



**MERMAID MARINE**  
AUSTRALIA LIMITED

**CORPORATE:**

Eagle Jetty, 20 Mews Road  
FREMANTLE WA 6160  
**TEL:** (+61) 8 9431 7431  
**FAX:** (+61) 8 9431 7432  
**EMAIL:** corporate@mermaidmarine.com.au  
**WEB:** www.mermaidmarine.com.au

**25 PAGES INCLUDING THIS PAGE**

11 September 2003

The Listing Manager  
Australian Stock Exchange  
Exchange Centre  
Level 6  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir/Madam

**RE: APPENDIX 4E – PRELIMINARY FINAL REPORT – 30 JUNE 2003**

The Directors of Mermaid Marine Australia Limited wish to announce a trading profit before tax of \$0.2 million for the 12 months to 30th June 2003, and a loss after tax and first half write downs of \$10.7 million. Following a poor result in the first six months, the turnaround in January to June was particularly heartening as the first half trading loss was recovered and the full year returned to surplus. The last half profit before tax of \$2.5 million, showed a 208% improvement on the preceding six months and a 483% improvement on the same period last year.

Better margins were achieved, two pipelay projects undertaken for Apache Energy made a valuable contribution and following final project completion, the competitive edge provided by the Supply Base at Dampier, was felt for the first time.

A new vessel contracted for long term work to ChevronTexaco came into service, wharf facilities such as a 150 tonne crane, fast fuel and water systems were commissioned, BHP Billiton joined us as a long term tenant and the company reined in start up costs to establish better acceptable margins.

The very welcome announcement on Monday that the WA Government has given approval in principle to the Gorgon project is difficult to convey in terms of importance to our company. The \$11 billion project, approximately 80 sea miles from our Dampier facility, is estimated to export \$2.5 billion in LNG product per annum when completed. 3,000 new employees will be involved in the construction stage and many hundreds in production thereafter. This project, the largest in Australia, is expected to move through planning and approvals within two years and will require high levels of supply base and vessel support. Mermaid is extremely well placed to assist with that, planning has started and the news is extremely encouraging for our shareholders and employees.

In the shorter term, successful Carnarvon Basin explorers such as Apache Energy continue to bring their oil finds into production. Others such as Tap Oil are moving towards independent production plans and the same applies to Roc Oil in the nearby Perth basin. Larger players such as Woodside, Agip, BHP Billiton and Santos at sea and Hamersley Iron and BHP Billiton onshore, are undertaking very major new production and upgrade projects. The decision to get on with the \$30 million capital outlay to build the Dampier Supply Base is now proving to be very timely.

By order of the Board

A handwritten signature in black ink, appearing to read 'Alan Birchmore'. The signature is fluid and cursive, with a large initial 'A' and 'B'.

**ALAN BIRCHMORE**  
Chairman

# Mermaid Marine Australia Limited

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## Results for Announcement to the Market For the Financial Year Ended 30 June 2003

### ACCOMPANYING COMMENTS TO ASX APPENDIX 4E RELEASE (September 2003)

Mermaid bounced back with a trading profit of \$2.5 million in the six months to 30th June 2003 to fully recover the ground lost in the first half and record an overall trading surplus for the year of \$0.2 million.

When the Company experienced historically low levels of activity and accompanying pressure on vessel rates and values at the beginning of the year, it was considered prudent to reduce carrying values on certain vessels. Earnings on the new Dampier infrastructure were not yet supporting the value ascribed to the Dampier Supply Base and therefore it was also written down to below cost and sworn valuation. This has created considerable balance sheet comfort as the Base grows in value. Total write downs were \$11.6 million, delivering a total after tax loss for the year of \$10.7 million.

The decision to bring forward repairs and maintenance programmes during the quiet period is standing us in good stead with the fleet in very good shape, but the accelerated expense combined to hold down both the first half and full year result.

Revenue for the year was \$27 million, a 45 per cent decrease on last year and does not include revenues from manning and offshore construction projects undertaken through incorporated joint ventures. Mermaid's share of revenues from joint venture activities for the year totalled \$15.6 million.

To give flexibility to a vessel upgrade programme and recognising the current low earnings on our new infrastructure, the company decided to write down the value of certain assets by \$11.6 million, resulting in a total loss after tax and write-downs of \$10.7 million for the financial year ending 30 June 2003.

Following the first-half results, the Board established a strategic review committee to assess the Company's operating models and strategic plan. The key findings of that review were that:

- The core business of the Company is soundly based on vessel and supply-base activities.
- The Company should reduce its debt overall, or in percentage terms in relation to earnings.
- Specific short-term actions were recommended to improve margins and consistency of earnings.
- The Company should examine the performance of all assets on an ongoing basis, divesting where acceptable returns or strategic objectives are not being achieved.

The committee's analysis established valuable measurement tools for the company, producing a baseline document, which will be revisited for regular benchmarking and assessment.

While acknowledging the challenges encountered during the year it is also worthwhile noting the positives. The company's safety performance has been exemplary, we secured the benefits and experience of a new and active major shareholder, we won a new vessel contract resulting in the purchase of a new vessel and we were successful in securing a contract with BHP Billiton Petroleum on the supply base enabling us to further develop our supply base infrastructure.

### Health Safety and the Environment

Full implementation of Mermaid's Safety Management Group (SMG) safety program has delivered outstanding results. To date, the period free of LTIs for the vessel fleet, despite

## **Mermaid Marine Australia Limited**

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### **Results for Announcement to the Market For the Financial Year Ended 30 June 2003**

very challenging working conditions at sea is 612 days; for the Dampier supply base 616 days and for the slipway, 710 days, a clear record since start up in July 2001. The Supply Base at Broome also has a perfect record of 1,245 LTI free days since beginning operations. These results are a credit to both the Company's health, safety and environment ('HSE') department and our management and staff, all of whom have cooperated fully with a demanding system of safety management. The process is ongoing and the HSE department is now in the process of aligning the safety management system with Australian Standards 4801-2000.

At the inaugural Sea Safe-Work Awards ceremony, held in April 2003 by Seacare (the Seafarers' Safety, Rehabilitation and Compensation Authority), Mermaid was awarded the Offshore Employer OHS Achievement Award and the Small Shipping Employer OHS Achievement Award. It was a considerable achievement to win both the categories for which our company qualified and a tangible endorsement of the efforts made in this area.

Mermaid continues to meet the stringent requirements of its environmental management system at the Supply Base, essential elements of which include maintaining water quality in King Bay and monitoring and restoring the mangrove forests adjacent to the base. Compliance is audited annually by the Department of Environment Protection.

Client audits of Company facilities and vessels regularly check that we meet their requirements, which together with our own procedures, ensure that potential impacts on the environment are closely managed with zero tolerance. Our license to operate is predicated on our environmental performance and it is a critical element of our overall management systems.

#### **New shareholder**

During the year PSAM, the marine division of the corporatised Port of Singapore Authority (PSA), became a majority shareholder in Mermaid Marine through the issue of 23.48 million new shares and 6 million options. Peter Chew, PSAM's Vice President joined the board and plays an important role in our ongoing development. We continue to explore options for leveraging PSAM's strengths into mutually beneficial opportunities.

#### **Vessel operations**

Revenue for the year from vessel operations was \$19.7 million. While operating revenue for the first half was historically low at \$7.7 million, the situation improved in the second half, with revenues increasing to \$12 million. Before tax and write-downs, vessel operations delivered an operating profit of \$1 million for the financial year compared to last year's profit of \$2.7 million. The variance was largely due to the decision to take advantage of lower activity levels by accelerating maintenance and refit programs at an extra cost of \$1.9 million. Although, the quiet vessel market in the first half was for only a short period, Directors decided to write down the carrying value of a number of the fleet's older vessels by \$6.4 million, a decision that reduced the profit from vessel operations to a pre-tax loss of \$5.4 million.

To expand vessel earnings, there will be changes to the fleet configuration over the next five years as we add to the historical spot charter business. The Company will increase capability in the servicing of oil and gas companies requiring tanker offtake support, platform supply, crew transfer services and geophysical/survey work in the north-west on a more regular and contracted basis.

During the year, Mermaid successfully tendered to provide tanker berthing and other support services for ChevronTexaco's Barrow and Thevenard Island operations. The contract – which involved the acquisition of the Mermaid Carver, a new, 3500 bhp, offshore Z-drive tug – was the first such longer term contract and represents a new focus towards longer term contracts.

# Mermaid Marine Australia Limited

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## Results for Announcement to the Market For the Financial Year Ended 30 June 2003

Company vessels played a major role in salvaging the bulk carrier Hanjin Dampier, which ran aground off the coast of Dampier in August 2002. Numerous Mermaid vessels, including barges, were involved in the operation, with Mermaid also providing the equipment necessary to remove large quantity of iron ore from the carrier. The ability of the company to mobilise diverse equipment under difficult conditions highlights the added capability of the supply base, which sets us apart from conventional vessel operators in the region.

Seatrac engaged one of our larger vessels during the year, for an experimental project for Woodside Petroleum, involving an innovative system for the removal of old wellheads from the sea floor. This work, which, saved time and offered many environmental advantages, will hopefully become the procedure for the removal of many such redundant installations in the future.

The company placed the Mermaid Explorer overseas into a 6 month contract with options towards the end of the financial year. While not currently a key strategy to develop into the South East Asian market we will continue to take advantage of specific opportunities such as this when the Australian market is quiet.

### Supply bases

Demand for supply-base activities continued to gain momentum, with the business reporting a loss before tax and write-downs of \$0.3 million, a 57 per cent improvement on last year. Revenues improved by 31 per cent on the previous period to \$3.8 million, demonstrating lower operating costs, improved labour efficiencies and tighter controls on expenditure, all of which contributed to better and more sustainable operating margins. The decision at the half year to write down carrying values, took the supply-base result to a pre-tax loss of \$5.5 million.

At the same time the company invested in a range of infrastructure improvements including:

- New 200,000 litre fast fuel facility for the wharf;
- Fast water supply at the wharf;
- Acquisition of a 150 tonne crawler crane;
- 900 m<sup>2</sup> undercover warehouse;
- 10,000 m<sup>2</sup> hardstand improvement; and
- Dedicated Dangerous Goods Facility

We expect to increase undercover storage further and construct an AQIS accredited washdown facility for the drilling industry.

In April 2003, BHP Billiton Petroleum became a major tenant at the Dampier base to support its Griffin venture and increasingly successful exploration. A new warehouse with associated logistics support has been established with ready access to road and sea, representing good progress in the supply-base strategy of providing regional operators with one-stop services.

Also during the year, the supply bases supported other major ventures in the region, including mobilising the Victoria and Double Island projects, and the entire logistics operation of Saipem (prime installation contractor for Woodside's TSEP project) from the Dampier base. Mermaid's contract with Saipem, due to continue into the 2004 financial year, is the largest single logistics contract undertaken at the Dampier base so far. In addition we have provided supply base services to Western Geco, United KG, Apache Energy, Wandoo Alliance, Woodside, Technip Coflexip, Covus, Hamersley Iron, Transfield Worley and ChevronTexaco.

# Mermaid Marine Australia Limited

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## Results for Announcement to the Market For the Financial Year Ended 30 June 2003

Other developments involve the drilling industry's use of the Dampier base, Transocean becoming the first drilling client to use our laydown facilities. Tenders have been submitted for the Santos' Mutineer Exeter Project and Hamersley Iron's wharf upgrade, both of which are scheduled to begin early in 2004.

Interest in the HLO wharf continues to grow, with inquiries from major Burrup industry planning groups relating mainly to the roll-on/roll-off technology for unloading barges. During the year, Icon Engineering engaged the Dampier base to supply services linked to the fabrication and load-out of an offshore structure for Apache Energy. That structure was the first such load to be despatched over the HLO wharf.

As mentioned in the Chairman's address the economic impact of the Gorgon project on the region and our company in particular will be immeasurable. Currently, Mermaid is working closely with ChevronTexaco through their contractors on early feasibilities into utilisation of the Dampier base for this huge project.

All Mermaid drilling support is managed by Brian Philp, a highly experienced drilling manager in his own right, and under his direction, the Broome supply base continued to provide important support services for drilling operations in the Browse Basin. During the first half of the year, Broome successfully supported a Woodside drilling operation. It has recently completed servicing a drilling programme for BHP Billiton Petroleum and has commenced a 7 month contract to support a drilling program by Inpex. Since start-up in 1999, the Broome base has won contracts to support every offshore drilling campaign in the region. In servicing those contracts, it has earned a solid reputation for safety, efficiency and cost-effectiveness.

### **The slipway**

This financial year, slipway revenue of \$5.2 million, was down 12 per cent on that for the previous year. Profit was better at close to break even and the facility made a significant contribution to the upgrade of our fleet. It is a new business, which will steadily improve as vessel population increases in the construction and support sector. While our market is predominantly North West based we did secure a vessel out of Darwin during the year indicating that the business is professional and competitive. Our ship repair personnel are also involved in major project mobilisations, which help to spread the demand profile. The slipway also undertook a number of emergency repairs during the year demonstrating the benefit of the facility to the vessel operators in the region and ultimately their offshore clients. Other users such as military, professional fishing and tourism, remain to be tapped as the ship repair option at Dampier becomes better known and understood.

### **Offshore construction**

The past year is the second in which the Company has participated in the offshore shallow-water pipelay construction market. Mermaid now operates through its 50/50 joint venture with Clough Engineering.

This year, the MCJV completed two pipelay contracts for Apache Energy, generating profitable revenue of approximately \$25 million. The successful technical completion of those projects, environmental management, safety record and back up were undoubtedly considerations when Apache awarded its latest pipelay contract to the MCJV. The Linda contract will be undertaken later this financial year.

### **Labour hire**

Labour hire remains an integral part of Mermaid's business through our subsidiary MLM. The industry has well-entrenched competition, particularly in the rig and seismic-vessel markets and while winning a share of the sector will be difficult, we are well placed and the potential of this business is significant. We have identified a number of targets going forward and expect to further develop our capability and experience in this area.

# Preliminary Final Report Of Mermaid Marine Australia Limited for the Financial Year Ended 30 June 2003

(ACN 083 185 693)

*This Preliminary Final Report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.3A.*

Current Reporting Period: Financial Year ending 30 June 2003

Previous Corresponding Period: Financial Year ending 30 June 2002

# Mermaid Marine Australia Limited

## Results For Announcement To The Market For the Financial Year Ended 30 June 2003

### Revenue and Net Profit/(Loss)

|   |         | <b>Percentage<br/>Change<br/>%</b> | <b>Amount<br/>\$'000</b> |
|---|---------|------------------------------------|--------------------------|
| Revenue from ordinary activities  | up/down | 45                                 | to 27,031                |
| Profit/(loss) from ordinary activities after tax<br>attributable to members | up/down | -                                  | to (10,673)              |
| Net profit/(loss) attributable to members                                   | up/down | -                                  | to (10,673)              |

### Dividends (Distributions)

|  | <b>Amount per<br/>security</b> | <b>Franked<br/>amount per<br/>security</b> |
|--|--------------------------------|--|
| Final dividend   | 0 ¢                            | 0 ¢  |
| Interim dividend   | 0 ¢                            | 0 ¢  |
| Record date for determining entitlements to the<br>dividend: |                                |  |
| • final dividend   | None                           |  |
| • Interim dividend   | None                           |  |

### Brief Explanation of Revenue, Net Profit/(Loss) and Dividends (Distributions)

Refer Accompanying Notes.



# Mermaid Marine Australia Limited

## Statement of Financial Performance For the Financial Year Ended 30 June 2003

|  | Note | 2003<br>\$'000 | 2002<br>\$'000 |
|--|------|----------------|----------------|
| Revenue from ordinary activities   |      | 27,031         | 49,320         |
| Share of net profits of associates and joint ventures accounted for using the equity method              |      | 523            | 594            |
| Vessel expenses  |      | (17,268)       | (13,235)       |
| Supply Base expenses   |      | (5,669)        | (9,719)        |
| Engineering and labour hire expenses   |      | (292)          | (22,353)       |
| Administration expenses  |      | (2,231)        | (3,092)        |
| Recoverable amount write downs   |      | (11,649)       | -              |
| Borrowing costs  |      | (1,921)        | (1,485)        |
| <b><i>Profit/(Loss) From Ordinary Activities Before Income Tax Expense/(Benefit)</i></b>                 | 2    | (11,476)       | 30             |
| Income tax expense/(benefit) relating to ordinary activities   |      | 803            | 55             |
| <b><i>Profit/(Loss) From Ordinary Activities After Related Income Tax Expense/(Benefit)</i></b>          |      | (10,673)       | 85             |
| <b><i>Net Profit/(Loss)</i></b>  |      | (10,673)       | 85             |
| <b><i>Net Profit/(Loss) Attributable to Members of the Parent Entity</i></b>                             |      | (10,673)       | 85             |
| <b><i>Total Changes In Equity Other Than Those Resulting From Transactions With Owners As Owners</i></b> |      | (10,673)       | 85             |

# Mermaid Marine Australia Limited

## Statement of Financial Position As at 30 June 2003

|   | Note | 2003<br>\$'000 | 2002<br>\$'000 |
|---|------|----------------|----------------|
| <b>Current Assets</b>                             |      |                |                |
| Cash assets                                       |      | 5,792          | 2,730          |
| Receivables                                       |      | 7,065          | 5,487          |
| Inventories                                       |      | 408            | 641            |
| Other financial assets                            |      | -              | 168            |
| Current tax assets                                |      | 3              | 58             |
| Other   |      | 733            | 647            |
| <b>Total Current Assets</b>                       |      | 14,001         | 9,731          |
| <b>Non-Current Assets</b>                         |      |                |                |
| Receivables                                       |      | -              | -              |
| Inventories                                       |      | -              | -              |
| Investments accounted for using the equity method |      | 231            | 846            |
| Other financial assets                            |      | -              | -              |
| Property, plant and equipment                     |      | 59,517         | 64,820         |
| Intangibles                                       |      | 256            | -              |
| Deferred tax assets                               |      | -              | 518            |
| Other   |      | -              | -              |
| <b>Total Non-Current Assets</b>                   |      | 60,004         | 66,184         |
| <b>Total Assets</b>                               |      | 74,005         | 75,915         |
| <b>Current Liabilities</b>                        |      |                |                |
| Payables  |      | 4,555          | 3,541          |
| Interest-bearing liabilities                      |      | 5,921          | 2,068          |
| Current tax liabilities                           |      | -              | -              |
| Provisions  |      | 502            | 426            |
| Other   |      | -              | -              |
| <b>Total Current Liabilities</b>                  |      | 10,978         | 6,035          |
| <b>Non-Current Liabilities</b>                    |      |                |                |
| Payables  |      | 75             | 113            |
| Interest-bearing liabilities                      |      | 26,842         | 28,702         |
| Deferred tax liabilities                          |      | -              | 1,341          |
| Provisions  |      | 96             | 133            |
| Other   |      | -              | -              |
| <b>Total Non-Current Liabilities</b>              |      | 27,013         | 30,289         |
| <b>Total Liabilities</b>                          |      | 37,991         | 36,324         |
| <b>Net Assets</b>                                 |      | 36,014         | 39,591         |
| <b>Equity</b>                                     |      |                |                |
| Contributed equity                                |      | 39,658         | 32,562         |
| Reserves  |      | 3,764          | 3,764          |
| Retained profits                                  | 6    | (7,408)        | 3,265          |
| <b>Total Equity</b>                               |      | 36,014         | 39,591         |

# Mermaid Marine Australia Limited

## Statement of Cash Flows For the Financial Year Ended 30 June 2003

|   | Note | 2003<br>\$'000 | 2002<br>\$'000 |
|---|------|----------------|----------------|
| <b><i>Cash Flows From Operating Activities</i></b>        |      |                |                |
| Receipts from customers                                   |      | 28,109         | 55,315         |
| Payments to suppliers and employees                       |      | (23,953)       | (51,917)       |
| Dividends received  |      | 881            | -              |
| Interest and bill discounts received                      |      | 145            | 292            |
| Interest and other costs of finance paid                  |      | (1,920)        | (1,625)        |
| Income tax (paid)/received                                |      | 158            | (726)          |
| Net cash provided by/(used in) operating activities       | 7(f) | 3,420          | 1,339          |
| <b><i>Cash Flows From Investing Activities</i></b>        |      |                |                |
| Amounts (advanced to) received from related parties       |      | 168            | 72             |
| Payment for property, plant and equipment                 |      | (6,063)        | (21,199)       |
| Proceeds from sale of property, plant and equipment       |      | 129            | 30             |
| Net cash provided by/(used in) investing activities       |      | (4,766)        | (21,097)       |
| <b><i>Cash Flows From Financing Activities</i></b>        |      |                |                |
| Proceeds from issues of equity securities                 |      | 7,047          | 5,991          |
| Payment for share issue costs                             |      | (91)           | (173)          |
| Proceeds from borrowings                                  |      | -              | 9,114          |
| Hire purchase principal repayments                        |      | (2,548)        | (1,877)        |
| Dividends paid  |      | -              | (1,506)        |
| Net cash provided by/(used in) financing activities       |      | 4,408          | 11,549         |
| <b><i>Net Increase/(Decrease) In Cash Held</i></b>        |      | 3,062          | (8,210)        |
| <b><i>Cash At The Beginning Of The Financial Year</i></b> |      | 2,730          | 10,940         |
| <b><i>Cash At The End Of The Financial Year</i></b>       | 7(a) | 5,792          | 2,730          |

# Mermaid Marine Australia Limited

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## Notes to the Financial Statements For the Financial Year Ended 30 June 2003

| Note | Contents   |
|------|--|
| 1    | Basis of Preparation   |
| 2    | Profit/(Loss) from Ordinary Activities                         |
| 3    | Commentary on Results  |
| 4    | Fundamental Errors   |
| 5    | Sales of Assets  |
| 6    | Retained Profits   |
| 7    | Notes to the Statement of Cash Flows                           |
| 8    | Details relating to Dividends (Distributions)                  |
| 9    | Earnings Per Share   |
| 10   | Net Tangible Assets per Security                               |
| 11   | Details of Entities Over Which Control Has Been Gained or Lost |
| 12   | Details of Associates and Joint Venture Entities               |
| 13   | Contingent Liabilities and Contingent Liabilities              |
| 14   | Segment Information  |
| 15   | Discontinuing Operations                                       |
| 16   | Subsequent Events  |
| 17   | Other Significant Information                                  |
| 18   | Information on Audit or Review                                 |

# Mermaid Marine Australia Limited

## Notes to the Financial Statements For the Financial Year Ended 30 June 2003

### 1. Basis of Preparation

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

The accounting policies adopted in the preparation of the preliminary final report are consistent with those adopted and disclosed in the 2002 annual financial report.

Details of changes in accounting policies:

In accordance with Account Standard AASB 1028 'Employee Benefits', on 1 July 2002 the consolidated entity changed its policy for recognising provisions for annual leave. Under the new policy the amount of the provision is calculated using the remuneration rate expected to apply at the time of settlement, rather than the remuneration rate that applies at reporting date.

The effect of this change in accounting policy is not material to the financial statements for 30 June 2002 or 30 June 2003.

### 2. Profit/(Loss) From Ordinary Activities

Profit/(loss) from ordinary activities before income tax includes the following items of revenue and expense:

#### (a) Revenue

|   | 2003<br>\$'000 | 2002<br>\$'000 |
|---|----------------|----------------|
| Operating Revenue                                     | 25,971         | 49,160         |
| Proceeds from partial surrender of lease and easement | 900            | -              |
| Property, plant and equipment                         | 128            | 30             |
| Employee Entitlements                                 | 32             | 130            |

#### (b) Expenses

|  |       |       |
|--|-------|-------|
| Net bad and doubtful debts                           | 54    | 114   |
| Net foreign exchange loss                            | 8     | -     |
| Recoverable amount write-down on non current assets: |       |       |
| Vessels  | 6,376 | -     |
| Supply Base  | 5,272 | -     |
| Depreciation of non-current assets                   | 3,034 | 2,283 |
| Borrowing Costs                                      | 1,921 | 1,485 |
| Operating leases – rental expenses                   | 245   | 236   |

# Mermaid Marine Australia Limited

## Notes to the Financial Statements For the Financial Year Ended 30 June 2003

### 2. Profit/(Loss) From Ordinary Activities (continued)

#### (c) *Revision of Accounting Estimates*

Details of the nature and amount of revisions of accounting estimates:

None

### 3. Commentary on Results

Refer Accompanying Notes.

### 4. Fundamental Errors

None

### 5. Sales of Assets

Sales of assets in the ordinary course of business have given rise to the following profits and losses:

#### **Net Profits**

Property, plant and equipment

937

-

937

-

#### **Net Losses**

Property, plant and equipment

49

24

49

24

### 6. Retained Profits

Balance at beginning of financial year

3,265

3,180

Net profit/(loss)

(10,673)

85

Balance at end of financial year

(7,408)

3,265

# Mermaid Marine Australia Limited

## Notes to the Financial Statements For the Financial Year Ended 30 June 2003

|   | 2003<br>\$'000 | 2002<br>\$'000 |
|---|----------------|----------------|
| <b>7. Notes to the Statement of Cash Flows</b>  |                |                |
| <i>(a) Reconciliation of Cash</i>   |                |                |
| For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows: |                |                |
| Cash  | 5,792          | 2,730          |
|   | 5,792          | 2,730          |
| <br><i>(b) Controlled Entity Acquired</i>   |                |                |
| During the financial year, <i>[describe]</i> businesses were acquired. Details of the acquisition are as follows:   |                |                |
| <b>Consideration</b>  |                |                |
| 800,000 ordinary shares   | 140            | -              |
|   | 140            | -              |
| <b>Fair Value of Net Assets Acquired</b>  |                |                |
| Current assets:   |                |                |
| <i>Receivables</i>  | 45             | -              |
| Non-current assets:   |                |                |
| <i>Receivables</i>  | 2              | -              |
| <i>Deferred tax assets</i>  | 42             | -              |
| Current liabilities:  |                |                |
| <i>Payables</i>   | (37)           | -              |
| Net assets acquired   | 52             | -              |
| Goodwill on acquisition   | 88             | -              |
|   | 140            | -              |
| <b>Net Cash Outflow on Acquisition</b>  |                |                |
| Cash consideration  | -              | -              |
| Less cash balances acquired   | -              | -              |
|   | -              | -              |

# Mermaid Marine Australia Limited

## Notes to the Financial Statements For the Financial Year Ended 30 June 2003

### 7. Notes to the Statement of Cash Flows (continued)

#### *(c) Non-Cash Financing and Investing Activities*

During the financial year, the consolidated entity acquired a further 49% of Mermaid Labour and Management Pty Ltd for \$140,000 by the issue of shares. This acquisition is not reflected in the statement of cash flows.

|  | <b>2003</b>   | <b>2002</b>   |
|--|---------------|---------------|
|  | <b>\$'000</b> | <b>\$'000</b> |
| <i>(d) Financing Facilities</i>  |               |               |
| Secured bank overdraft facility, reviewed annually and payable at call:  |               |               |
| Amount used  | -             | -             |
| Amount unused  | 2,500         | 2,500         |
|  | <u>2,500</u>  | <u>2,500</u>  |
| <br>   |               |               |
| Unsecured bill acceptance facility, reviewed annually:   |               |               |
| Amount used  | -             | -             |
| Amount unused  | -             | -             |
|  | <u>-</u>      | <u>-</u>      |
| <br>   |               |               |
| Secured loan facilities with various maturity dates through to 2004 and which may be extended by mutual agreement: |               |               |
| Amount used  | 20,780        | 20,900        |
| Amount unused  | -             | -             |
|  | <u>20,780</u> | <u>20,900</u> |

#### *(e) Cash Balances Not Available for Use*

None



## Mermaid Marine Australia Limited

### Notes to the Financial Statements For the Financial Year Ended 30 June 2003

#### 7. Notes to the Statement of Cash Flows (continued)

|  | <b>2003</b>      | <b>2002</b>      |
|--|------------------|------------------|
|  | <b>\$'000</b>    | <b>\$'000</b>    |
| <i>(f) Reconciliation of Profit/(Loss) From Ordinary Activities After Related Income Tax to Net Cash Flows From Operating Activities</i> |                  |                  |
| Profit/(Loss) from ordinary activities after related income tax  | (10,673)         | 85               |
| Depreciation and amortisation of non-current assets  | 3,034            | 2,283            |
| Provision for employee entitlements  | (32)             | (130)            |
| (Profit)/loss on sale of property, plant and equipment   | (888)            | 23               |
| Share of associates' (profit)/loss (less dividends)  | 393              | (594)            |
| Recoverable amount write down  | 11,649           | -                |
| Increase/(decrease) in current tax liability   | -                | (570)            |
| Increase/(decrease) in future income tax benefit   | 518              | (292)            |
| Increase/(decrease) in deferred tax balances   | (1,341)          | 74               |
| Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:                                       |                  |                  |
| (Increase)/decrease in assets:   |                  |                  |
| Current and other receivables  | (678)            | 2,362            |
| Current inventories  | 234              | (157)            |
| Prepayments  | (86)             | (142)            |
| Deferred project development costs   | -                | 128              |
| Increase/(decrease) in liabilities:  |                  |                  |
| Current trade payables   | 1,165            | (2,161)          |
| Provisions   | 125              | 430              |
| <br>Net cash from operating activities   | <br><u>3,420</u> | <br><u>1,339</u> |

# Mermaid Marine Australia Limited

## Notes to the Financial Statements For the Financial Year Ended 30 June 2003

### 8. Details Relating to Dividends (Distributions)

|                  |      | Date dividend payable | Amount per security<br>¢ | Amount per security of foreign sourced dividend<br>¢ |
|------------------|------|-----------------------|--------------------------|--|
| Final dividend   | 2003 | -                     | -                        | -  |
|                  | 2002 | -                     | -                        | -  |
| Interim dividend | 2003 | -                     | -                        | -  |
|                  | 2002 | -                     | -                        | -  |
| Total            | 2003 | -                     | -                        | -  |
|                  | 2002 | -                     | -                        | -  |

#### Total dividend (distribution) per security (interim plus final)

|  | 2003<br>¢ | 2002<br>¢ |
|--|-----------|-----------|
| Ordinary securities (each class separately)      | -         | -         |
| Preference securities (each class separately)    | -         | -         |
| Other equity instruments (each class separately) | -         | -         |

#### Interim and final dividend (distribution) on all securities

|  | 2003<br>\$'000 | 2002<br>\$'000 |
|--|----------------|----------------|
| Ordinary securities (each class separately)      | -              | -              |
| Preference securities (each class separately)    | -              | -              |
| Other equity instruments (each class separately) | -              | -              |
| <b>Total</b>                                     | <b>-</b>       | <b>-</b>       |

Any other disclosures in relation to dividends (distributions).

|      |
|------|
| None |
|------|

## Mermaid Marine Australia Limited

### Notes to the Financial Statements For the Financial Year Ended 30 June 2003

#### 9. Earnings Per Share

|             | <b>2003</b><br><b>¢ per share</b> | <b>2002</b><br><b>¢ per share</b> |
|-------------|-----------------------------------|-----------------------------------|
| Basic EPS   | (10.23)                           | 0.10                              |
| Diluted EPS | (10.23)                           | 0.10                              |

##### *Basic Earnings per Share*

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

|  | <b>2003</b><br><b>\$'000</b>   | <b>2002</b><br><b>\$'000</b>   |
|--|--------------------------------|--------------------------------|
| Earnings (a)                                   | (10,673)                       | 85                             |
|  | <b>2003</b><br><b>No. '000</b> | <b>2002</b><br><b>No. '000</b> |
| Weighted average number of ordinary shares (b) | 104,289                        | 82,242                         |

(a) Earnings used in the calculation of basic earnings per share reconciles to net profit in the statement of financial performance as follows:

|   | <b>2003</b><br><b>\$'000</b> | <b>2002</b><br><b>\$'000</b> |
|---|------------------------------|------------------------------|
| Net profit/(loss)                             | (10,673)                     | 85                           |
| Earnings used in the calculation of basic EPS | (10,673)                     | 85                           |

(b) The unlisted options are considered to be potential ordinary shares and are therefore excluded from the weighted average number of ordinary shares used in the calculation of basic earnings per share. Where dilutive, potential ordinary shares are included in the calculation of diluted earnings per share (refer below).

##### *Diluted Earnings per Share*

The earnings and weighted average number of ordinary and potential ordinary shares used in the calculation of diluted earnings per share are as follows:

|  | <b>2003</b><br><b>\$'000</b>   | <b>2002</b><br><b>\$'000</b>   |
|--|--------------------------------|--------------------------------|
| Earnings (a)   | (10,673)                       | 85                             |
|  | <b>2003</b><br><b>No. '000</b> | <b>2002</b><br><b>No. '000</b> |
| Weighted average number of ordinary shares and potential ordinary shares (b) | 104,289                        | 82,242                         |

## Mermaid Marine Australia Limited

### Notes to the Financial Statements For the Financial Year Ended 30 June 2003

#### 9. Earnings Per Share (continued)

- (a) Earnings used in the calculation of diluted earnings per share reconciles to net profit in the statement of financial performance as follows:

|            | <b>2003<br/>\$'000</b> | <b>2002<br/>\$'000</b> |
|------------|------------------------|------------------------|
| Net profit | (10,673)               | 85                     |
|            | (10,673)               | 85                     |

- (b) Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

|   | <b>2003<br/>No. '000</b> | <b>2002<br/>No. '000</b> |
|---|--------------------------|--------------------------|
| Weighted average number of ordinary shares used in the calculation of basic EPS                                 | 104,289                  | 82,242                   |
| Shares deemed to be issued for no consideration in respect of:  |                          |                          |
| <i>Employee Options</i>   | -                        | -                        |
| Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted EPS | 104,289                  | 82,242                   |

- (c) The following potential ordinary shares are not dilutive and are therefore excluded from the weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share:

|                                  | <b>2003<br/>No. '000</b> | <b>2002<br/>No. '000</b> |
|----------------------------------|--------------------------|--------------------------|
| <i>Options</i>                   | 6,000                    | -                        |
| <i>Director Options</i>          | 150                      | 150                      |
| <i>Employee Options</i>          | 1,895                    | 3,332                    |
| <i>Employee Options – Lapsed</i> | 1,437                    | -                        |
|                                  | 9,482                    | 3,482                    |

# Mermaid Marine Australia Limited

## Notes to the Financial Statements For the Financial Year Ended 30 June 2003

### 10. Net Tangible Assets Per Security

|                                  | 2003<br>\$'000 | 2002<br>\$'000 |
|----------------------------------|----------------|----------------|
| Net tangible assets per security | 0.31           | 0.44           |

### 11. Details of Entities Over Which Control Has Been Gained

#### Control gained over entities

Name of entity (or group of entities)

|                                     |
|-------------------------------------|
| Mermaid Labour & Management Pty Ltd |
|-------------------------------------|

Date control gained

|            |
|------------|
| 7 May 2003 |
|------------|

Contribution of the controlled entity (or group of entities) to profit/(loss) from ordinary activities during the period, from the date of gaining control.

|                |
|----------------|
| 2003<br>\$'000 |
|----------------|

|   |
|---|
| - |
|---|

### 12. Details of Associates and Joint Venture Entities

| Name of Entity                              | Ownership Interest |           | Contribution to net profit |               |
|---|--------------------|-----------|----------------------------|---------------|
|   | 2003<br>%          | 2002<br>% | 2003<br>\$'000             | 2002<br>\$000 |
| <b>Associates</b>                           |                    |           |                            |               |
| Mermaid Labour & Management P/L             | 99                 | 50        | -                          | 846           |
| Mermaid Clough P/L                          | 50                 | -         | 231                        | -             |
| <b>Aggregate Share of Profits/ (Losses)</b> |                    |           | 231                        | 846           |

### 13. Contingent Liabilities and Contingent Assets

|   | 2003<br>\$'000 | 2002<br>\$'000 |
|---|----------------|----------------|
| Contingent liabilities  |                |                |
| Guarantees arising from the deed of cross guarantee with other entities in the wholly-owned group (i) | 37,985         | 36,359         |

- (i) The company has entered into a deed of cross guarantee with certain wholly-owned controlled entities. The amount disclosed as a contingent liability represents total liabilities of the group of companies party to that class order less the liabilities of the company. The extent to which an outflow of funds will be required is dependent on the future operations of the entities that are party to the deed of cross guarantee being more or less favourable than currently expected. The deed of cross guarantee will continue to operate indefinitely.
- (ii) An entity in the consolidated entity is a defendant in a legal action involving a claim for damages for personal injury arising from an alleged incident in 1998. The directors are presently obtaining legal advice in relation to the matter and intend to vigorously defend the action brought against the entity concerned.

# Mermaid Marine Australia Limited

## Notes to the Financial Statements For the Financial Year Ended 30 June 2003

Source  
Reference

### 14. Segment Information

#### **Segment Revenues**

|                                      | External Sales |                | Inter-Segment<br>(i) |                | Other          |                | Total          |                |
|--------------------------------------|----------------|----------------|----------------------|----------------|----------------|----------------|----------------|----------------|
|                                      | 2003<br>\$'000 | 2002<br>\$'000 | 2003<br>\$'000       | 2002<br>\$'000 | 2003<br>\$'000 | 2002<br>\$'000 | 2003<br>\$'000 | 2002<br>\$'000 |
| <i>Vessels</i>                       | 19,039         | 17,045         | 650                  | 2,934          | -              | -              | 19,689         | 19,979         |
| <i>Supply Base</i>                   | 5,941          | 6,090          | 3,081                | 2,760          | -              | -              | 9,029          | 8,850          |
| <i>Engineering &amp; Labour Hire</i> | -              | 25,611         | -                    | -              | 523            | 595            | 523            | 26,206         |
| Other                                | -              | -              | -                    | -              | -              | -              | -              | -              |
| Total of all segments                |                |                |                      |                |                |                | 29,234         | 55,035         |
| Eliminations                         |                |                |                      |                |                |                | (3,731)        | (5,694)        |
| Unallocated                          |                |                |                      |                |                |                | 2,051          | 574            |
| Consolidated                         |                |                |                      |                |                |                | 27,554         | 49,915         |

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

#### **Segment Results**

|  | 2003<br>\$'000 | 2002<br>\$'000 |
|--|----------------|----------------|
| <i>Vessels</i>   | (4,605)        | 3,623          |
| <i>Supply Base</i>   | (4,880)        | (615)          |
| <i>Engineering &amp; Labour Hire</i>                             | 224            | 1,171          |
| Total of all segments  | (9,261)        | 4,179          |
| Eliminations   | (114)          | (186)          |
| Unallocated  | (2,101)        | (3,963)        |
| Profit from ordinary activities before income tax expense        | (11,476)       | 30             |
| Income tax expense relating to ordinary activities               | 803            | 55             |
| Profit from ordinary activities after related income tax expense | (10,673)       | 85             |
| Extraordinary items  | -              | -              |
| Net profit   | (10,673)       | 85             |

## Mermaid Marine Australia Limited

### Notes to the Financial Statements For the Financial Year Ended 30 June 2003

#### 14. Segment Information (continued)

##### *Segment Assets and Liabilities*

|                           | Assets         |                | Liabilities    |                |
|---------------------------|----------------|----------------|----------------|----------------|
|                           | 2003<br>\$'000 | 2002<br>\$'000 | 2003<br>\$'000 | 2002<br>\$'000 |
| Vessels                   | 33,118         | 32,717         | 4,466          | 3,502          |
| Supply Base               | 35,302         | 40,867         | 4,478          | 6,342          |
| Engineering & Labour Hire | 4,859          | 4,986          | 207            | 2              |
| Other                     | -              | -              | -              | -              |
| Total of all segments     | 73,279         | 78,570         | 9,150          | 9,846          |
| Eliminations              | (3,929)        | (5,687)        | (3,928)        | (5,688)        |
| Unallocated               | 4,655          | 3,033          | 32,769         | 32,166         |
| Consolidated              | 74,005         | 75,916         | 37,991         | 36,324         |

##### *Other Segment Information*

|   | Vessels        |                | Supply Base    |                | Engineering & Labour Hire |                | Unallocated    |                |
|---|----------------|----------------|----------------|----------------|---------------------------|----------------|----------------|----------------|
|   | 2003<br>\$'000 | 2002<br>\$'000 | 2003<br>\$'000 | 2002<br>\$'000 | 2003<br>\$'000            | 2002<br>\$'000 | 2003<br>\$'000 | 2002<br>\$'000 |
| Carrying value of investments accounted for using the equity method                                       | -              | -              | -              | -              | 231                       | 846            | -              | -              |
| Share of net profit/(loss) of associates and joint venture entities accounted for under the equity method | -              | -              | -              | -              | 523                       | 594            | -              | -              |
| Acquisition of segment assets   | 7,055          | 7,265          | 2,403          | 13,021         | 2                         | 504            | 60             | 43             |
| Depreciation and amortisation of segment assets   | 1,625          | 1,595          | 1,122          | 498            | 132                       | 66             | 155            | 124            |

## Mermaid Marine Australia Limited

### Notes to the Financial Statements For the Financial Year Ended 30 June 2003

#### 14. Segment Information (continued)

##### *Geographical Segment*

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

#### 15. Discontinuing Operations

None

#### 16. Subsequent Events

During July 2003, the Mermaid Clough Joint Venture was awarded a further contract by Apache Energy Limited (Apache) and their Carnarvon Basin partners, for the Linda Offshore Pipeline Installation Works.

The project is to commence in the new year, but is subject to receipt by Apache of approval from the Harriet Joint Venture participants in the project, approval under environmental legislation and consolidation of agreements and execution of contract documents.

The award value is A\$10m and involves the installation and connection of 4.4 kilometres of 12 inch subsea pipeline, connecting the Linda field with the Sinbad pipeline for transmission to Varanus Island for holding and shipping. Linda becomes the latest in a network of producing wells in the Carnarvon Basin, which are linked together for the efficient production of oil in the region.

The Linda installation will be the 3rd such contract carried out by Mermaid in joint venture with Clough Offshore, bringing together Clough's engineering and project management expertise with experienced operation of vessel, barge and engineering base facilities provided by Mermaid. A dedicated and experienced presence in the North West offering personnel and equipment for immediate back up, has developed to become a valuable element in such contracts, where the highest standards of safety and environmental compliance are required by the Principles and Government.



## Mermaid Marine Australia Limited

### Notes to the Financial Statements For the Financial Year Ended 30 June 2003

#### 17. Other Significant Information

None

#### 18. Information on Audit or Review

This preliminary final report is based on accounts to which one of the following applies.

- |                                     |  |                          |   |
|-------------------------------------|--|--------------------------|---|
| <input type="checkbox"/>            | The accounts have been audited.  | <input type="checkbox"/> | The accounts have been subject to review.           |
| <input checked="" type="checkbox"/> | The accounts are in the process of being audited or subject to review. | <input type="checkbox"/> | The accounts have not yet been audited or reviewed. |

Description of likely dispute or qualification if the accounts have not yet been audited or subject to review or are in the process of being audited or subjected to review.

None

Description of dispute or qualification if the accounts have been audited or subjected to review.

None