



MERMAID MARINE
AUSTRALIA LIMITED

CORPORATE:

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27 August 2004

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

Dear Sir/Madam

RE: ANNOUNCEMENT OF FULL YEAR RESULT

Please find attached News Release, Appendix 4E and the full year financial report for the year ended 30 June 2004.

By order of the Board
MERMAID MARINE AUSTRALIA LIMITED

BRENDAN GORE
Company Secretary



News Release

27 August 2004

Mermaid Marine delivers improved performance

The Chairman of Mermaid Marine Australia Limited Mr Alan Birchmore today announced a profit after tax for the year of \$4.3 million, a substantial turnaround on the previous year.

Mr Birchmore said “The last 12 months has seen the company secure longer term contracts across the organisation as well as servicing our traditional offshore project related activities”.

Group revenue for the year was in line with last year at \$42.3 million. This included \$35.1 million income from our main operating activities representing a 32% increase on the previous year. The Mermaid Clough JV contributed \$7.2 million in revenue primarily attributable to the Linda Pipelay project.

There were a number of positive developments during the year that contributed to an improved result over last year. Major impacts included:

- Providing a range of services to contractors undertaking Woodside’s trunkline expansion project during the first half;
- Attracting Santos to our Dampier Supply Base to undertake their Mutineer Exeter development programme; and
- Support of the Linda Platform installation and successfully undertaking the Linda Pipelay Project through our Mermaid Clough JV.

The Company also secured a number of longer-term contracts, including:

- Supply and offtake support for the BHP Billiton Griffin Venture;
- Offtake support for the ENI Woollybutt Field; and
- Supply Base support for BHP Billiton Petroleum drilling.

Mermaid Marine CEO, Mr Jeff Weber said “The Company has increased its contracted work from 5% of total vessel revenue to 27% over the last 2 years as part of our strategy to exceed 50% over the next 2 years.”

He cautioned however that “Although contracted revenue had increased, the Company was still subject to the cyclical nature of the offshore industry and earnings in FY04/05 are expected to be lower due to the reduction in project related work over the coming year”, but went on to say that he was “much more optimistic in relation to FY05/06 and beyond, when a number of Carnarvon Basin and North West Shelf projects are expected to commence. Strategic objectives such as the recently announced \$13m build and operate vessel contract for Apache, and the purchase of a 4000 BHP tanker offtake vessel will also add positively to earnings”.

The award of the Apache Vessel contract was the result of continued efforts to upgrade the fleet on the back of contracted revenue streams and is a major step forward. This is a five year contract and will involve providing services to a range of offshore operators in the region in addition to Apache. The vessel will undertake activities including:

- ROV and Dive Support;
- Survey;
- Cargo Carrying; and
- Maintenance and construction support.

The vessel will be constructed in China in a yard well known to our major shareholders, PSA Marine, who will address quality control and budget supervision on our behalf. The vessel is expected to complete construction in November 2005 and contribute to the second half earnings in FY06. The newly acquired tanker offtake vessel is expected in Dampier by December 2004.

The supply bases of Dampier and Broome both exceeded budget on the back of the substantial offshore projects during the year. The EBITDA margins are strong and these assets will soon contribute strongly to earnings. A wharf extension planned for Dampier will add revenue, give better service to our customers and reduce the costs associated with operating our own vessels.

Quality, safety and environmental performance during the year was excellent and will continue to receive a high priority from management.

Further information can be obtained from:

Mr Alan Birchmore, Chairman
Mermaid Marine Australia Limited
Phone: (08) 9431 7431 (office) or 0411 404 453 (mobile)

Mr Jeffrey Weber, Chief Executive Officer
Mermaid Marine Australia Limited
Phone: (08) 9431 7431 (office) or 0418 855 275 (mobile)

Preliminary Final Report Of Mermaid Marine Australia Limited for the Financial Year Ended 30 June 2004

(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 2004

Previous Corresponding Period: Financial Year ending 30 June 2003

Mermaid Marine Australia Limited

Results For Announcement To The Market For the Financial Year Ended 30 June 2004

Revenue and Net Profit/(Loss)

		Percentage Change %		Amount \$'000
Revenue from ordinary activities	up/ down	30	to	35,132
Profit/(loss) from ordinary activities after tax attributable to members	up/ down	-	to	4,300
Net profit/(loss) attributable to members	up/ down	-	to	4,300

Dividends (Distributions)

	Amount per security	Franked amount per security
Final dividend	- ¢	- ¢
Interim dividend	- ¢	- ¢

Record date for determining entitlements to the dividend:

- final dividend
- Interim dividend

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 2004

	Note	2004 \$'000	2003 \$'000
Revenue from ordinary activities		35,132	27,031
Share of net profits of associates and joint ventures accounted for using the equity method		264	523
Vessel expenses		(20,800)	(23,644)
Supply Base expenses		(6,165)	(10,942)
Engineering and labour hire expenses		(437)	(292)
Administration expenses		(2,114)	(2,231)
Borrowing costs		(2,335)	(1,921)
<i>Profit/(Loss) From Ordinary Activities Before Income Tax Expense/(Benefit)</i>	2	3,545	(11,476)
Income tax (expense)/benefit relating to ordinary activities		755	803
<i>Profit/(Loss) From Ordinary Activities After Related Income Tax Expense/(Benefit)</i>		4,300	(10,673)
<i>Net Profit/(Loss)</i>		4,300	(10,673)
<i>Net Profit/(Loss) Attributable to Members of the Parent Entity</i>		4,300	(10,673)
<i>Total Changes In Equity Other Than Those Resulting From Transactions With Owners As Owners</i>		4,300	(10,673)

Mermaid Marine Australia Limited

Statement of Financial Position As at 30 June 2004

	Note	2004 \$'000	2003 \$'000
Current Assets			
Cash assets		6,068	5,792
Receivables		8,516	7,065
Inventories		468	408
Other financial assets		-	-
Current tax assets		-	3
Other		919	733
Total Current Assets		15,971	14,001
Non-Current Assets			
Receivables		-	-
Inventories		-	-
Investments accounted for using the equity method		494	231
Other financial assets		-	-
Property, plant and equipment		60,772	59,517
Intangibles		223	256
Deferred tax assets		-	-
Other		-	-
Total Non-Current Assets		61,489	60,004
Total Assets		77,460	74,005
Current Liabilities			
Payables		5,319	4,555
Interest-bearing liabilities		6,407	5,921
Current tax liabilities		-	-
Provisions		807	502
Other		-	-
Total Current Liabilities		12,533	10,978
Non-Current Liabilities			
Payables		-	75
Interest-bearing liabilities		24,276	26,842
Deferred tax liabilities		207	-
Provisions		130	96
Other		-	-
Total Non-Current Liabilities		24,613	27,013
Total Liabilities		37,146	37,991
Net Assets		40,314	36,014
Equity			
Contributed equity		39,658	39,658
Reserves		3,764	3,764
Retained profits	6	(3,108)	(7,408)
Total Equity		40,314	36,014

Mermaid Marine Australia Limited

Statement of Cash Flows For the Financial Year Ended 30 June 2004

	Note	2004 \$'000	2003 \$'000
<i>Cash Flows From Operating Activities</i>			
Receipts from customers		37,369	28,109
Payments to suppliers and employees		(29,429)	(23,953)
Dividends received		-	881
Interest and bill discounts received		205	145
Interest and other costs of finance paid		(2,294)	(1,920)
Income tax (paid)/received		1,023	158
Net cash provided by/(used in) operating activities	7(f)	6,874	3,420
<i>Cash Flows From Investing Activities</i>			
Amounts (advanced to) received from related parties		-	168
Payment for property, plant and equipment		(2,825)	(5,063)
Proceeds from sale of property, plant and equipment		53	129
Net cash provided by/(used in) investing activities		(2,772)	(4,766)
<i>Cash Flows From Financing Activities</i>			
Proceeds from issues of equity securities		-	7,047
Payment for share issue costs		-	(91)
Repayment of borrowings		(937)	-
Hire purchase principal repayments		(2,889)	(2,548)
Dividends paid		-	-
Net cash provided by/(used in) financing activities		(3,826)	4,408
<i>Net Increase/(Decrease) In Cash Held</i>		276	3,062
<i>Cash At The Beginning Of The Financial Year</i>		5,792	2,730
<i>Cash At The End Of The Financial Year</i>	7(a)	6,068	5,792

Mermaid Marine Australia Limited

Notes to the Financial Statements For the Financial Year Ended 30 June 2004

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Mermaid Marine Australia Limited

Notes to the Financial Statements For the Financial Year Ended 30 June 2004

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 2003 annual financial report.

Details of changes in accounting policies:

None

2. Profit/(Loss) From Ordinary Activities

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

(a) Revenue

	2004 \$'000	2003 \$'000
Operating Revenue	35,079	25,971
Proceeds from partial surrender of lease and easement	-	900
Proceeds from sale of property, plant and equipment	53	128
Employee Entitlements	-	32

(b) Expenses

Net bad and doubtful debts	18	54
Net foreign exchange loss	16	8
Recoverable amount write-down on non current assets:		
Vessels	-	6,376
Supply Base	-	5,272
Depreciation of property, plant and equipment	3,190	3,034
Amortisation of Goodwill	33	-
Borrowing Costs	2,335	1,921
Operating leases – rental expenses	252	245

Mermaid Marine Australia Limited

Notes to the Financial Statements For the Financial Year Ended 30 June 2004

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

34

937

34

937

Net Losses

Property, plant and equipment

22

49

22

49

2004
\$'000

2003
\$'000

6. Retained Profits

Balance at beginning of financial year

(7,408)

3,265

Net profit/(loss)

4,300

(10,673)

Balance at end of financial year

(3,108)

(7,408)

Mermaid Marine Australia Limited

Notes to the Financial Statements For the Financial Year Ended 30 June 2004

2004	2003
\$'000	\$'000

7. Notes to the Statement of Cash Flows

(a) Reconciliation of Cash

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	6,068	5,792
	6,068	5,792

(b) Controlled Entity Acquired

During the financial year, no businesses were acquired. Details of prior year acquisition are as follows:

Consideration

800,000 ordinary shares	-	140
	-	140

Fair Value of Net Assets Acquired

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
Net Cash Outflow on Acquisition		
Cash consideration	-	-
Less cash balances acquired	-	-
	-	-

Mermaid Marine Australia Limited

Notes to the Financial Statements For the Financial Year Ended 30 June 2004

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

(c) Non-Cash Financing and Investing Activities

Nil

	2004	2003
	\$'000	\$'000
<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>
Secured loan facilities with various maturity dates through to 2004 and which may be extended by mutual agreement:		
Amount used	21,452	20,780
Amount unused	-	-
	<u>21,452</u>	<u>20,780</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 2004

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

	2004 \$'000	2003 \$'000
<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	4,300	(10,673)
Depreciation and amortisation of non-current assets	3,223	3,034
(Profit)/loss on sale of property, plant and equipment	(12)	(888)
Share of associates' (profit)/loss (less dividends)	(264)	393
Recoverable amount write down	-	11,649
(Increase)/decrease in current tax asset	3	-
Increase/(decrease) in future income tax benefit	-	518
Increase/(decrease) in deferred tax balances	207	(1,341)
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:		
(Increase)/decrease in assets:		
Current and other receivables	(1,451)	(678)
Current inventories	(60)	234
Prepayments	(186)	(86)
Increase/(decrease) in liabilities:		
Payables	775	1,165
Provisions	339	93
	6,874	3,420
Net cash from operating activities	6,874	3,420

Mermaid Marine Australia Limited

**Notes to the Financial Statements
For the Financial Year Ended 30 June 2004**

8. Details Relating to Dividends (Distributions)

		Date dividend payable	Amount per security ¢	Amount per security of foreign sourced dividend ¢
Final dividend	2004	-	-	-
	2003	-	-	-
Interim dividend	2004	-	-	-
	2003	-	-	-
Total	2004	-	-	-
	2003	-	-	-

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

	2004 ¢	2003 ¢
Ordinary securities (each class separately)	-	-
Preference securities (each class separately)	-	-
Other equity instruments (each class separately)	-	-

Interim and final dividend (distribution) on all securities

	2004 \$'000	2003 \$'000
Ordinary securities (each class separately)	-	-
Preference securities (each class separately)	-	-
Other equity instruments (each class separately)	-	-
Total	-	-

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 2004

9. Earnings Per Share

	2004 ¢ per share	2003 ¢ per share
Basic EPS	3.75	(10.23)
Diluted EPS	3.74	(10.23)

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:

	2004 \$'000	2003 \$'000
Earnings (a)	4,300	(10,673)
	2004 No. '000	2003 No. '000
Weighted average number of ordinary shares (b)	114,682	104,289

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

	2004 \$'000	2003 \$'000
Net profit/(loss)	4,300	(10,673)
Earnings used in the calculation of basic EPS	4,300	(10,673)

(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:

	2004 \$'000	2003 \$'000
Earnings (a)	4,300	(10,673)
	2004 No. '000	2003 No. '000
Weighted average number of ordinary shares and potential ordinary shares (b)	115,022	104,289

Mermaid Marine Australia Limited

Notes to the Financial Statements For the Financial Year Ended 30 June 2004

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:

	2004 \$'000	2003 \$'000
Net profit	4,300	(10,673)
	4,300	(10,673)

- (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:

	2004 No. '000	2003 No. '000
Weighted average number of ordinary shares used in the calculation of basic EPS	114,682	104,289
Shares deemed to be issued for no consideration in respect of:		
<i>PSA Marine Options</i>	340	-
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted EPS	115,022	104,289

- (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:

	2004 No. '000	2003 No. '000
<i>Options</i>	5,660	6,000
<i>Director Options</i>	-	150
<i>Director Options – Lapsed</i>	150	-
<i>Employee Options</i>	4,110	1,895
<i>Employee Options – Lapsed</i>	170	1,437
	10,090	9,482

Mermaid Marine Australia Limited

**Notes to the Financial Statements
For the Financial Year Ended 30 June 2004**

10. Net Tangible Assets Per Security

	2004 \$	2003 \$
Net tangible assets per security	0.35	0.31

11. Details of Entities Over Which Control Has Been Gained

Control gained over entities

Name of entity (or group of entities)	N/A
Date control gained	N/A

	2004 \$'000
Contribution of the controlled entity (or group of entities) to profit/(loss) from ordinary activities during the period, from the date of gaining control.	-

12. Details of Associates and Joint Venture Entities

Name of Entity	Ownership Interest		Contribution to net profit	
	2004 %	2003 %	2004 \$'000	2003 \$000
Associates				
Mermaid Clough P/L	50	50	264	231
Aggregate Share of Profits/ (Losses)			264	231

13. Contingent Liabilities and Contingent Assets

	2004 \$'000	2003 \$'000
Contingent liabilities		
Guarantees arising from the deed of cross guarantee with other entities in the wholly-owned group (i)	36,828	37,985

- (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 2004

Source
Reference

14. Segment Information

Segment Revenues

	External Sales		Inter-Segment (i)		Other		Total	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<i>Vessels</i>	26,769	20,700	744	650	-	-	27,513	21,350
<i>Supply Base</i>	7,447	6,053	3,250	3,081	-	-	10,697	9,134
<i>Engineering & Labour Hire</i>	388	-	-	-	264	523	652	523
Other	-	-	-	-	-	-	-	-
Total of all segments							38,862	31,007
Eliminations							(3,994)	(3,731)
Unallocated							528	278
Consolidated							35,396	27,554

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

Segment Results

	2004 \$'000	2003 \$'000
<i>Vessels</i>	5,969	(2,944)
<i>Supply Base</i>	1,282	(4,768)
<i>Engineering & Labour Hire</i>	215	224
Total of all segments	7,466	(7,488)
Eliminations	(117)	(114)
Unallocated	(3,804)	(3,874)
Profit from ordinary activities before income tax expense	3,545	(11,476)
Income tax benefit relating to ordinary activities	755	803
Profit from ordinary activities after related income tax expense	4,300	(10,673)
Extraordinary items	-	-
Net profit	4,300	(10,673)

Mermaid Marine Australia Limited

**Notes to the Financial Statements
For the Financial Year Ended 30 June 2004**

14. Segment Information (continued)

Segment Assets and Liabilities

	Assets		Liabilities	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Vessels	33,865	33,118	5,203	4,466
Supply Base	36,847	35,302	4,502	4,478
Engineering & Labour Hire	4,313	4,859	109	207
Other	-	-	-	-
Total of all segments	75,025	73,279	9,814	9,151
Eliminations	(3,565)	(3,929)	(3,565)	(3,929)
Unallocated	6,000	4,655	30,897	32,769
Consolidated	77,460	74,005	37,146	37,991

Other Segment Information

	Vessels		Supply Base		Engineering & Labour Hire		Unallocated	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Carrying value of investments accounted for using the equity method	-	-	-	-	494	231	-	-
Share of net profit/(loss) of associates and joint venture entities accounted for under the equity method	-	-	-	-	264	523	-	-
Acquisition of segment assets	3,455	7,055	994	2,403	-	2	36	60
Depreciation and amortisation of segment assets	1,823	1,625	1,141	1,122	120	132	139	155

Mermaid Marine Australia Limited

Notes to the Financial Statements For the Financial Year Ended 30 June 2004

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

None

Mermaid Marine Australia Limited

Notes to the Financial Statements For the Financial Year Ended 30 June 2004

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