. Income Tax

	Half year ended 31 Dec 2010 \$'000	Half year ended 31 Dec 2009 \$'000
Income tax recognised in profit or loss		
Tax expense comprises:		
Current tax expense in respect of the current year	7,726	2,581
Deferred tax expense relating to origination and reversal of temporary differences	(715)	(2,151)
Adjustment recognised in the current year in relation to the current tax of prior years	(389)	(129)
Total tax expense	6,622	301
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	27,015	20,311
Income tax expense calculated at 30%	8,105	6,094
Effect of revenue that is exempt from taxation	(1,517)	(1,353)
Effect of expenses that are not deductible in determining taxable profit	423	146
Effect of tax deductible items not included in accounting profit	-	(28)
Effect of investment allowance	-	(4,429)
	7,011	430
Adjustment recognised in the current year in relation to the current tax of prior years	(389)	(129)
	6,622	301

During the financial year the Group operated in both Australia and Singapore and as a result the Group was subject to taxes in both Australia and Singapore. 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 by Singaporean corporate entities under Singaporean tax law is 17%.

The effective tax rate for the comparative period of 1.5% was impacted by the income tax deduction allowable to the Company from the Federal Government's investment allowance on eligible capital expenditure incurred by the Company.

Notes to the condensed consolidated financial statements

6. Trade & Other Receivables

	31 Dec 2010 \$'000	30 June 2010 \$'000
Trade receivables	72,159	35,628
Allowance for doubtful debts	(171)	(47)
Other receivables	1,492	6,316
Goods and services tax recoverable	1,072	923
	<u>74,552</u>	<u>42,820</u>

7. Other Assets

	31 Dec 2010 \$'000	30 June 2010 \$'000
Current		
Prepayments	2,218	1,078
Non Current		
Prepayments	<u>3,901</u>	<u>-</u>

8. Investments Accounted For Using the Equity Method

Name of Entity	Principal Activity	Country of Incorporation	Ownership Interest		Consolidated Carrying Amount	
			2010 %	2009 %	31 Dec 2010 \$'000	30 June 2010 \$'000
Associates						
Toll Mermaid Logistics Broome Pty Ltd ⁽ⁱ⁾	Supply base services in Broome for the offshore oil and gas industry	Australia	50	50	4,710	4,719
					<u>4,710</u>	<u>4,719</u>

(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.

Notes to the condensed consolidated financial statements

9. 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	100,502	161,570	60,377	12,898	8,786	344,133
Additions	3,633	14,925	(3)	1,316	73	19,944
Disposals	(12)	(346)	316	(2,055)	-	(2,097)
Net currency exchange differences	-	(17,177)	-	(25)	-	(17,202)
Transfers	-	(286)	286	-	-	-
Balance at 31 December 2010	104,123	158,686	60,976	12,134	8,859	344,778
Accumulated depreciation:						
Balance at 1 July 2010	(10,590)	(17,609)	(6,255)	(4,526)	(1,510)	(40,490)
Disposals	13	345	(316)	1,759	-	1,801
Transfers	-	186	(186)	-	-	-
Depreciation expense	(1,670)	(5,059)	(1,523)	(498)	(344)	(9,094)
Depreciation capitalised in Assets	-	-	-	-	(2)	(2)
Net currency exchange differences	-	1,089	-	6	-	1,095
Balance at 31 December 2010	(12,247)	(21,048)	(8,280)	(3,259)	(1,856)	(46,690)
Net book value:						
As at 30 June 2010	89,912	143,961	54,122	8,372	7,276	303,643
As at 31 December 2010	91,876	137,638	52,696	8,875	7,003	298,088

10. Trade & Other Payables

	31 Dec 2010 \$'000	30 June 2010 \$'000
Trade payables	5,549	2,355
Other payables and accruals	16,351	12,346
GST payable	2,860	1,544
	24,760	16,245

Notes to the condensed consolidated financial statements

11. Borrowings

	31 Dec 2010 \$'000	30 June 2010 \$'000
Secured – at amortised cost		
Current		
Hire purchase liability	10,936	11,260
Bank loan	15,696	15,616
	<u>26,632</u>	<u>26,876</u>
Non Current		
Hire purchase liability	27,089	29,079
Bank loan	95,670	102,279
	<u>122,759</u>	<u>131,358</u>

12. Provisions

Current

Employee benefits – Annual Leave	3,578	2,187
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Non Current

Employee benefits – Long Service Leave	823	684
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13. Issued Capital

213,669,828 fully paid ordinary shares (30 June 2010: 186,844,825)	180,551	112,954
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Issue of equity securities

During the period, the Company issued 826,071 ordinary shares (2009: 1,730,000) for consideration of \$613,960 (2009:\$748,000) following the exercise of options issued under the Company's executive and employee share option plan. The Company also issued 1,387,562 ordinary shares (2009: 678,225) through the dividend reinvestment plan in relation to the final dividend for the year ended 30 June 2010. In addition the Company issued 13,409,962 ordinary shares pursuant to a placement to institutional investors as well as 11,201,408 ordinary shares pursuant to the share purchase plan announced to the market on 25 October 2010.

During the period the Company also issued 1,046,433 performance rights (2009: 5,076,110 options / rights) over ordinary shares to various employees under its executive and employee share option and rights plans. These rights had an average value at grant date of \$1.62 per right (2009: \$0.55 per option / right)

Notes to the condensed consolidated financial statements

14. Reserves

	31 Dec 2010	30 June 2010
	\$'000	\$'000
Employee equity-settled benefits	3,051	1,676
Cashflow hedging	(328)	-
Foreign currency translation	(21,458)	(2,811)
	<u>(18,735)</u>	<u>(1,135)</u>

15. Retained Earnings

Balance at beginning of financial year	85,234	60,342
Net profit attributable to members of the parent entity	20,393	37,889
Dividend provided for or paid	(9,364)	(12,997)
Balance at end of financial period	<u>96,263</u>	<u>85,234</u>

16. Segment Information

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

Information reported to the Board for the purposes of resource allocation and assessment of performance is based on the category 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 new 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 operating segment for the periods under review:

Notes to the condensed consolidated financial statements

16. Segment Information (continued)	Revenue from external customers		Inter-segment revenue		Total segment revenue	
	Half year ended 31 Dec 2010	Half year ended 31 Dec 2009	Half year ended 31 Dec 2010	Half year ended 31 Dec 2009	Half year ended 31 Dec 2010	Half year ended 31 Dec 2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment Revenues						
Vessels	100,275	73,393	85	66	100,360	73,459
Supply Base	26,126	16,452	1,600	1,220	27,726	17,672
Slipway	8,073	3,094	3,437	4,649	11,510	7,743
Total	134,474	92,939	5,122	5,935	139,596	98,874
Eliminations					(5,122)	(5,935)
Unallocated					779	(33)
Total consolidated revenue					135,253	92,906

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

Segment Profit

Vessels	17,491	14,883
Supply Base	13,037	7,990
Slipway	1,217	432
Eliminations	(112)	(35)
Total for continuing operations	31,633	23,270
Investment revenue	757	227
Other gains and (losses)	(296)	(74)
Unallocated Foreign Currency Gain / (Loss)	22	(260)
Central administration costs	(4,993)	(3,472)
Share of profit of associates	(9)	627
Unallocated finance costs	(99)	(7)
Profit before tax	27,015	20,311

Notes to the condensed consolidated financial statements

16. Segment Information (continued)

Segment profit represents the profit earned by each segment without allocation of investment revenue, other gains and losses, unallocated foreign currency gains and losses, central administration costs, share of profits of associates, unallocated 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 following is an analysis of the Group's assets by reportable operating segment:

	31 Dec 2010 \$'000	30 June 2010 \$'000
Vessels	244,013	231,383
Supply Base	119,227	105,723
Slipway	12,794	10,298
Unallocated	76,958	36,843
Total	452,992	384,247

The following is an analysis of other segment information by reportable operating segment:

	Depreciation and amortisation		Finance costs	
	31 Dec 2010 \$'000	31 Dec 2009 \$'000	31 Dec 2010 \$'000	31 Dec 2009 \$'000
Vessels	6,650	4,695	4,648	3,492
Supply Base	2,093	1,539	1,146	574
Slipway	286	231	28	10
Unallocated	65	93	99	7
Total	9,094	6,558	5,921	4,083