



MERMAID MARINE  
AUSTRALIA LTD

# MERMAID MARINE AUSTRALIA LIMITED

## 2014 HALF YEAR FINANCIAL REPORT

### MMA FIRST HALF RESULT IN LINE WITH MARKET GUIDANCE

The Directors of Mermaid Marine Australia Ltd (“MMA”) (ASX: MRM) submit the Half Year results of the Company for the six month ended 31 December 2013.

#### Financial Highlights

	Half year ended 31 Dec 2013	Half year ended 31 Dec 2012	Variance on PCP
<b>Revenue</b>	\$253.5M	\$222.0M	▲ 14.2%
<b>EBITDA</b>	\$57.6M	\$63.9M	▼ 9.9%
<b>Profit before Tax</b>	\$32.3M	\$45.7M	▼ 29.3%
<b>NPAT</b>	\$24.2M	\$32.5M	▼ 25.5%
<b>EPS</b>	10.5c	14.6c	▼ 28.1%
<b>Interim Dividend</b>	5.5c	5.5c	-%

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

“As foreshadowed in our November Trading Update, MMA’s trading performance for the first half of FY2014 was lower than expected.

“A number of key projects and drilling programmes commenced later than anticipated during the first half which impacted both supply base and vessel utilisation resulting in a softer overall performance for the period.

“Notwithstanding the first half performance, a number of significant work scopes associated with the construction of three major LNG projects (Ichthys, Wheatstone and Prelude) are still to commence. In addition MMA will continue its strategy of increasing exposure to production support contracts as major projects transition from construction to production”.

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

“Whilst our financial result was down relative to the previous corresponding period, there were some significant positives during the first half including a number of major new contracts which were awarded to the Company.

“MMA’s newly built Platform Supply Vessel (PSV), the Mermaid Leeuwin was completed in December 2013. Following delivery, the Leeuwin immediately won a long term (18 month plus options) drilling contract with Woodside commencing in February 2014. In addition MMA commenced a \$100m plus contract with Subsea 7 supporting the Heavy Lift and Tie in scope of the Gorgon Project another significant milestone for the Company.

“Most recently, MMA signed a Letter of Intent (LOI) to commence detailed design for two Platform Supply Vessels (PSVs). The LOI has the potential to lead to an award of a long-term material contract; however this award is subject to the client’s internal approvals process. If a long term contract is awarded, this will further strengthen MMA’s PSV strategy and extends its ability to service its clients’ needs through all phases of the oil and gas cycle, from exploration, through construction to long term production activities. “Activity across our vessel fleet and Supply Base has increased in recent months and we expect the second half of FY2014 to be stronger, with full year NPAT in line with last financial year, consistent with previous guidance”.

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**Financial Report and Appendix 4D  
for the Half Year Ended 31 December 2013**

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## Results for Announcement to the Market

**Current Reporting Period:** Half year ended 31 December 2013

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

<b>Earnings</b>	<b>% Change</b>	<b>Amount \$'000</b>
Revenue from ordinary activities	+14.2%	253,517
Profit before tax	-29.4%	32,271
Profit from ordinary activities after tax attributable to members	-25.5%	24,210
Net profit attributable to members	-25.5%	24,210

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

<b>Dividends</b>	<b>Amount per share</b>	<b>Franked Amount per share</b>
Interim dividend for 2014	5.5 cents	5.5 cents
Interim dividend for 2013	5.5 cents	5.5 cents
Final dividend for 2013	7.0 cents	7.0 cents

The Company has declared a fully franked interim dividend with respect to the year ending 30 June 2014 of 5.5 cents per share.

The Company paid a final fully franked dividend for the 2013 financial year of 7.0 cents per share on 27 September 2013.

The Record Date for entitlement to the interim dividend is 11 March 2014.

The Payment Date for the interim dividend is 1 April 2014.

### 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 1 April 2014 must be received by the Company's share registry, Computershare Investor Services Pty Ltd, by the Record Date of 11 March 2014.

<b>Net Tangible Asset Backing</b>	<b>31 Dec 2013</b>	<b>31 Dec 2012</b>
Net tangible asset backing per share	\$1.72	\$1.46

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

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

## Directors' Report

The Directors of Mermaid Marine Australia Limited (MMA) submit herewith the Financial Report of the Company and its subsidiaries (the Group) for the half year ended 31 December 2013. In order to comply with the provisions of the Corporations Act 2001 (Cth), the Directors report as follows:

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

- Mr A J Howarth AO
- Mr J A Weber
- Mr J H Carver (Retired 15 July 2013)
- Mr M F Bradley
- Mr H A Edwards
- Ms E Howell
- Mr C G Heng

### Review of Operations

The Company experienced a soft first half, due to a number of factors including delays to project commencement dates and lower drilling activity in the North West Shelf region.

The impact of this was felt across both of our core operating divisions with lower utilisation on a number of vessels in the fleet combined with reduced vessel visits at the main wharf at the Dampier Supply Base.

As compared to the previous corresponding period:

- Revenue increased by 14.2% to \$253.5 million;
- Profit before tax decreased by 29.3% to \$32.3 million;
- Net profit after tax (NPAT) decreased by 25.5% to \$24.2 million; and
- Earnings per share (EPS) decreased by 28.1% to 10.5c.

Subsequent to the end of the first half, MMA has entered into an agreement to acquire 100% of the subsidiaries of Singapore Stock Exchange listed Jaya Holdings Limited. Further details on the acquisition can be found in Note 21 to the accounts and in the ASX Announcement relating to the transaction.

### *Vessel Operations*

Vessel utilisation during the first half was impacted by delays to the commencement of key vessel scopes. Contracted vessel work was delayed until December 2013 and three key scopes of offshore construction work were deferred to the second half.

The Vessel division reported earnings before interest and tax for the first half of \$20.7 million, slightly up on the second half earnings from FY2013 of \$20.5 million, but down 13.4% from the first half earnings of \$23.9 million.

Average fleet utilisation for the half was 76%, impacted by a particularly soft September and October. Utilisation picked up again towards the latter part of the first half and utilisation is expected to continue to improve during the second half with the aforementioned project work underway.

MMA's vessel fleet continued to be active in supporting major oil and gas construction activities in the North West Shelf. In August, MMA was awarded a major contract by Subsea 7 in relation to the Heavy Lift and Tie in scope of the Gorgon Project. This is a significant contract for the Company with a value in excess of \$100m and a vessel spread of 9 tug and barge sets. The contract commenced in October 2013 with 8 of the 9 tug and barge sets mobilised by the end of December. During the half, MMA was also awarded a second "Super Barge" contract transporting freight from Henderson to Barrow Island for the Gorgon Project. This contract commenced operations in late October and is a testament to MMA's ability to provide unique marine solutions to clients. The Super Barge concept was designed and mobilised by MMA's Projects team and was a first in Australia.

MMA's Platform Supply Vessel (PSV) strategy continues to deliver results with a number of new contracts recently awarded. The newly built Mermaid Leeuwin was delivered in December 2013 and immediately secured an 18 month drilling support contract with Woodside, commencing February 2014, with options to extend. The Mermaid Inscription is currently contracted to Allseas on a pipelay programme for Gorgon, which will be followed by another pipelay project for Wheatstone, due to commence in the second half. The Mermaid Leveque is supporting Subsea 7 on the Gorgon Heavy Lift and Tie in Project for a period of 8 months and the Mermaid Vigilance, having recently returned from Mexico has received a Letter of Intent (LOI) to operate in

Malaysia for 7 months plus options, supporting seismic activities. Most recently, MMA received an LOI to commence detailed design for two PSVs. The LOI has the potential to lead to an award of a long-term material contract; however this award is subject to the client's internal approvals process. If a long term contract is awarded, this will further strengthen MMA's PSV strategy and extends its ability to service its clients' needs through all phases of the oil and gas cycle from exploration, through construction to long-term production activities.

MMA continues to balance its portfolio of shorter term exploration and construction support projects with longer term production support activities. MMA continues to be the dominant FPSO support operator in the North West Shelf servicing 12 of the 13 FPSOs in the region.

Internationally, MMA continues to expand its presence in the South East Asian region with five vessels operating in the region during the period.

The financial performance of the vessels business is expected to be stronger in the second half as activity levels increase.

#### *Dampier Supply Base*

The first half result for the Dampier Supply Base was impacted by lower drilling activity in the region which impacted utilisation across the main wharf. In addition, the fixed operating cost base has increased as a result of the introduction of rosters on the wharf to better meet client requirements and an increase in the number of supervisory and safety personnel employed across the Base.

This resulted in the Supply Base reporting earnings before interest and tax for the first half of \$18.8 million, down 24.3% from the second half of last year and down 31.4% from the first half earnings in FY2013 of \$27.4 million.

Activity picked up towards the end of the half with a number of drilling programmes commencing.

Other dedicated Supply Base areas performed in line with expectations. The sublease with Chevron was recently extended for a further five years and will see MMA continue to support the Gorgon project as it transitions from the construction phase through to production.

Capital improvement works to the Mermaid Logistics Base has resulted in a number of key clients now utilising this facility, generating increased returns from this area of the Supply Base.

MMA continued to sublease and operate the Woodside Burrup Materials Facility to support additional freight throughput for the Gorgon Project. It is expected that this will continue through the second half.

Activity on the Supply Base is expected to be stronger into the second half with drilling activity resuming in the region.

With future capital expenditure requirements on the Base expected to be minimal, it is expected that the Dampier Supply Base will continue to generate strong cash flows and returns on the capital invested for the Company going forward.

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

The Broome Supply Base had a busy first half supporting a number of drilling programs in the Browse Basin region for clients including Shell, Conoco Phillips and Total. A number of infrastructure projects were also completed during the first half in preparation for upcoming work programs.

MMA's 50% share of NPAT for the period was \$1.8m (down slightly from \$2.0m in the first half of FY2013).

The second half of the financial year is also expected to remain busy with the Base supporting a number of drilling programs. The Base will also continue receiving equipment from INPEX in preparation for the commencement of drilling activities for their Ichthys Project.

### *Slipway*

The Dampier Slipway performed in line with expectations generating revenue of \$11.7 million and EBIT of \$1.1 million during the first half.

A number of larger third party jobs were completed during the period along with ongoing maintenance to MMA's own fleet.

It is expected that there will be continued demand for Slipway services in the second half with a number of large projects booked.

The Slipway continues to be an important strategic asset for the Company increasing availability within MMA's fleet and enabling it to better service client requirements.

### *Outlook*

Whilst MMA experienced a softer first half, it is expected that the second half will be stronger on the back of increased drilling and project activity.

Whilst Gorgon related construction activity is tapering, work scopes associated with the construction of INPEX's Ichthys Project, Chevron's Wheatstone Project, and Shell's Prelude Project are still to commence through FY2015 and beyond. In addition, MMA will continue to seek to increase its exposure to production support contracts as projects transition from construction to production.

As always a number of variables will impact MMA's performance for the second half, however (excluding the impact of the Jaya acquisition), MMA expects to deliver a full year NPAT in line with last financial year, consistent with previous guidance.

### 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 (Cth).

On behalf of the Directors



**TONY HOWARTH AO**  
Chairman

Perth, 25 February 2014



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

25 February 2014

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 2013, 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**



**Ross Jerrard**  
Partner  
Chartered Accountants

# 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 consolidated statement of financial position as at 31 December 2013, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated 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 24.

### *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 gives a true and fair view and 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 consolidated entity's financial position as at 31 December 2013 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 2013 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**



**Ross Jerrard**

Partner

Chartered Accountants

Perth, 25 February 2014

## Directors' Declaration

The Directors declare that:

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

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

On behalf of the Directors,



**TONY HOWARTH AO**  
Chairman

Perth, 25 February 2014

**Condensed consolidated statement of profit or loss and other comprehensive income  
 for the half year ended 31 December 2013**

	Note	Half year ended 31 Dec 2013 \$'000	Half year ended 31 Dec 2012 \$'000
Revenue	3(a)	253,517	221,986
Interest Income		941	690
Other gains	3(b)	147	23
Share of profits of jointly controlled entity		1,823	1,997
Vessel expenses		(156,040)	(118,146)
Supply Base expenses		(51,248)	(42,950)
Slipway expenses		(5,927)	(7,355)
Administration expenses		(6,291)	(5,716)
Finance costs	3(c)	(4,651)	(4,844)
<b>Profit before tax</b>		<b>32,271</b>	<b>45,685</b>
Income tax expense	5	(8,061)	(13,193)
<b>Profit for the period</b>		<b>24,210</b>	<b>32,492</b>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit and loss</b>			
Exchange differences on translation of foreign operations		5,952	(2,748)
Gain/(Loss) on cash flow hedges		557	(940)
Transfer of cashflow hedge gain to initial carrying amount of fixed asset		(2,587)	-
<b>Other comprehensive income for the period (net of tax)</b>		<b>3,922</b>	<b>(3,688)</b>
<b>Total comprehensive income for the period</b>		<b>28,132</b>	<b>28,804</b>
<b>Profit attributable to owners of the parent</b>		<b>24,210</b>	<b>32,492</b>
<b>Total comprehensive income attributable to owners of the parent</b>		<b>28,132</b>	<b>28,804</b>
<b>Earnings per share</b>			
- Basic (cents per share)	4	10.48	14.64
- Diluted (cents per share)	4	10.35	14.38

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

**Condensed consolidated statement of financial position  
 as at 31 December 2013**

	Note	31 Dec 2013 \$'000	30 June 2013 \$'000
<b>Current Assets</b>			
Cash and cash equivalents		64,190	58,824
Trade and other receivables	7	131,293	122,231
Inventories	8	5,742	2,454
Other financial assets	11	1,500	2,030
Other	9	10,656	9,118
<b>Total Current Assets</b>		<b>213,381</b>	<b>194,657</b>
<b>Non-Current Assets</b>			
Investments accounted for using the equity method	10	10,738	8,915
Other financial assets	11	-	2,000
Property, plant and equipment	12	482,701	448,195
Goodwill	13	20,710	20,710
<b>Total Non-Current Assets</b>		<b>514,149</b>	<b>479,820</b>
<b>Total Assets</b>		<b>727,530</b>	<b>674,477</b>
<b>Current Liabilities</b>			
Trade and other payables	14	57,658	48,329
Unearned revenue	15	19,796	11,274
Borrowings	16	31,139	29,196
Provisions	17	8,946	8,293
Current tax liabilities		6,990	8,912
<b>Total Current Liabilities</b>		<b>124,529</b>	<b>106,004</b>
<b>Non-Current Liabilities</b>			
Borrowings	16	168,740	150,443
Provisions	17	2,332	1,986
Deferred tax liabilities		10,315	13,018
<b>Total Non-Current Liabilities</b>		<b>181,387</b>	<b>165,447</b>
<b>Total Liabilities</b>		<b>305,916</b>	<b>271,451</b>
<b>Net Assets</b>		<b>421,614</b>	<b>403,026</b>
<b>Equity</b>			
Issued capital	18	232,693	226,382
Reserves	19	6,506	2,280
Retained earnings	20	182,415	174,364
<b>Total Equity</b>		<b>421,614</b>	<b>403,026</b>

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

**Condensed consolidated statement of changes in equity  
 for the half year ended 31 December 2013**

	Issued capital	Employee equity settled benefits reserve	Hedging reserve	Foreign currency translation reserve	Retained earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 July 2012</b>	<b>197,694</b>	<b>5,596</b>	<b>(765)</b>	<b>(20,576)</b>	<b>139,830</b>	<b>321,779</b>
Profit for the period	-	-	-	-	32,492	32,492
Other comprehensive income for the period	-	-	(940)	(2,748)	-	(3,688)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(940)</b>	<b>(2,748)</b>	<b>32,492</b>	<b>28,804</b>
Recognition of share based payments	-	1,017	-	-	-	1,017
Related income tax benefit	-	538	-	-	-	538
Issue of shares under employee option plans	4,166	-	-	-	-	4,166
Issue of shares under dividend reinvestment plan	5,277	-	-	-	-	5,277
Dividends paid	-	-	-	-	(13,297)	(13,297)
<b>Balance at 31 December 2012</b>	<b>207,137</b>	<b>7,151</b>	<b>(1,705)</b>	<b>(23,324)</b>	<b>159,025</b>	<b>348,284</b>
<b>Balance at 1 July 2013</b>	<b>226,382</b>	<b>6,660</b>	<b>2,030</b>	<b>(6,410)</b>	<b>174,364</b>	<b>403,026</b>
Profit for the period	-	-	-	-	24,210	24,210
Other comprehensive income for the period	-	-	(2,030)	5,952	-	3,922
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(2,030)</b>	<b>5,952</b>	<b>24,210</b>	<b>28,132</b>
Recognition of share based payments	-	662	-	-	-	662
Related income tax expense	-	(358)	-	-	-	(358)
Issue of shares under dividend reinvestment plan	6,311	-	-	-	-	6,311
Dividends paid	-	-	-	-	(16,159)	(16,159)
<b>Balance at 31 December 2013</b>	<b>232,693</b>	<b>6,964</b>	<b>-</b>	<b>(458)</b>	<b>182,415</b>	<b>421,614</b>

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

**Condensed consolidated statement of cash flows  
 for the half year ended 31 December 2013**

	Note	Half year ended 31 Dec 2013 \$'000	Half year ended 31 Dec 2012 \$'000
<b>Cash flows from Operating Activities</b>			
Receipts from customers		277,084	223,697
Interest received		935	625
Payments to suppliers and employees		(216,705)	(185,246)
Income tax paid		(12,632)	(12,678)
Interest and other costs of finance paid		(4,651)	(4,844)
<b>Net cash provided by Operating Activities</b>		<b>44,031</b>	<b>21,554</b>
<b>Cash flows from Investing Activities</b>			
Payments for property, plant and equipment		(48,259)	(22,541)
Proceeds from sale of property, plant and equipment		6	14
Proceeds from repayment of related party loans		2,000	-
Amounts advanced to related party		(1,500)	-
<b>Net cash used in Investing Activities</b>		<b>(47,753)</b>	<b>(22,527)</b>
<b>Cash flows from Financing Activities</b>			
Proceeds from issue of shares		-	4,166
Proceeds from borrowings		27,500	-
Repayment of borrowings		(9,080)	(12,866)
Dividends paid		(9,854)	(8,021)
<b>Net cash provided by / (used in ) Financing Activities</b>		<b>8,566</b>	<b>(16,721)</b>
Net increase / (decrease) in cash and cash equivalents		4,844	(17,694)
Cash and cash equivalents at the beginning of the financial year		58,824	55,283
Effects of exchange rate changes on the balance of cash held in foreign currencies		522	(231)
<b>Cash and Cash Equivalents at the end of the Half Year</b>		<b>64,190</b>	<b>37,358</b>

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



## Notes to the condensed consolidated financial statements

### 1. Significant accounting policies

#### Statement of compliance

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

#### Basis of preparation

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

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

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Company's 2013 annual financial report for the financial year ended 30 June 2013, 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 half-year.

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

- AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangement standards'
- AASB 11 'Joint Arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangement standards'
- AASB 12 'Disclosure of Interest in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangement standards'
- AASB 127 'Separate Financial Statements' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangement standards'
- AASB 128 'Investments in Associates and Joint Ventures' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangement standards'
- AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'
- AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle'
- AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'

The adoption of all of the new and revised Standards has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior half years.

## Notes to the condensed consolidated financial statements

### 2. Segment Information

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

- Vessel Operations
- Supply Base
- Slipway

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

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

	Revenue from external customers		Inter-segment revenue		Total segment revenue	
	Half year ended 31 Dec 2013	Half year ended 31 Dec 2012	Half year ended 31 Dec 2013	Half year ended 31 Dec 2012	Half year ended 31 Dec 2013	Half year ended 31 Dec 2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Segment Revenues</b>						
Vessels	176,782	142,087	-	43	176,782	142,130
Supply Base	70,068	70,351	1,093	1,065	71,161	71,416
Slipway	6,667	9,548	5,004	3,878	11,671	13,426
<b>Total</b>	<b>253,517</b>	<b>221,986</b>	<b>6,097</b>	<b>4,986</b>	<b>259,614</b>	<b>226,972</b>
Eliminations					(6,097)	(4,986)
<b>Total consolidated revenue</b>					<b>253,517</b>	<b>221,986</b>

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

#### Segment Profit

Vessels	20,742	23,941
Supply Base	18,820	27,401
Slipway	1,135	2,423
Eliminations	(395)	(230)
<b>Total for continuing operations</b>	<b>40,302</b>	<b>53,535</b>
Investment revenue	941	690
Other gains	147	23
Central administration costs	(6,291)	(5,716)
Share of profit of jointly controlled entity	1,823	1,997
Unallocated finance costs	(4,651)	(4,844)
<b>Profit before tax</b>	<b>32,271</b>	<b>45,685</b>

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

## Notes to the condensed consolidated financial statements

### 2. Segment Information (continued)

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

	31 Dec 2013 \$'000	30 June 2013 \$'000
Vessels	452,340	397,881
Supply Base	174,802	186,245
Slipway	15,686	16,263
Unallocated	84,702	74,088
	<u>727,530</u>	<u>674,477</u>

The following is an analysis of other segment information.

	Depreciation and amortisation		Additions to non-current assets		Carrying value of equity accounted investments	
	31 Dec 2013 \$'000	31 Dec 2012 \$'000	31 Dec 2013 \$'000	31 Dec 2012 \$'000	31 Dec 2013 \$'000	30 June 2013 \$'000
Vessels	14,486	10,325	40,366	6,314	-	-
Supply Base	6,207	2,872	9,532	11,233	-	-
Slipway	375	334	357	1,804	-	-
Unallocated	550	482	880	546	10,738	8,915
	<u>21,618</u>	<u>14,013</u>	<u>51,135</u>	<u>19,897</u>	<u>10,738</u>	<u>8,915</u>

### 3. Profit from Operations

	Half year ended 31 Dec 2013 \$'000	Half year ended 31 Dec 2012 \$'000
<b>a) Revenue from continuing operations consisted of the following items:</b>		
Rendering of services	219,202	193,788
Rental revenue	34,315	28,198
	<u>253,517</u>	<u>221,986</u>
<b>b) Other gains</b>		
Net foreign exchange gain	143	9
Gain on disposal of :		
Property, plant and equipment	4	14
	<u>147</u>	<u>23</u>
<b>c) Finance costs</b>		
Interest expense – other entities	4,196	4,293
Finance charges – lease finance charges	455	551
	<u>4,651</u>	<u>4,844</u>

**Notes to the condensed consolidated financial statements**

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

	<b>Half year ended 31 Dec 2013 \$'000</b>	<b>Half year ended 31 Dec 2012 \$'000</b>
<b>d) Profit for the period</b>		
<b>Profit for the period before income tax has been arrived at after charging the following:</b>		
<b>i) Depreciation</b>		
Leasehold buildings and improvements	5,275	2,318
Vessels	13,921	9,406
Vessels – hire purchase	440	813
Plant and equipment	1,535	1,107
Plant and equipment – hire purchase	447	369
	<b>21,618</b>	<b>14,013</b>
<b>ii) Impairment losses</b>		
Impairment losses recognised on trade receivables	270	-
<b>iii) Employee benefits</b>		
Post employment benefits:		
Defined contribution plans	4,653	3,506
Share based payments:		
Equity settled share based payments	662	1,017
Other employee benefits	92,153	84,549
	<b>97,468</b>	<b>89,072</b>

## Notes to the condensed consolidated financial statements

### 4. Earnings per Share

	Half year ended 31 Dec 2013 Cents per Share	Half year ended 31 Dec 2012 Cents per Share
Basic earnings per share	10.48	14.64
Diluted earnings per share	10.35	14.38

#### 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 2013 \$'000	Half year ended 31 Dec 2012 \$'000
Net Profit	24,210	32,492
	<b>No.'000</b>	<b>No.'000</b>
Weighted average number of ordinary shares for the purposes of basic earnings per share	231,014	221,922

#### 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	24,210	32,492
	<b>No.'000</b>	<b>No.'000</b>
Weighted average number of ordinary shares used in the calculation of basic earnings per share	231,014	221,922
Shares deemed to be issued for no consideration in respect of:		
Employee options/performance rights	2,873	4,006
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	233,887	225,928

## Notes to the condensed consolidated financial statements

### 5. Income Tax

	Half year ended 31 Dec 2013 \$'000	Half year ended 31 Dec 2012 \$'000
<b>Income tax recognised in profit or loss</b>		
Tax expense comprises:		
Current tax expense in respect of the current year	11,222	11,501
Deferred tax (benefit) / expense relating to origination and reversal of temporary differences	(3,062)	1,445
Adjustment recognised in the current year in relation to the current tax of prior years	(99)	247
<b>Total tax expense</b>	<b>8,061</b>	<b>13,193</b>
The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:		
Profit from operations	32,271	45,685
Income tax expense calculated at 30%	9,681	13,706
Effect of revenue that is exempt from taxation	(1,460)	(844)
Effect of expenses that are not deductible in determining taxable profit	28	112
Effect of different tax rates of subsidiaries operating in other jurisdictions	(89)	(28)
	8,160	12,946
Adjustment recognised in the current year in relation to the current tax of prior years	(99)	247
	8,061	13,193

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

- Australia 30%
- Singapore 17%
- Mexico 30%
- Indonesia (withholding tax on revenue) 2.64%
- Thailand 20%
- Malaysia 25%

### 6. Dividends

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

	Half year ended 31 December 2013		Half year ended 31 December 2012	
	Cents per share	Total \$'000	Cents per share	Total \$'000
<b>Fully paid ordinary shares</b>				
Final Dividend (fully franked at a 30% tax rate)	7.0	16,159	6.0	13,297

On 24 February 2014, the Directors declared a fully franked interim dividend in respect to the year ending 30 June 2014 of 5.5 cents per share to the holders of fully paid ordinary shares. The dividend will be paid to all shareholders recorded on the register of members as at 11 March 2014 (the Record Date). This dividend will be paid on 1 April 2014. This dividend has not been included as a liability in these financial statements.

## Notes to the condensed consolidated financial statements

### 7. Trade and Other Receivables

	31 Dec 2013 \$'000	30 June 2013 \$'000
Trade receivables	122,451	116,300
Allowance for doubtful debts	(329)	(59)
Other receivables	7,720	4,487
Goods and services tax recoverable	1,451	1,503
	<u>131,293</u>	<u>122,231</u>

### 8. Inventories

Fuel – at cost	4,678	1,974
Consumables	725	320
Work in progress	339	160
	<u>5,742</u>	<u>2,454</u>

### 9. Other Current Assets

Prepayments	<u>10,656</u>	<u>9,118</u>
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### 10. Investments Accounted For Using the Equity Method

Name of Entity	Principal Activity	Country of Incorporation	Ownership Interest		Consolidated Carrying Amount	
			2013 %	2012 %	31 Dec 2013 \$'000	30 June 2013 \$'000
<b>Jointly Controlled Entity</b>						
Toll Mermaid Logistics Broome Pty Ltd <sup>(i)</sup>	Supply base services in Broome for the offshore oil and gas industry	Australia	50	50	10,738	8,915

- (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

### 11. Other Financial Assets

	31 Dec 2013 \$'000	30 June 2013 \$'000
<b>Current</b>		
<b>Derivatives</b>		
Interest rate swaps	-	(121)
Foreign currency forward contracts	-	2,151
<b>Loans and receivables</b>		
Loan to jointly controlled entity	1,500	-
	<u>1,500</u>	<u>2,030</u>
<b>Non-current</b>		
<b>Loans and receivables</b>		
Loan to jointly controlled entity	-	2,000
	<u>-</u>	<u>2,000</u>

### 12. Property, Plant & Equipment

	Leasehold Buildings and Improvements at cost \$'000	Vessels at cost \$'000	Vessels – Hire Purchase at cost \$'000	Plant and Equipment at cost \$'000	Plant and Equipment – Hire Purchase at cost \$'000	Total \$'000
<b>Gross carrying amount:</b>						
Balance at 1 July 2013	133,403	388,329	18,198	22,223	10,241	572,394
Additions	7,552	40,339	-	3,025	219	51,135
Disposals	-	-	-	-	(50)	(50)
Transfers	(6)	6	-	-	-	-
Net currency exchange differences	-	5,874	-	11	-	5,885
<b>Balance at 31 December 2013</b>	<b>140,949</b>	<b>434,548</b>	<b>18,198</b>	<b>25,259</b>	<b>10,410</b>	<b>629,364</b>
<b>Accumulated depreciation:</b>						
Balance at 1 July 2013	(28,010)	(79,819)	(4,821)	(8,608)	(2,941)	(124,199)
Disposals	-	-	-	-	48	48
Transfers	-	-	-	-	-	-
Depreciation expense	(5,275)	(13,921)	(440)	(1,535)	(447)	(21,618)
Net currency exchange differences	-	(887)	-	(7)	-	(894)
<b>Balance at 31 December 2013</b>	<b>(33,285)</b>	<b>(94,627)</b>	<b>(5,261)</b>	<b>(10,150)</b>	<b>(3,340)</b>	<b>(146,663)</b>
<b>Net book value:</b>						
As at 30 June 2013	105,393	308,510	13,377	13,615	7,300	448,195
As at 31 December 2013	107,664	339,921	12,937	15,109	7,070	482,701



## Notes to the condensed consolidated financial statements

### 13. Goodwill

	31 Dec 2013 \$'000	30 June 2013 \$'000
Balance at the beginning of the financial period	20,710	20,710
Accumulated impairment losses	-	-
Balance at the end of the financial period	<u>20,710</u>	<u>20,710</u>

### 14. Trade and Other Payables

Trade payables	8,068	8,544
Other payables and accruals	45,098	34,820
GST payable	4,492	4,965
	<u>57,658</u>	<u>48,329</u>

### 15. Unearned revenue

Current	<u>19,796</u>	<u>11,274</u>
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### 16. Borrowings

#### Secured – at amortised cost

##### Current

Hire purchase liability	7,764	7,796
Bank loan	23,375	21,400
	<u>31,139</u>	<u>29,196</u>

##### Non-Current

Hire purchase liability	5,784	5,443
Bank loan	162,956	145,000
	<u>168,740</u>	<u>150,443</u>

### 17. Provisions

##### Current

Employee benefits – Annual Leave	<u>8,946</u>	<u>8,293</u>
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##### Non-Current

Employee benefits – Long Service Leave	<u>2,332</u>	<u>1,986</u>
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## Notes to the condensed consolidated financial statements

### 18. Issued capital

	31 Dec 2013 \$'000	30 June 2013 \$'000
232,652,241 fully paid ordinary shares (30 June 2013: 229,962,314)	232,693	226,382

During the half year, the Company issued 1,733,634 shares for \$3.64 issued under the Company's dividend reinvestment plan and 956,293 shares under its various employee performance rights plans.

During the half year, the Company granted 1,777,645 performance rights (2013: 933,734) under its various employee rights plans. These rights plans had a weighted average fair value at grant date of \$2.03 per right (2013: \$2.80).

### 19. Reserves

	31 Dec 2013 \$'000	30 June 2013 \$'000
Employee equity settled benefits	6,964	6,660
Hedging	-	2,030
Foreign currency translation	(458)	(6,410)
	6,506	2,280

### 20. Retained Earnings

Balance at beginning of financial period	174,364	139,830
Net profit attributable to members of the parent entity	24,210	60,298
Dividend provided for or paid	(16,159)	(25,764)
Balance at end of financial period	182,415	174,364

### 21. Subsequent Events

On 25 February 2014, Mermaid Marine Australia Ltd entered into an agreement (via its 100% subsidiary Mermaid Marine Asia Pte Ltd) with Jaya Holdings Ltd (Jaya) to acquire 100% of the issued shares of Jaya's subsidiary Companies (Agreement).

Jaya is an established Singapore based marine services provider to the international oil & gas industry. The business comprises a fleet of 27 vessels, with a further 6 high specification vessels under construction. Jaya also own 2 strategic shipyards located in Singapore and Batam (Indonesia).

Subject to satisfaction of a number of conditions under the Agreement, final completion of the transaction is expected to take place in April 2014.

The total consideration payable is SGD625 million cash, with funding coming from a combination of equity and debt comprising:

- An underwritten 7 for 18 pro-rata accelerated renounceable Entitlement Offer to raise AUD217 million
- An underwritten Institutional Placement to raise AUD100 million
- New debt facilities from existing relationship banks including a USD227 million Acquisition Facility.