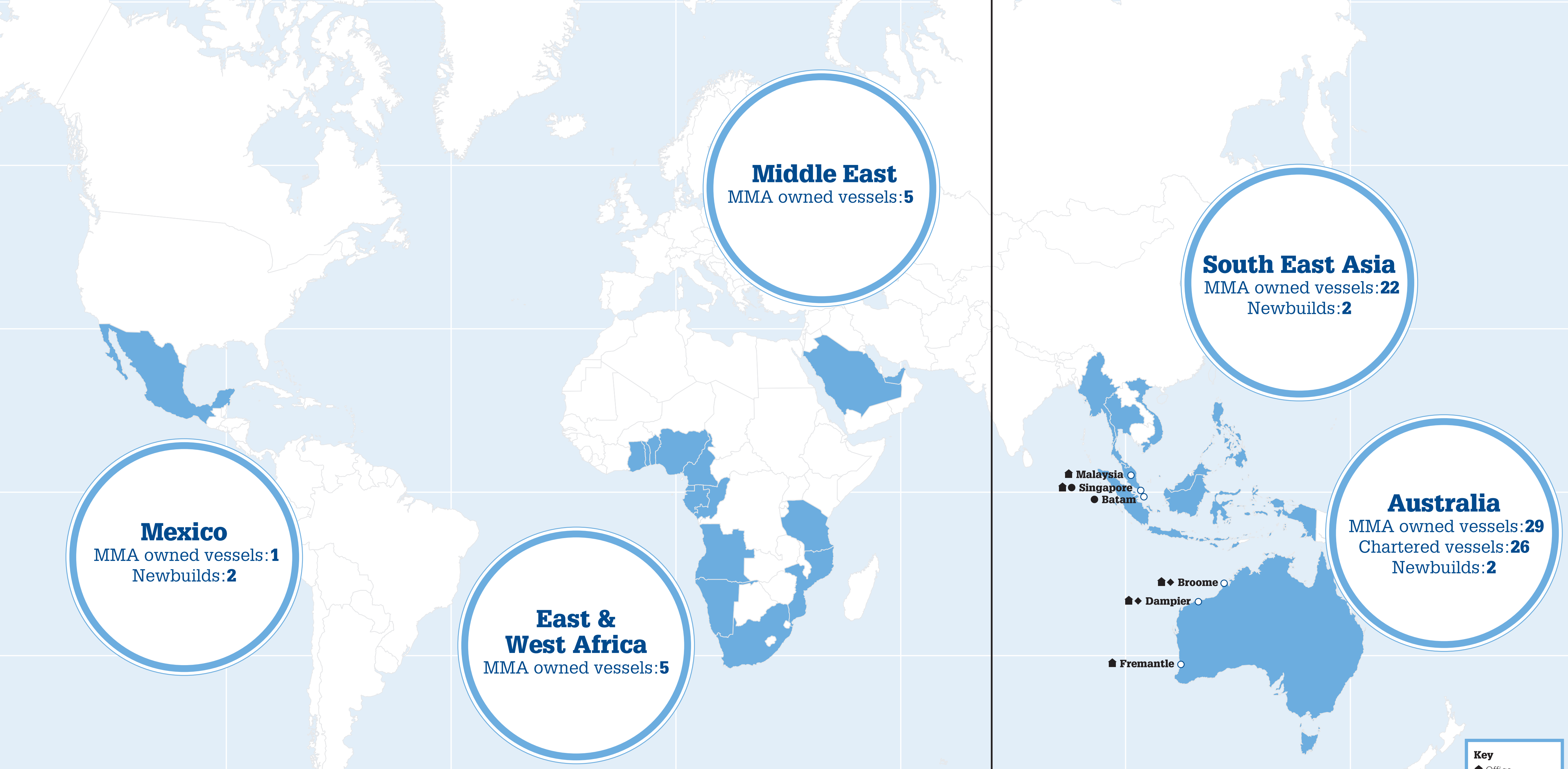
Annual Report 2014

GLOBAL PRESENCE

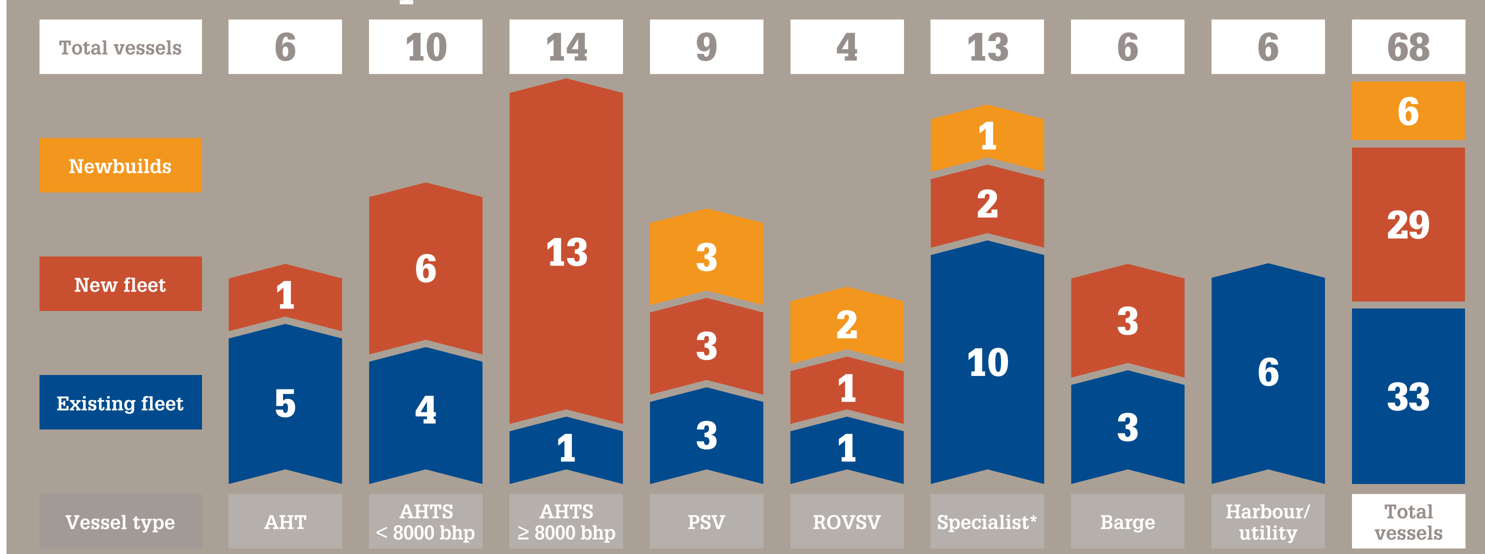
MERMAID MARINE
AUSTRALIA LTD

Expanding our Global Presence



Shown on the map are current operating locations of MMA's vessels and planned areas of operation for newbuild vessels currently under construction.

Expansion of owned fleet in FY14



∗Includes Multi-purpose Maintenance Work Vessels, Accommodation Barges and Specialist Offtake Support Vessels

29 **Vessels added to the fleet**
28 as a result of Jaya acquisition
Moving to larger, more specialised vessels

39+ **Hectares of combined supply base area**
Strategically located in Dampier and Broome

20+ **Hectares of yard area**
18.1ha shipyard in Batam, Indonesia with 5 construction berths
2.5ha oil and gas focused facility in Singapore

1667 **Employees globally**
including 63% offshore and 37% onshore

30 **% Improvement to TRCF**
Total Recordable Case Frequency (TRCF) of 3.3 in FY14 (rate per million hours worked)

Contents

Vision

As an industry leader, we will be an employer of choice for our people, a service provider of choice for our customers and a company of choice for our shareholders.

Mission

We will be a highly effective and responsive marine logistics company. To drive our success we will:

- Prevent injuries by eliminating incidents.
- Contribute to the economic and social wellbeing of the communities in which we work.
- Think and operate sustainably with a goal of minimal environmental impact.
- Provide a respectful and supportive workplace that embraces diversity.
- Continuously improve the management systems that govern our core business processes.
- Build and maintain a portfolio of quality assets and infrastructure.

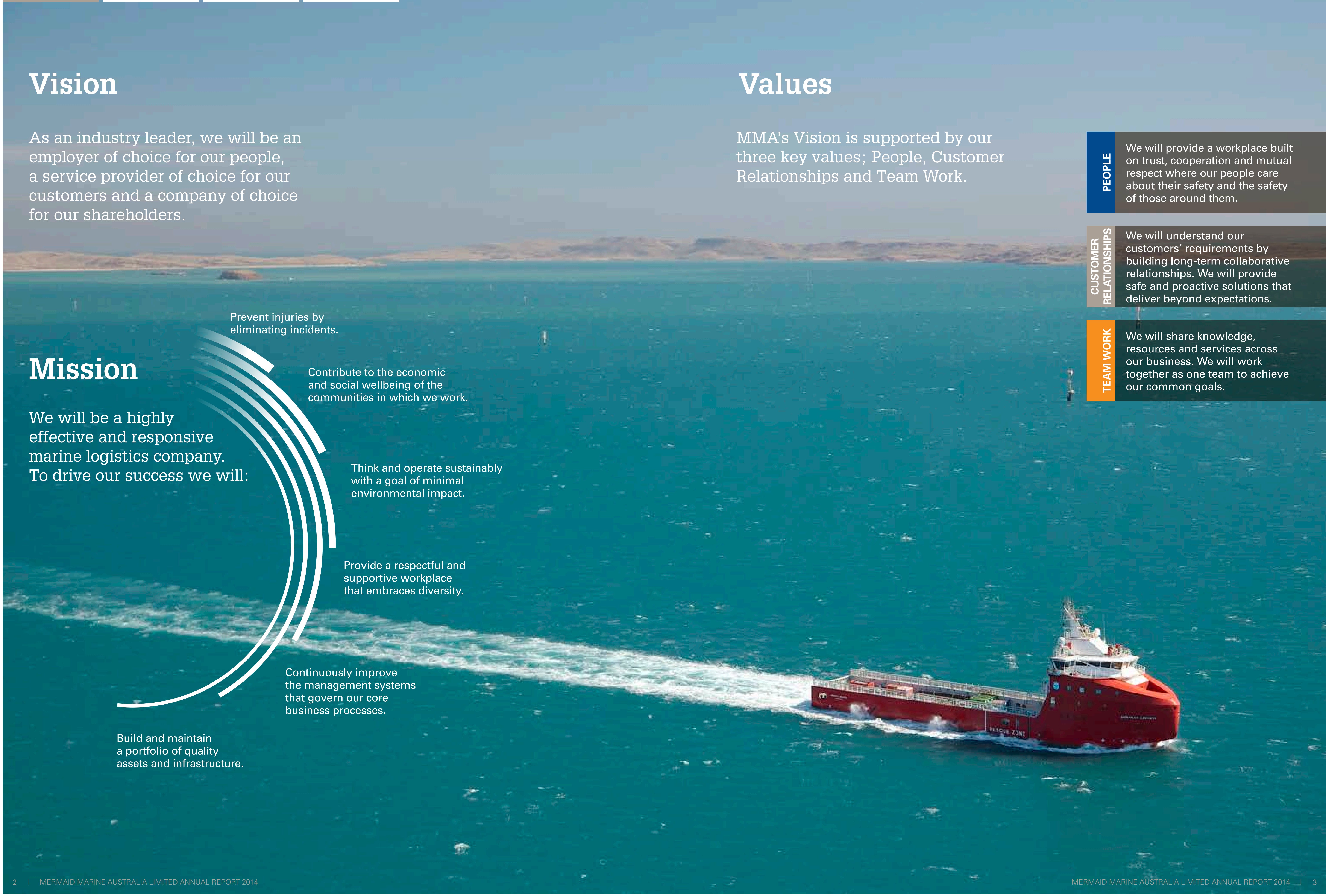
Values

MMA's Vision is supported by our three key values; People, Customer Relationships and Team Work.

PEOPLE
We will provide a workplace built on trust, cooperation and mutual respect where our people care about their safety and the safety of those around them.

CUSTOMER RELATIONSHIPS
We will understand our customers' requirements by building long-term collaborative relationships. We will provide safe and proactive solutions that deliver beyond expectations.

TEAM WORK
We will share knowledge, resources and services across our business. We will work together as one team to achieve our common goals.



About Us

With its head office located in Fremantle, Western Australia, Mermaid Marine Australia Limited ("MMA") has grown substantially since listing on the Australian Stock Exchange in 1999 and is now one of the largest marine services providers in the Asia Pacific region.

As an industry leader and a member of the S&P/ASX200 Index, our Vision is to be an employer of choice for our people, a service provider of choice for our customers and a company of choice for our shareholders. We will achieve this Vision by operating in accordance with our three core values:

- By putting our people first.
- By building long-term, collaborative customer relationships.
- By working together as a team.

In June 2014, MMA delivered on the company's strategy to position for international growth by acquiring 100% of the subsidiaries of Jaya Holdings Limited, an established Singapore based marine services provider to the international oil and gas industry.

The Jaya acquisition is a transformational step for MMA and adds the following assets to MMA's operational profile:

- 28 modern offshore vessels;
- A new build order book of four high specification vessels;
- An international headquarters in Singapore;
- Offices in Indonesia and Malaysia;
- An oil and gas focused onshore facility in Singapore; and
- A shipyard in Batam, Indonesia.

The combined company is now one of the largest marine services providers in the Asia Pacific region, operating a fleet of 88 vessels (62 of which are owned), two Australian oil and gas supply bases and two international onshore facilities in South East Asia. This integrated operational profile of modern offshore vessels and strategically located onshore facilities uniquely positions MMA to effectively provide marine logistics services to clients throughout all phases of the offshore oil and gas development cycle.

MMA is a company with global presence and aims to deliver unique and tailored marine solutions to its domestic and international clients both safely and reliably.

Vessel Operations

MMA operates over 88 vessels throughout Australia and internationally, of which 62 are owned by the Company and include:

- Anchor Handling Tugs;
- Anchor Handling Tug Supply vessels;
- Platform Supply Vessels;
- Multi-purpose survey vessels;
- Multi-purpose maintenance vessels;
- Specialist offtake support vessels;
- ROV subsea operations support vessels;
- Harbour / Utility vessels;
- Barges; and
- Accommodation vessels;

MMA has custom built a number of vessels for specialist marine services and is experienced in the provision of marine support across the exploration, construction and production sectors of the oil and gas development cycle.

MMA undertakes a range of offshore marine activities including:

- FPSO offtake support;
- Supply operations - drilling and production;
- Construction support;
- Survey support;
- Dive and ROV support;
- Offshore maintenance;
- Subsea installation support;
- Subsea inspection maintenance repair; and
- Tug and barge operations.

MMA's key areas of operation for its vessel fleet include Australia, South East Asia, the Middle East and East and West Africa.

MMA's international operating entity, Mermaid Marine Asia Pte Ltd ("MMAS"), is responsible for managing the international vessel fleet including the newly acquired Jaya fleet.

Having a wide range of vessels in adjacent geographic regions means that MMA can transfer vessels between markets to offer its clients a range of international and Australian based solutions.

MMA is consistently investing in its fleet renewal and infrastructure development program to ensure we are able to meet the emerging requirements of our clients in the offshore oil and gas industry both in Australia and internationally.

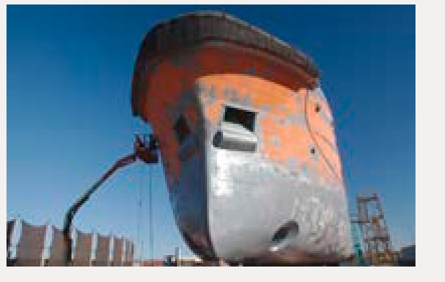
Working closely with our clients, MMA is able to provide a range of marine solutions based on new-build vessels, vessels purchased on market or chartered vessels. MMA is also able to source vessels for shorter term engagements and bring them into Australia under an Australian crew and management system. With the Australian regulatory regime becoming more stringent, this expertise is of increasing importance.

Australian Supply Bases

MMA operates strategically located supply bases in Dampier and Broome.

Spanning 28 hectares, MMA's Dampier Supply Base is capable of servicing the array of vessels engaged in offshore support activities with its six berth multi-user wharf, open sealed laydown areas, undercover storage and office facilities. MMA is in the unique position of being able to offer its clients on the North West Shelf the full range of marine logistics services from vessel support and supply base services, to ship repair and maintenance facilities.

MMA's Broome Supply Base encompasses over 11 hectares of land, strategically located adjacent to the Broome Port to service exploration, production and construction activities in the Browse Basin. The Broome Supply Base, conducted through an incorporated joint venture between MMA and Toll Holdings Ltd, offers clients open laydown and undercover storage, recently built offices, casing storage and wash-down facilities.



Australian Slipway

MMA's Dampier Slipway is strategically located at the Dampier Supply Base and is capable of docking vessels up to 3,200 tonne displacement.

The Slipway is a key asset in that it provides timely maintenance and repair of MMA's expanding fleet in the North West and ensures that MMA is capable of servicing its clients' marine requirements safely and with a degree of flexibility that no other operator in the region can provide.

MMA's Slipway is the only ship repair facility in direct proximity to the North West Shelf, with the alternatives requiring significant travel time.

In addition to servicing MMA's own fleet, the Slipway provides services to third party operators including routine and emergency dockings, mobilisations and a wide range of marine repairs and maintenance services.

The Slipway commenced operations in 2001 and has docked over 650 vessels in that time.

International Onshore Facilities

MMA operates two strategically located international onshore facilities; a shipyard in Batam, Indonesia and an oil and gas support facility in Singapore.

The Batam Shipyard facility includes an 18.1 hectare yard site and five construction berths capable of building high quality commercial vessels and customised offshore support vessels. The shipyard commenced operations in 1993 and has successfully delivered over 30 vessels in the last 20 years. The Batam Shipyard is key to MMA's fleet renewal strategy, allowing the company greater control over the optimisation of its fleet in the future.

The Singapore yard commenced operations in 1994 building highly customised and sophisticated offshore support vessels. The facility, which includes a 2.5 hectare yard site and three construction berths, now focuses on vessel mobilisations and demobilisations for the oil and gas industry.

Chairman's Address

FY14 was a transformational year for MMA as we executed our strategy to expand internationally through the acquisition of the subsidiaries of Jaya Holdings Limited.

I am pleased to present the Annual Report for Mermaid Marine Australia Limited ("MMA") for the year ended 30 June 2014.

FY14 was a transformational year for MMA as we executed our strategy to expand internationally through the acquisition of the subsidiaries of Jaya Holdings Limited, a Singapore based offshore vessel operator and shipbuilder with significant operations throughout Asia, the Middle East and Africa. Following the acquisition, MMA is now one of the largest offshore marine services companies in the Asia Pacific Region.

Our existing Australian business performed well during FY14, although the inevitable tapering of construction activity relating to the Gorgon Project resulted in reduced earnings from our Dampier Supply Base, which offset a strong performance from our vessel business.

MMA delivered a strong second half performance to report a Net Profit After Tax ("NPAT") for the year of $53.9 million and Earnings per Share ("EPS") of 18.8 cents per share, after taking into account costs associated with the Jaya acquisition, a small contribution to earnings following the settlement on 4 June 2014 and the additional shares issued through the capital raising to fund the acquisition. Excluding the impact from the Jaya acquisition, the company recorded NPAT for the year of $58.3 million, down 3.3% from the prior year and EPS of 25.1c, down 6.7%.

MMA has declared a final fully franked dividend of 7.0 cents per share, maintaining a total dividend for the year of 12.5 cents per share consistent with FY13.

Activity in the Australian oil and gas sector continues to be strong with four major projects with a capital cost of over $75 billion in the early stages of construction. The Gorgon Project construction phase is however nearing completion, having an impact on overall demand. Investment in exploration in the region continues to be robust with a number of major oil and gas companies currently undertaking drilling programs. There are also a number of significant longer term potential developments currently under evaluation.

As the Australian offshore oil and gas market transitions from a construction to a production focus over the medium term, more opportunities for longer term production support contracts will arise. This is a key focus of MMA's strategy going forward as MMA leverages its internal marine capability and knowledge to tailor unique solutions to meet client requirements. Pleasingly, MMA was awarded a major long term production support contract by INPEX during the year, the single largest contract in the Company's history. The contract is for the provision of two production support Platform Supply Vessels ("PSVs") for a term of five years with a further two five year options to extend. The vessels were designed to meet the client's unique specifications and are currently being constructed in Vietnam with expected delivery in late 2015 and early 2016 respectively.

Floating LNG ("FLNG") technology is also an important longer term industry trend which should provide greater ongoing production support opportunities for vessel operators. Shell Prelude will be the first project to use the technology and is expected to come on stream in 2016, with Exxon Scarborough and Woodside Browse Projects also flagged for FLNG. It is expected that as the technology develops it may also provide the opportunity to develop gas fields previously considered as non-commercial.

MMA continued to invest in its vessel fleet during the year with a new PSV, the Mermaid Leeuwin, delivered into the fleet in December 2013. The vessel immediately went on hire to Woodside on an 18 month contract supporting an extensive drilling campaign off the coast of Australia. MMA's PSV strategy continues to be successful with the vessels working on contracts across all sectors of the market from exploration, to construction to production. In August 2014, a further two vessels were delivered into the fleet; Jaya Majestic, a large 160 tonne Anchor Handling Tug Supply ("AHTS") vessel and Jaya Victory, a high specification PSV. A further six vessels are currently under construction. MMA now has a fleet of over 62 owned vessels and charters a further 26 vessels into the fleet for various projects.

MMA Board of Directors

Left to right: Andrew Edwards, Eve Howell, Mark Bradley, Tony Howarth, Jeff Weber and Chiang Gnee Heng.

MMA also continued to successfully deliver complex and unique marine solutions for clients during the year securing a major contract with Subsea 7 supporting the Gorgon Heavy Lift and Tie In Project. Under the project MMA manages a total of 20 vessels which support the delivery and installation of the Project's subsea infrastructure. This is a large and complex project and is a testament to MMA's capability in marine operations.

Negotiations of new Vessels and Supply Base Enterprise Bargaining Agreements continue with the maritime unions. MMA remains committed to finding an equitable and sustainable outcome for all parties.

Whilst MMA has been operating vessels internationally for some time, the Jaya acquisition gives MMA much greater scale, with 28 additional vessels now operating across South East Asia, the Middle East, Africa and Mexico.

Demand for vessels in South East Asia remains strong across the exploration and production support sectors of the market, with charter rates continuing to improve slowly. Demand in Africa and the Middle East is also steady, whilst the longer term outlook for the region is positive with significant new discoveries in East and West Africa.

The Jaya acquisition is an exciting transaction for MMA and delivers on a number of MMA's strategic objectives. It significantly expands MMA's geographic reach, increases our exposure to high specification vessel classes including subsea support vessels, increases our in-house marine expertise and secures land based infrastructure in South East Asia providing opportunities to expand into marine logistics over the medium term. MMA is very well positioned for future growth.

MMA as an organisation has a relentless focus on the safety of its employees. Over the past year significant investment has been made into our core Target 365 Safety Strategy, including a major investment in safety leadership training across the organisation. I am pleased to note that our safety performance improved with our Total Recordable Case Frequency reducing by 30% to 3.3 in FY14. This is a positive endorsement that the Target 365 Strategy is having an impact on the safety culture across the organisation.

I would like to conclude by thanking Mr Jeff Weber, Managing Director and all management and staff for their commitment and dedication to the business during the year. I would also like to thank my fellow members of the Board of Directors for their valuable contribution during what was a transformational year for the Company.

We look forward to FY15 and to delivering a strong result for our shareholders.

Tony Howarth AO
Chairman

Managing Director's Report

MMA is well positioned to take advantage of ongoing activity in Australia and establish itself as a significant player in the international offshore oil and gas support market.

KEY OPERATIONAL & STRATEGIC HIGHLIGHTS

- Completed the acquisition of Jaya on 4 June 2014.
- Integration process on track.
- Exposure to a range of new markets with sufficient scale to drive quality and profitability.
- Improved Safety Performance – 30% improvement in Total Recordable Case Frequency to 3.3.
- Strong performance from vessel business offset by lower earnings from the Dampier Supply Base.
- Secured substantial long term contract with INPEX that will contribute to earnings from FY16.
- MMA is well positioned to take advantage of ongoing activity in Australia and establish itself as a significant player in the international market.

KEY FINANCIAL HIGHLIGHTS

Standalone EBIT*	$85.0m
Standalone NPAT*	$58.3m
Reported NPAT	$53.9m
Full year Dividends	12.5cps
Operating cash flow	$54.4m
Gearing	36.1%
Cash at Bank	$174.8m

Jaya contributed to earnings from 4 June 2014

EBIT	$3.1m
NPAT	$2.6m

*Excludes Jaya earnings and net transaction costs associated with the Jaya acquisition.

A strong performance from our vessel business offset by lower Supply Base earnings

MMA delivered a strong second half result based on improved earnings from our vessel operations in Australia and internationally, offset by lower earnings from the Dampier Supply Base.

First half performance was impacted by lower vessel and wharf utilisation in respect of the Company's Australian assets due to project timing and lower drilling activity. Margins were impacted by an increase in the number of externally chartered vessels, mobilisation costs, lower MMA fleet utilisation and lower wharf utilisation.

The year highlighted the advantage of providing a broad range of services. Although activity on the supply base slowed, MMA's vessel operations experienced an increased demand for services, both for MMA vessels and as a project manager for externally chartered vessels on the Subsea 7 project. As such, MMA's diversified service offering was key to achieving stable earnings overall.

In the 2014 financial year, MMA positioned for future growth and achieved a number of the Company's strategic goals. In particular, MMA continued its expansion into key international markets through the acquisition of the subsidiaries of Jaya Holdings Limited, a transformational transaction for the Company. The Company was also successful in securing a long term production support contract with INPEX. These long term contracts in Australia are also a key platform in our strategy.

Vessel performance driven by strong offshore construction activity

The vessel business delivered a strong financial result driven by a particularly strong second half. Earnings in the first half were down due to the deferment of a number of key projects, however utilisation improved significantly in the second half as these projects commenced. Average utilisation for the year was 81% up from 76% in the previous financial year.

MMA's Australian vessel fleet was active in providing services across the exploration, construction and production sectors of the oil and gas market. MMA's Platform Supply Vessel ("PSV") strategy continued to deliver results with our newest PSV, the Mermaid Leeuwin, securing a long term drilling support contract with Woodside immediately upon being delivered into the fleet. Other key vessel scopes included the Gorgon Heavy Lift and Tie In Project for Subsea 7 and supporting Fugro TSM on the Woodside Greater Western Flank Tie In Project. MMA also continued to support construction of the Gorgon Project on Barrow Island.

During the year, MMA was successful in securing one of the most important contracts in the Company's history, a contract to provide two PSVs for long term production support operations on INPEX's Ichthys Project. The contract value for the firm period is approximately $160 million and $500 million in total should all of the options be exercised. The award of this contract further delivers on MMA's strategy to operate state of the art PSVs in both the Australian and South East Asian markets. Additionally, the award highlights MMA's ability to design custom marine solutions, a key differentiator for the Company going forward.

International operations contributed approximately $27.3 million in revenue with the Jaya operations making a small contribution following settlement. The Jaya acquisition significantly expands our fleet and geographical spread enhancing our service offering and our ability to bid for contracts.

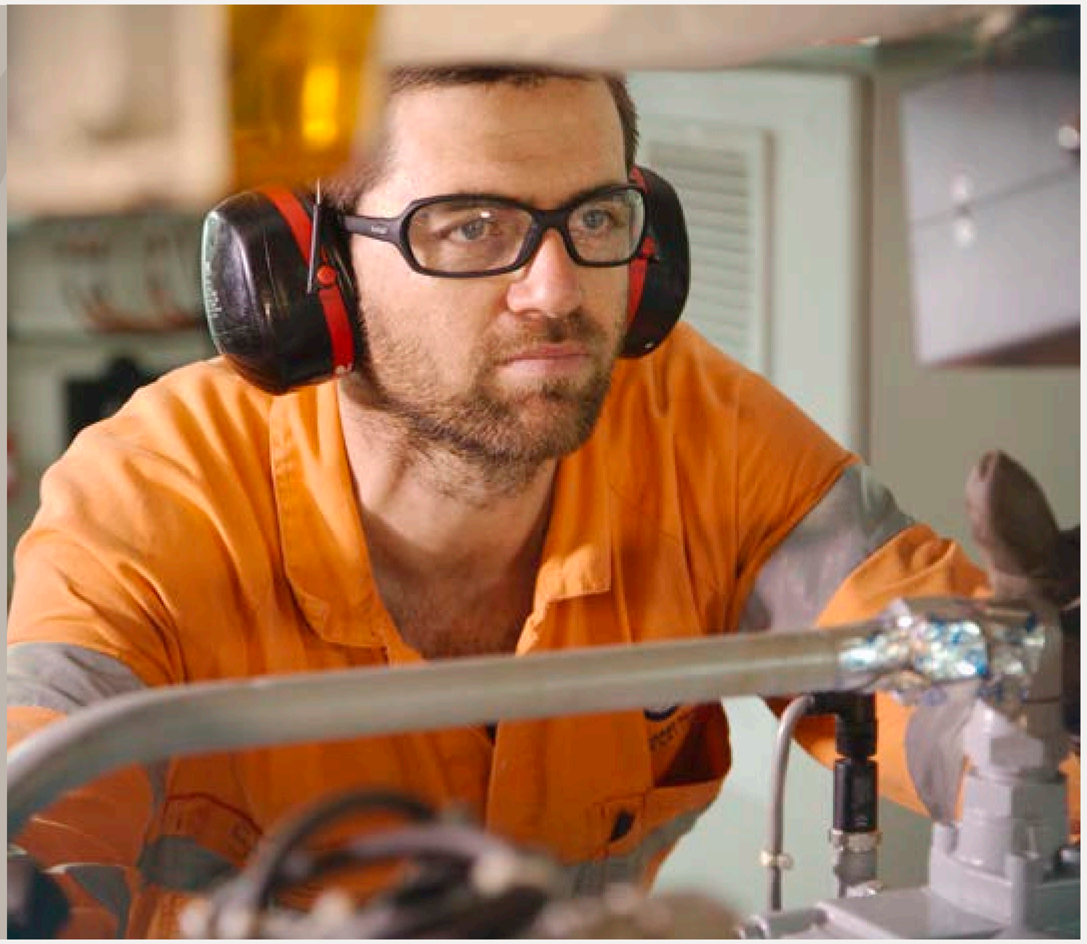
The outlook for the vessel business is positive with ongoing contracts and new vessels to drive earnings from this division.

Dampier Supply Base EBIT down due to reduced Gorgon activity and drilling in the region

Activity levels at the main wharf were subdued in the 2014 financial year as a result of some Gorgon Project works coming to an end and decreased drilling activity in the region. Fewer vessel visits also impacted on operating margins. Other dedicated supply base areas continued to perform in line with expectations. Upgrades on the Mermaid Logistics Base ("MLB") have improved returns and the Burrup Materials Facility ("BMF") operations also continued to contribute to earnings.

As the Gorgon Project moves from construction to production, management of the Project's supply base requirements are being transitioned from KJVG (the EPCM contractor) to Chevron. Pleasingly, a five year extension option for the sublease of four Chevron occupied areas was exercised during the year. MMA has also submitted a tender for ongoing marine and supply base operations for Chevron production support operations.

Mermaid Leeuwin, an 82m DP2 PSV was delivered in December 2013 and immediately deployed to Woodside to provide drilling support.



Our safety performance improved during the year, with MMA's TRCF decreasing by 30% to 3.3.

The challenge for the Supply Base going forward is to maintain earnings as Gorgon related volumes continue to reduce. This involves securing new contracts, enhancing MMA's service offering, increasing flexibility for clients, reducing costs and improving productivity.

Notwithstanding the challenges, a number of significant Australian LNG projects are still to be constructed over the next three years and with ongoing drilling activity in the region, the Dampier Supply Base will continue to be a key contributor to MMA's earnings.

Slipway continues to perform well

The Slipway delivered a solid financial performance docking a total of 58 vessels during the year, including 41 third party vessels. The facility's cradle infrastructure was upgraded during the year enabling dockings of much larger vessels. During the financial year the Slipway docked the largest vessel in the facility's history, at 3,200 tonnes. The docking was completed successfully and safely and opens up new opportunities to provide a similar service to other third party clients. It also gives MMA the assurance that it will be able to cater for its expanding fleet of vessels in the future.

Broome Supply Base JV outlook remains positive

Toll Mermaid Logistics Broome ("TMLB") had a solid year supporting drilling campaigns for Conoco Phillips, Shell, Total, Santos and Hunt Oil. During the financial year, TMLB opened the dedicated INPEX facility at the Broome Supply Base which will support the $32 billion Ichthys Project. Shell Prelude operations continue under a long term contract and TMLB also continues to work with Woodside on their drilling campaigns.

The outlook for the Broome Supply Base remains positive as major drilling campaigns continue over the next several years.

Strategic acquisition delivers on international strategy

On 4 June 2014, MMA successfully completed the acquisition of the subsidiaries of Jaya Holdings Limited, an established Singapore based marine services provider to the international oil and gas industry.

The acquisition added 28 modern offshore vessels to MMA's fleet. The Jaya fleet operates in key offshore oil and gas regions across South East Asia, the Middle East, West Africa and East Africa.

The acquisition also added six high specification newbuild vessels (two of which have been recently delivered into the fleet) with the remainder scheduled for delivery between October 2014 and December 2015.

The acquisition also increases MMA's onshore facilities, with two strategically located onshore facilities in Singapore and Batam, Indonesia. These facilities provide MMA with access to high specification vessel construction facilities and enhance the Company's ability to maintain its fleet and customise vessels to suit the particular requirements of its clients. In the longer term, there is also potential for these facilities to provide supply base related support for offshore clients.

The Jaya acquisition positions the Company for future growth by delivering on a number of MMA's key strategic goals.

The acquisition:

- expands MMA's geographic reach through Jaya's global network of client relationships and contracts;
- provides immediate scale in South East Asia, Africa and the Middle East;
- increases MMA's exposure to high specification vessel classes, including subsea support vessels;
- increases in-house marine engineering and project expertise; and
- enhances MMA's integrated business model through acquisition of complementary Singapore and Batam onshore facilities with future revenue opportunities.

This is the most significant transaction in MMA's history and the combined business represents one of the largest offshore marine services companies in the Asia Pacific region. The acquisition provides MMA with an expanded client base, the potential for cross utilisation of vessels across the business and the flexibility to offer an improved service offering through a larger and more diverse fleet.

Jaya Performance and Integration

The earnings contribution from the Jaya business for FY14 was minor due to the timing of settlement which occurred on 4 June 2014. Overall the business performed well and in line with expectations. Newbuild vessels, Jaya Majestic and Jaya Victory were delivered in August 2014. Jaya Victory is contracted to commence a bareboat charter in Mexico, with Jaya Majestic currently being bid into a number of long term opportunities. An additional four newbuilds are still underway, with Jaya Valiant due for delivery in October and the other vessels to be delivered in late FY15 and early FY16.

The integration is progressing well with milestones for the first 60 days achieved. The Singapore Shipyard operation has been restructured and will now focus on project mobilisations and demobilisations for the oil and gas industry with all shipbuilding activity to take place in Batam.

The focus for FY15 will be on completing key integration activities, optimising the combined fleet and building capability in the key operating regions.

Strong Balance Sheet Maintained

MMA has maintained a strong balance sheet post the acquisition with relatively low gearing of 36.1% and substantial cash facilities to fund upcoming capital expenditure requirements for the newbuild programme. Net Tangible Asset per share as at 30 June 2014 was $1.95.

Safety

Pleasingly, our safety performance improved during the year with MMA's Total Recordable Case Frequency ("TRCF") decreasing from 4.7 to 3.3 across the organisation, a 30% year on year improvement. This is an encouraging result and an endorsement that our Target 365 Strategy is having a positive impact on the safety culture across the organisation.

We continue to have a relentless focus on improving safety, with Target 365 at the core of our strategy. The integration of Jaya will also provide opportunities to review our joint operations to achieve best practice safety systems across the entire organisation.

Strategy

The Jaya acquisition has positioned MMA well for growth providing operating scale in key international markets and significantly enhancing the fleet.

MMA's strategy for the combined business is focused around maximising opportunities across its key service areas of oil and gas support vessels and supply bases in our key geographic locations, namely; Australia, South East Asia, the Middle East and East and West Africa.

People

At MMA our Vision is supported by our key values of People, Customer Relationships and Team Work. We recognise that our people are the key to delivering success and strive to provide a workplace built on trust, cooperation and mutual respect where our people care about their safety and the safety of those around them. MMA is also committed to developing our people through performance feedback, internal development opportunities and training.

I am very fortunate to be supported by an extremely capable and dedicated Senior Management Team and I would like to take this opportunity to thank them, and all MMA staff for their valuable contribution, hard work and support during the year. It has been a challenging year but we have delivered on our core operational performance objectives while undertaking a significant and transformational acquisition.

I would also like to sincerely thank the Board of Directors for their ongoing guidance and counsel during what has been a transformational year for the Company.

Market Outlook

The outlook for MMA's business is strong with ongoing demand for MMA's services in Australia across exploration, construction and production.

Internationally, the outlook for MMA's key markets is also strong with stable oil prices and solid demand.

MMA has been through a significant transformation during the course of FY14 and is well positioned to take advantage of the ongoing activity in Australia and a range of new markets internationally, with sufficient scale to drive efficient and profitable operations.

Jeff Weber
Managing Director

Financial Position

The Company reported Net Profit After Tax ("NPAT") for the 2014 financial year of $53.9 million and Earnings per Share ("EPS") of 18.8 cents after taking into account costs associated with the Jaya acquisition, a small contribution to earnings following the settlement on 4 June 2014 and the additional shares issued through the capital raising to fund the acquisition.

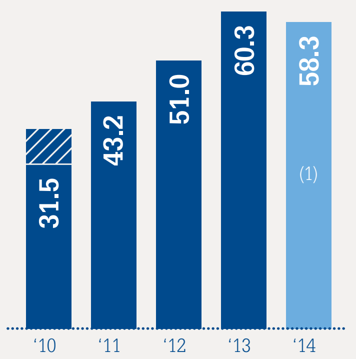
Excluding the Jaya transaction impact, NPAT for the year was 3.3% lower than the previous year at $58.3 million while EPS was 6.7% lower at 25.1 cents.

The Company reported NPAT for the first half of the year of $24.2 million, down 25.5% on the previous corresponding period due to lower demand across both the Vessels and Supply Base divisions. Earnings for the second half of the year increased by 41% to $34.1 million, excluding the Jaya acquisition costs and earnings, primarily as a result of increased earnings from the Vessel division.

Across the full year, the Company reported increased earnings from the Vessel division which was offset by lower earnings from the Dampier Supply Base.

NPAT ($m)

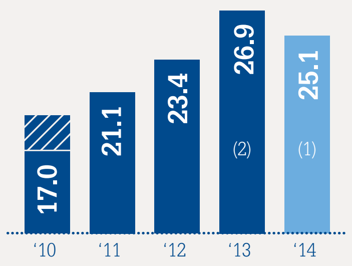
$58.3m ▼3.3% CAGR* 17%



(1) For comparison purposes, the 2014 NPAT excludes earnings and acquisition costs from the Jaya acquisition.

EPS (¢)

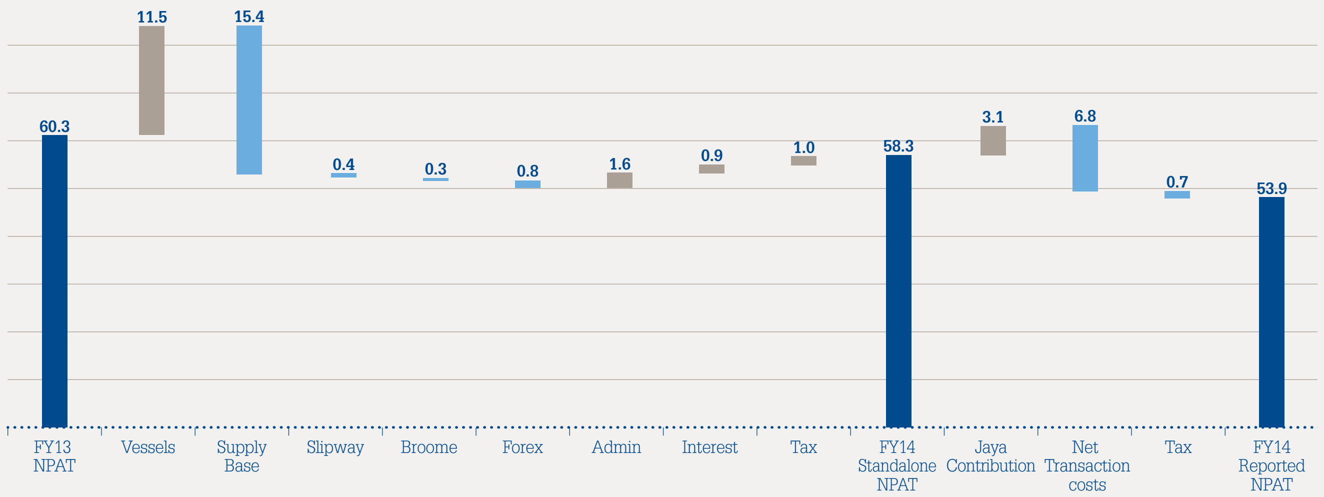
$25.1¢ ▼6.7% CAGR* 10%



(1) For comparison purposes, the 2014 EPS excludes the earnings contribution and acquisition costs from the Jaya transaction and excludes the additional shares issued during the year to support the funding of the Jaya acquisition.

(2) For comparison purposes, the 2013 EPS excludes the required adjustment to the number of shares on issue following the issue of shares in the 2014 financial year to support the funding of the Jaya acquisition.

2014 versus 2013 Net Profit After Tax



STRATEGIC ACQUISITION:

The Company announced on 25 February 2014 that it had entered into an Agreement to acquire the subsidiaries of Jaya Holdings Limited, a Singapore based offshore vessel operator and shipbuilder with operations throughout Asia, the Middle East and Africa, servicing the offshore oil and gas industry.

Settlement of the transaction was completed on 4 June 2014. The total consideration paid for the acquisition was $546 million ($625 million Singapore Dollars).

The acquisition was funded through a combination of new debt and equity raisings by the Company.

Of the purchase consideration, $419 million was allocated to the purchase of the subsidiaries of Jaya Holdings Limited and $127 million was allocated to the novation of the net debt owed by the subsidiaries to Jaya Holdings Limited.

There was no goodwill arising on the acquisition.

Included in the net assets of the subsidiaries were cash reserves totalling $126.3 million which the Company assumed at settlement.

The Company incurred net costs of $6.8 million relating to the acquisition, which were expensed through the Profit and Loss during the year.

The Company also incurred costs of $8.0 million in relation to the equity raising to help fund the acquisition which have been deducted from Issued Capital on the Balance Sheet during the year.

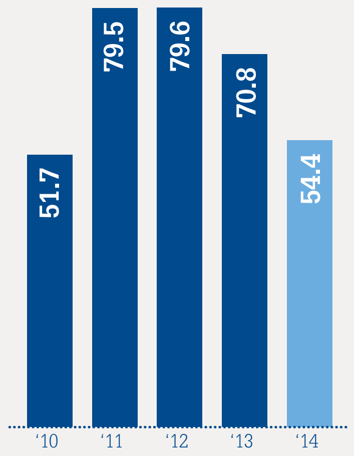
The Jaya business contributed NPAT of $2.6 million to the Group for the period following settlement on 4 June to 30 June 2014.

CASHFLOW:

The Company reported cashflow from operations for the 2014 financial year of $54.4 million, down 23.2% on the previous year. This reduced operating cashflow was due to an increase in working capital requirements in the vessel division as work activity increased.

OPERATING CASHFLOW ($m)

$54.4m

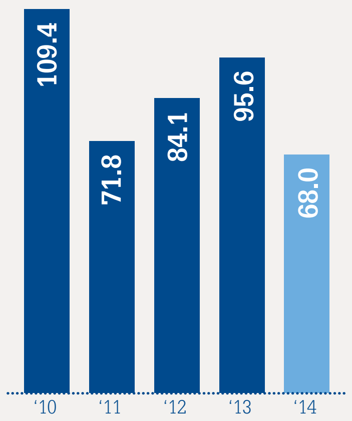


CAPITAL EXPENDITURE:

Capital expenditure for the year totalled $68.0 million, down 28.8% from the previous year total of $95.6 million. The major capital expenditure item for the year was the final payment for the new vessel, Mermaid Leeuwin, which was delivered in December 2013.

CAPITAL EXPENDITURE ($m)

$68.0m



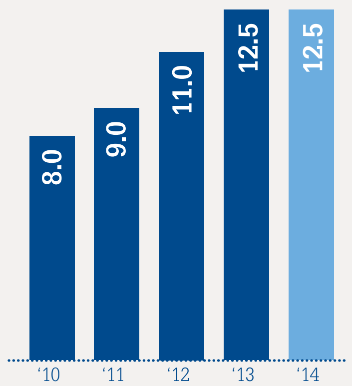
During the year the Company also paid a deposit for each of the two new PSVs that are being built for the long term production support contract with INPEX for their Ichthys Project. The balance of the construction cost for the two vessels is due for payment on completion of the vessels which is scheduled for late calendar 2015 and early 2016 respectively.

DIVIDENDS:

The Company maintained its total dividend payment for the 2014 financial year at 12.5 cents, in line with the previous year. The Company declared a fully franked interim dividend of 5.5 cents per share which was paid on 1 April 2014 and has declared a fully franked final dividend of 7.0 cents per share which will be paid on 26 September 2014.

DIVIDENDS PER SHARE (cents)

$12.5cps



The Company has in place a Dividend Reinvestment Plan ("DRP") which shareholders can elect to participate in and have all or part of their dividends reinvested in additional shares in the Company. The Directors of the Company have resolved to remove the 2.5% discount that applied to shares issued under the DRP for previous dividend payments. Accordingly, no discount will apply to the shares to be issued under the DRP for the final dividend for the 2014 financial year.

Financial Position

The Company's franking account balance at 30 June 2014 totalled $41.9 million. Upon payment of the 7.0 cent final dividend for the 2014 financial year, the franking account balance will be reduced by $11.0 million.

CAPITAL MANAGEMENT:

The acquisition of the subsidiaries of Jaya Holdings Limited was partly funded through a raising of new equity by the Company.

The Company raised a total of $317 million in new equity via the issue of 132.2 million shares at an issue price of $2.40 per share.

The equity was raised through:

- An underwritten 7 for 18 pro rata accelerated renounceable Entitlement Offer to raise $217 million; and
- An underwritten Institutional Placement to raise $100 million.

DEBT MANAGEMENT:

The Jaya acquisition was also partly funded through additional debt facilities secured by the Company.

In May 2014, the Company entered into a Syndicated Term Loan Facility Agreement with NAB and ANZ as mandated lead arrangers, underwriters and bookrunners. The Syndicated Facility comprised an A$200 million facility and a US$227 million facility. The primary purpose of the A$ facility was to refinance the Company's existing loan facilities. The purpose of the US$ facility was to partly fund the Jaya acquisition.

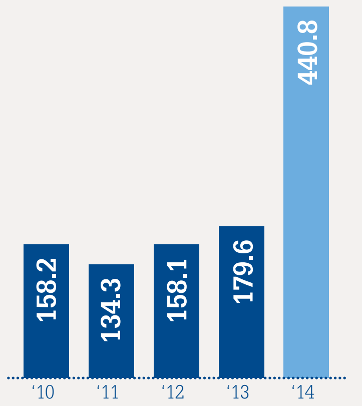
The Syndicated Facility has a term of 5 years and is fully secured by fixed and floating charges given by certain controlled entities within the Group, registered ship mortgages over a number of the vessels owned by certain controlled entities, real property mortgages and a mortgage by way of sub-demise over the Company's Dampier Supply Base lease. The security is held by the Security Trustee on behalf of the banking members of the Syndicated Facility.

The current weighted average effective interest rate on the Syndicated Facility is 3.67%.

As at 30 June 2014, the Company had total Borrowings, including Bank Loans and Hire Purchase Liabilities of $440.8 million.

INTEREST BEARING LIABILITIES ($m)

$440.8m



BALANCE SHEET:

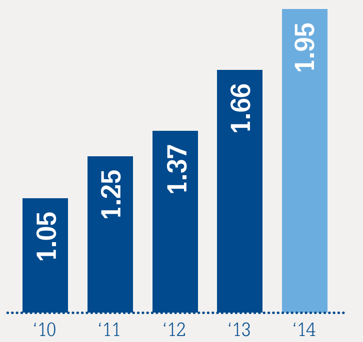
Following the Jaya acquisition, the Company's Balance Sheet remained strong at the end of the 2014 financial year.

The Company reported Total Assets of $1,364 million and Net Assets of $736.8 million.

The Company's Net Tangible Asset backing per share ("NTA") was $1.95 per share.

NTA PER SHARE ($)

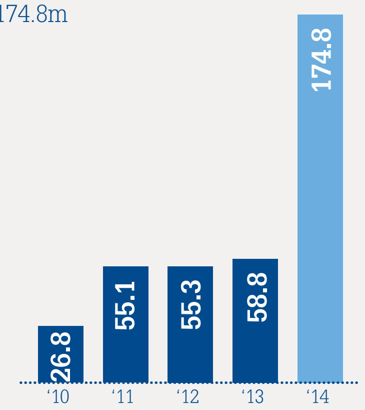
$1.95



The Company had cash reserves totalling $174.8 million at the end of the financial year leaving it well placed to fund capital expenditure and other financial commitments going forward.

CASH AT BANK ($m)

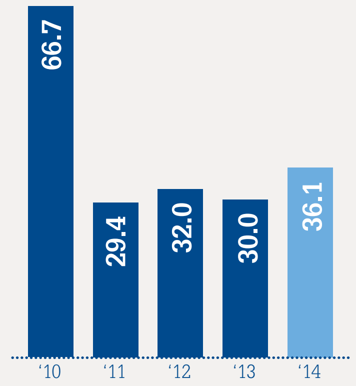
$174.8m



At the end of the financial year the Company's gearing ratio (net debt to equity) was 36.1%, compared to 30.0% the previous year.

GEARING ($m)

36.1%



MMA has been through a significant transformation during the course of FY14 and is well positioned to take advantage of the ongoing activity in Australia and internationally.

Strategy, Outlook & Risks

STRATEGY

MMA's vision is to be a leader in the marine oil and gas support services industry.

MMA's strategy is based around maximising opportunities across its key service areas (Vessels, Supply Bases and Marine Expertise) and in selected geographic locations namely Australia, South East Asia, the Middle East and East and West Africa.

The outlook for MMA's business is strong with ongoing demand for MMA's services across exploration, construction and production.

Vessel Strategy

MMA's vessel business aims to differentiate itself through the provision of a superior service, high quality operations and integrated value chain, whilst remaining cost competitive.

The overall vessel strategy is based around the following key principles:

Operating scale in key geographic regions

MMA currently operates vessels in the key regions of Australia, South East Asia, the Middle East and East and West Africa. MMA's strategy is to expand its presence in these key regional areas with a focus on ensuring there is sufficient scale in terms of numbers of vessels operating in each region to drive quality and profitability. The geographic proximity of these key markets also facilitates the transfer of vessels as appropriate to enhance fleet utilisation.

Moving to larger more specialised vessels

MMA currently operates a fleet of 62 owned vessels and charters additional vessels into the fleet when required for project purposes.

MMA supports operations across all phases of the oil and gas cycle from exploration, to construction, to production to inspection, maintenance and repair.

MMA aims to position itself at the higher (non-commoditised) end of the market and compete on the quality and reliability of our service to the client, rather than relying purely on price.

To this end, MMA in recent years has been gradually moving to larger, more specialised and more sophisticated vessels to meet evolving customer requirements. In 2009, MMA embarked on a strategy to expand into Platform Supply Vessels ("PSVs"). We now have seven PSVs in the fleet with a further three under construction. PSVs have the advantage of being capable of supporting offshore operations across exploration, construction and production and the strategy has delivered strong results with the vessels experiencing high utilisation and securing a number of significant long term contracts. The Jaya transaction also enhanced MMA's exposure to high specification vessel classes including subsea support vessels and larger Anchor Handling Tug Supply ("AHTS") vessels in line with MMA's strategy. MMA has a further two subsea support vessels under construction and views this as an important market sector moving forward.

Following the Jaya acquisition, MMA will undertake a fleet optimisation programme with a focus on disposing of some of our smaller vessels from the fleet.

Batam Shipbuilding facilities supporting vessel strategy

MMA's Batam Shipyard has the capability to construct high specification vessels and is a valuable asset in providing flexibility to build and modify vessels to support our vessel strategy.

Supply Base Strategy

Australia

MMA's mission is to be an industry leader in the oil and gas supply base service industry in Australia.

MMA is focused on maximising opportunities at its existing supply bases at both Dampier and Broome. Both of these supply bases serve a relatively small number of clients and therefore meeting and exceeding our clients' service expectations is a key component to the success of the supply base strategy. MMA is also looking at a range of initiatives to expand our service offering at the Dampier Supply Base and capture a greater portion of the value chain.

As Gorgon construction activity at the Dampier Supply Base reduces, productivity improvement and operational efficiency are also at the forefront of the strategy.

MMA is also seeking to leverage its capability in marine logistics to expand into owning or operating additional supply bases around Australia, subject to them providing an adequate financial return.

International

Internationally, MMA now has two operating bases in South East Asia, with the newly acquired Jaya shipyards in Singapore and Batam, Indonesia. The Singapore facility has recently been restructured and its future focus will be on project mobilisations and demobilisations for the oil and gas industry. The Batam Shipyard will focus on being a cost effective centre for new build vessel construction and modifications for MMA's fleet. MMA sees a longer term opportunity to leverage its existing supply base capability and utilise the Singapore and Batam facilities to provide additional services to the oil and gas industry. Potentially, this may include developing supply base services, logistics services, light fabrication services and ship repair facilities.

Marine Expertise Strategy

Marine expertise is a diminishing resource globally. MMA has significant in-house marine capability which can be leveraged to enhance MMA's service offering to clients. The addition of the Jaya engineering team further adds to this resource.

MMA is currently reviewing opportunities to expand and leverage this marine expertise and is evaluating the potential for services such as marine consulting, engineering of modular systems, module transportation and opportunities to tap into the growing subsea market.

This internal marine expertise significantly enhances MMA's ability to win work as MMA can work closely with the client to deliver customised and unique marine solutions to meet their needs.

OUTLOOK

Australia

In Australia demand for offshore construction services is building in the Browse Basin, as a number of construction work scopes associated with the INPEX Ichthys and Shell Prelude Projects have just commenced or are still to commence through FY15 and beyond. While levels of activity on some projects on the North West Shelf are abating as construction completes, large offshore projects such as Chevron Wheatstone and Apache Julimar will see ongoing demand for offshore services continuing throughout FY15 and FY16. MMA's experience of major projects is that a number of spot vessels are required for each offshore scope, and MMA stands ready to support these requirements as they arise.

In the medium term, the Australian market will transition to a production focus, with fewer vessels required, though with longer term contracts. MMA has traditionally played a major part in North West Shelf production operations and currently supports seven out of the ten Floating Production Storage and Offloading vessels ("FPSOs") operating in the region under long term contracts. As previously mentioned, MMA has also secured the INPEX production support PSV contract.

There are also a number of significant longer term potential developments currently under evaluation in the region. Woodside recently confirmed that they expect to make a decision on entering Front End Engineering Design for their Browse FLNG Project later this calendar year, with a Final Investment Decision targeted for the second half of the 2015 calendar year. Apache also recently announced a potentially significant oil discovery at Phoenix South in the Canning Basin. Whilst evaluation is at an early stage, it has been described by Apache as a potential new oil province in Australia should the discovery prove to be commercial.

International

Demand for vessels in South East Asia remains strong, with new exploration permits being awarded to international energy companies in Myanmar, and with Malaysia continuing its drive to develop marginal fields and redevelop mature production areas. Other locations like Vietnam and Thailand continue to display steady demand for vessels for both drilling and production support operations. International vessel charter rates are continuing to improve slowly.

In other international markets serviced by MMA, such as the Middle East and West Africa, demand has also held steady. Progress continues to be made developing the newly discovered East African deepwater gas fields and vessels in Jaya's fleet worked in both Mozambique and Tanzania during the year. New discoveries in West Africa provide grounds for optimism about future activity levels in the region.

MMA has been through a significant transformation during the course of FY14 and is well positioned to take advantage of the ongoing activity in Australia and a range of new markets internationally with sufficient scale to drive efficient and profitable operations.

RISKS

The Company recognises that risk is an inherent part of our business. Effectively managing risk allows us to deliver on objectives, positioning us for competitive advantage and sustainable growth. MMA operates an enterprise risk management framework aligned to ISO 31000, the international standard for risk management. It allows us to systematically identify, assess and evaluate material risks using a clearly defined integrated risk assessment matrix. The risk management process is applied at all levels of the Company. The integration between the areas of risk allows for a Company-wide view of material risks. Auditing is used to check the effectiveness of controls to assist with ensuring risks are managed as expected and assessed with current information.

This section describes in no order of significance material risks that have been identified and are being managed in order for the Company to deliver on its objectives. It is not intended to be all encompassing, nor is any of the information intended to be taken as a statement of fact. These risks can be affected by a variety of factors that can in turn impact the Company's performance.

Dependence on level of activity in the offshore oil and gas industry

The Company is dependent on continued activity and expansion in the offshore oil and gas industry in the markets in which the Company operates (currently Australia, South East Asia, the Middle East, East and West Africa). The level of activity in the offshore oil and gas industry may be affected by prevailing or predicted future oil and gas prices, economic growth, energy demand, the cost and availability of other energy sources and changes in energy technology and regulation. Any prolonged period of low offshore oil and gas activity would be likely to have an adverse effect on our business, financial conditions and profits.

The Company aims to mitigate the impact of lower offshore oil and gas activity by providing a broad range of marine logistics services both on and offshore and diversifying our geographic footprint across a number of key regional areas. MMA also aims to diversify its contract portfolio across the exploration, construction and production sectors of the oil and gas cycle, balancing its portfolio between short term and longer term contracts.

Risk of oversupply of vessels and fleet composition misaligned with market demand

Demand for our vessels is affected by the level of activity in the offshore oil and gas industry, as well as the number of vessels available in the market. A number of vessels of the types we operate are currently under contract for construction at shipyards globally. An increase in supply without a corresponding increase in demand or retirement of ageing vessels is likely to increase competition which would impact utilisation and charter rates, thereby impacting our profits.

MMA works to manage this risk by having a clear strategic plan based on market supply and demand forecasting to ensure an appropriate asset mix and capability to meet market demand. This allows us to capitalise on market trends and manage utilisation and return on asset in a highly competitive environment.

Competition and loss of key customers

The offshore oil and gas industry is highly competitive and comprises many global and regional vessel owners and operators.

We rely on a number of key customers for the majority of our revenue. If we were to lose the business of key customers, whether by reason of termination of existing contracts or failure to secure new contracts, the loss of business is likely to have a material and adverse impact on our profits. Additionally, if we were required to agree to less advantageous terms with customers due to competitive pressures, this would reduce the margins on those contracts and negatively impact our profitability and cashflow.

MMA mitigates this risk though strong operational execution, delivering a quality service, investing in customer relationships and providing responsive account management to meet customer expectations and needs, both current and emerging.

Operational risks

The Company's operations are subject to various risks inherent in servicing the offshore oil and gas industry, including:

- Increases in input costs such as crewing or maintenance costs, which may reduce operating margins;
- Redeployment costs of assets that are unable to be used in their current geography for a period of time;
- Inability to source reliable subcontractors and suppliers;
- Equipment damage, technical failures or human error;
- Health and safety incidents;
- Industrial unrest, particularly involving on-board crew and shipyard employees;
- Capsizing, sinking, grounding, collisions, fires and explosions, piracy, vessel seizures or arrests and acts of terrorism, although these circumstances are generally covered by industry standard insurance policies; and
- Natural disasters and environmental and other accidents, although these circumstances are also generally covered by industry standard insurance policies.

An incident related to one of these risks could have adverse consequences, including loss of human life or serious injury, significant damage to and loss of vessels, assets and equipment, business disruption, environmental pollution, political consequences and damage to our reputation. Consequences of such events may result in the Company being exposed to significant liabilities, a loss of revenue and/or the incurrence of additional costs and therefore have a materially adverse impact on our financial position and profitability. Insurance policies, whilst generally effective, may not always be sufficient to cover all of the potential operational risks.

The safety of our people is the single most important value and focus for the Company and we are continually striving to improve our health, safety and environmental performance. We recognise that safety and environmental performance is also a key client consideration and any deterioration in MMA's safety performance can have an impact on MMA's ability to retain or win contracts. Our enterprise risk management framework and focus on the hierarchy of controls supports the effective management of risk, giving confidence that we conduct our operations safely and to best practice. Well executed operations also increase employee engagement and productivity and reduce costs and business interruption. This allows us to successfully deliver services to our clients.

The Company is also at risk of business interruption by events that include but are not limited to; adverse weather, loss of critical equipment, reliance on third parties and industrial action. These events left unmitigated may cause service delivery delays and increased costs.

We employ numerous well executed controls, including, but not limited to; appropriate insurance coverage, loss prevention inspection programs, quality audits, preventative and planned maintenance programs, emergency preparedness and contingency plans, preferred supplier and subcontractor processes and a host of engineering controls. Together these controls mitigate operational risk.

Geopolitical, government and regulatory factors

Geopolitical factors in Australia are relatively stable, however our international operations are subject to more challenging geopolitical climates to varying degrees. Deterioration of the geopolitical climate in our market areas, such as the outbreak of war, nationalisation of a customer's oil and gas projects and economic sanctions, may require us to discontinue operations in that area, leading to short term negative impacts on vessel and service utilisation. MMA's strategic plan considers such risks and operationally we risk assess market areas and clients regularly to limit negative impact. Industry news, experienced personnel and industry relationships are leveraged to ensure we base our decisions on up to date geopolitical information. Contingency plans for fast emerging geopolitical risks are used to limit business disruption.

Regulatory non-compliance is also a risk as failure to comply can result in significant business disruption, financial loss and fines. MMA must comply with domestic and international compliance requirements and sanctions in its areas of jurisdiction. Expert agents with relevant knowledge and experience are used to ensure we understand, correctly interpret and are compliant in all jurisdictions. We have a strong legal team who manage our compliance and keep us informed about the impact of relevant changes to regulations.

Reliance on key personnel, ability to recruit and retain skilled operational staff and management

MMA employs a number of key personnel whose expertise and experience is important to the Company's continued development and operation. The loss of key personnel and the failure to recruit sufficiently qualified staff in a timely manner could affect the future performance of the Company. The success of the Company is dependent on the continued efforts of our senior management team who formulate and implement the Company's growth strategy, corporate development and business strategy. Further, the efficient and safe operation of MMA's business requires the recruitment and retention of suitably skilled and qualified operational personnel in a highly competitive environment. Failure to secure such personnel may adversely impact our ability to secure new contracts or meet existing obligations.

MMA's recruitment strategy reflects its existing and growing operational needs within the context of the pool of available candidates. Succession planning, knowledge transfer and development of client relationships at multiple levels aims to mitigate any negative impact of a loss of key personnel.

Foreign exchange

The majority of MMA's revenues are paid in Australian or US Dollars and the Company's operating costs are primarily denominated in a combination of Australian, Singaporean and US Dollars. MMA also has a combination of Australian dollar and US Dollar debt. Adverse movements in these currencies may result in a negative impact on MMA's profitability.

MMA's operations provide a natural hedge for our activities. A treasury policy and contract management process further mitigates this risk. The Board also considers from time to time whether to manage currency fluctuation risk through hedging.

Jaya integration

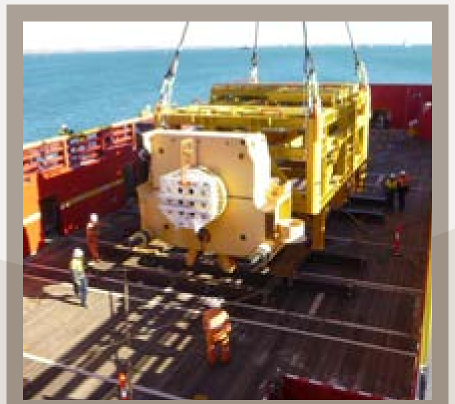
As with any acquisition, there is a risk that the integration of Jaya may be more complex than anticipated, encounter unexpected challenges or issues and take longer than expected, divert management attention or fail to deliver the expected benefits and this may impact on MMA's operating and financial performance.

MMA has established an Integration Project Team comprising of personnel from both organisations and led by a dedicated Integration Manager. A detailed integration plan has been developed with the assistance of expert consultants with specific deliverables to be achieved at key milestones. The integration is progressing well to date with key milestones for the first 60 days achieved. Strategically, we have aligned our vessel and shipyard strategies and continue to review key business units to optimise operations between the two companies.

Vessel Operations


The Jaya acquisition significantly expands MMA's fleet and exposure to larger, higher specification vessels.


Jaya Majestic, delivered in August 2014, is a high specification AHTS and the first vessel delivered out of a Jaya shipyard following the acquisition.


MMA acts as the primary marine contractor on the Subsea 7 Gorgon Heavy Lift and Tie In Project.

The vessel business delivered a strong financial result driven by a particularly strong second half.

Financial highlights

- Revenue up 53.6%.
- EBIT up 25.4%.
- Margins impacted by externally chartered vessels.

Operational highlights

- Average utilisation 81%.
- Jaya acquisition significantly expands our fleet and geographical spread enhancing our service offering and ability to bid for contracts.

- Engaged in a number of key ongoing contracts:
  - Subsea 7 (continuing into first half FY15).
  - Woodside drilling support – Mermaid Leeuwin.
  - Woodside Greater Western Flank Tie In Project.
- Secured substantial new production support contract with INPEX that will contribute from FY16.
- Ongoing contracts and new vessels to drive earnings.

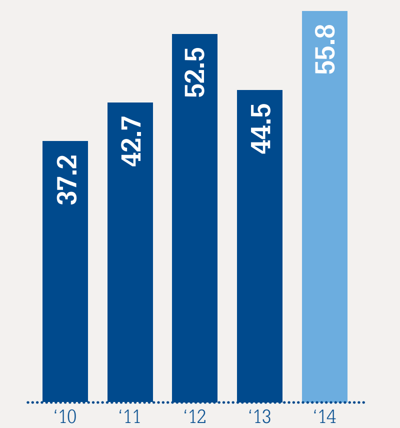
- Continuing to add to the fleet with high specification vessels:
  - Mermaid Leeuwin delivered December 2013.
  - Jaya Majestic and Victory delivered August 2014.
  - Two PSVs under construction for INPEX production support – due December 2015 and March 2016.
  - Three specialised vessels under construction in Batam including an additional two subsea vessels.

Vessel Financials

$m	MMA FY14 Standalone	Jaya 4 – 30 Jun	Consol FY14	FY13	Variance[1]
Revenue	435.9	10.0	445.9	283.7	∧ 53.6%
EBITDA	84.1	5.3	89.5	68.2	∧ 23.3%
EBITDA / Revenue	19.3%	53.0%	20.1%	24.0%	∨ 4.7%
EBIT	55.8	3.3	59.1	44.5	∧ 25.4%
EBIT / Revenue	12.8%	33.0%	13.3%	15.7%	∨ 2.9%
Segment Assets	450.4	526.1	976.5	397.8	∧ 13.2%
ROA	13.2%	8.8%	12.8%	12.5%	∧ 0.7%

(1) Variances are shown to MMA standalone FY14 Result

VESSEL EBIT[2] ($m)



(2) Standalone EBIT excluding Jaya FY14

The vessel business delivered a strong financial result driven by a particularly strong second half.

Revenue from vessel operations was $435.9m, up 53.6% and Earnings Before Interest Tax ("EBIT") was $55.8m, up 25.4% on the previous financial year (excluding any earnings contribution from Jaya).

Earnings in the first half were down due to the deferment of a number of key projects. However, the vessel business experienced a stronger second half as these projects commenced, bolstering utilisation in this period.

The average utilisation for the fleet across the year was 81% as compared to 76% in FY13.

Over the 2014 financial year, MMA's Australian vessel fleet was active in providing services to the exploration, construction and production sectors of the oil and gas market.

On the exploration side, MMA's Platform Supply Vessel ("PSV") strategy continued to yield results. In December 2013, the Company took delivery of the new PSV, Mermaid Leeuwin, an 82 metre DP2, clean and comfort class, diesel electric PSV, delivered to MMA from the ASL Shipyard in Singapore. Mermaid Leeuwin was immediately deployed to Woodside to provide PSV support to an extensive drilling campaign. The contract, which commenced in February 2014, is for a firm period of 18 months plus options. Drilling support contracts are important in further diversifying MMA's service offering and validating our strategy of entering the PSV market.

MMA continued to support construction of the Gorgon Project on Barrow Island during the year. The fleet requirements are gradually decreasing, although the charter of Bibby Renaissance, an accommodation vessel managed by MMA off Barrow Island, was extended for a further 18 months until March 2015, with further options thereafter. MMA was also recently awarded a $105m contract for the operation and management of a second accomodation vessel, the Silja Europa. Additionally, MMA was also awarded a new tug and barge contract in October 2013 to transport cargo from Henderson to Barrow Island. This followed on from the success of the initial project which involved the design and mobilisation of a new concept 400ft "Super Barge" fitted with a 400 tonne crane, the first of its kind to operate in Australia. The success of these projects exemplifies MMA's ongoing focus on delivering unique marine solutions to its clients.

The Gorgon Heavy Lift and Tie In Project commenced in December 2013, with MMA contracted to provide ten tugs, nine barges and one PSV to Subsea 7. The tug and barge sets assist with subsea installation works and the PSV acts as an offshore support vessel. MMA is the lead marine contractor and subcontracts with other vessel operators to provide the overall vessel requirements. Operations are due to continue through the first half of FY15.

During the year MMA was successful in securing what is one the most important contracts in the Company's history – a contract to provide two PSVs for long term production support operations with INPEX. Long term production support contracts are critical to balancing our portfolio with shorter term construction and spot market work. MMA will operate two newbuild PSVs for the INPEX operated Ichthys LNG Project with a fixed term of five years plus two five year options. The PSVs are currently being built in Asia to INPEX's specifications, for delivery to MMA in late 2015 and early 2016 respectively. They will be operated by Australian certified crew, and will supply the Ichthys Project's offshore facilities from Darwin and Broome. The contract value for the firm period is approximately $160 million and $500 million in total, should all of the options be exercised. The award of this contract further delivers on MMA's strategy to operate state of the art PSV vessels in both the Australian and South East Asian markets. Additionally, the award highlights MMA's ability to design custom marine solutions, a key differentiator for the Company going forward.

Mermaid Inscription, another of MMA's new PSVs, came off charter from the Gorgon Project at the end of March 2014 and was immediately deployed to Allseas on the Wheatstone Project carrying out pipe haul support. Following the Wheatstone charter, Mermaid Inscription will continue with Allseas on the Apache Julimar Project supporting the pipelay vessel Audacia. The charter is expected to run through to March 2015.

MMA also worked on Woodside's Greater Western Flank ("GWF") spool installation Project for Fugro TSM during the year, providing four tugs, two barges and a support vessel. MMA also provided stevedoring services at Woodside's Burrup Materials Facility ("BMF") in support of the Project. The broader GWF area consists of 16 fields located to the south of the Goodwyn A platform and represents the next major development for the A$27 billion North West Shelf Venture.

Mermaid Supporter and Mermaid Investigator continued to work out of Darwin during the year for Origin Energy, Sapura Clough, ENI, PTTEP and ASCO. Mermaid Vision spent 11 months in the Bass Strait experiencing an impressive 85% utilisation rate while on spot charter to Origin Energy, Sapura Clough and Nexus before being redeployed to the Subsea 7 project. Mermaid Investigator, a specialist survey support vessel, has seen excellent utilisation since returning to Australia in March 2014. The vessel has most recently been on charter to McDermott Australia in Dampier for the INPEX Ichthys development and is the first vessel deployed onto the $32 billion project.

International operations contributed approximately $27.3 million in revenue during the 2014 financial year, as compared to $13.9 million in 2013.

In August 2014, MMA delivered two new build vessels into its international fleet; Jaya Majestic, a large 160 tonne bollard pull Anchor Handing Tug Supply vessel ("AHTS") and Jaya Victory, a high specification PSV. Jaya Victory's sister vessel, Jaya Valiant, is expected to be delivered later this year.

Over recent months we have seen an increase in international tender activity, with many long term scopes being issued in Malaysia, Thailand and Vietnam. The trend is towards deep water projects which require larger AHTS vessels and clients are beginning to demand higher specification, safer and more sophisticated equipment. Tender activity in Australia is also ramping up as the offshore scopes for Wheatstone, Prelude and Ichthys begin. The combined MMA and Jaya international fleet is well placed to meet these requirements going forward.

Negotiations of the new Enterprise Bargaining Agreements for our vessel crew are still ongoing with the maritime unions. MMA continues to be committed to finding an equitable and sustainable solution for all parties.

Dampier Supply Base


Mermaid Logistics Base upgrades during the year improved returns. The facility is being utilised by the Gorgon GUFT Project.


A five year extension option for the sublease of four Chevron occupied areas was exercised during the year.


Activity at MMA's private multi user wharf facility.

The Dampier Supply Base remains a long term sustainable business that will continue to be a key contributor to MMA's earnings.

Financial highlights

- Revenue down 11.3%; EBIT down 29.4% due to reduced Gorgon activity and drilling operations.
- Margins impacted by reduced rental income and lower wharf utilisation.

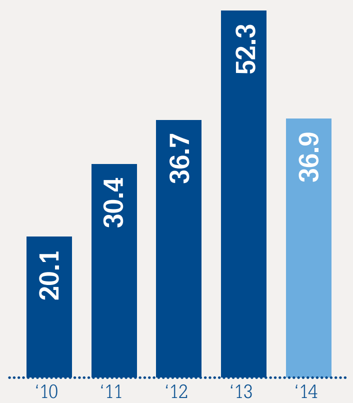
Operational highlights

- Transitioning from Gorgon construction support to ongoing Chevron production support:
  - Cargo volumes declining.
  - Reduction in land requirements.
  - Chevron drilling activity remains solid.
- BMF continues but at reduced levels of activity.
- Focus in FY15:
  - EBA negotiations.
  - Productivity improvements.
  - New clients and new services.
- Dampier Supply Base remains a long term sustainable business that will continue to be a key contributor to MMA's earnings.

Dampier Supply Base Financials

$m	Variance	30 Jun 2014	30 Jun 2013
Revenue	∨ 11.3%	$133.3	$150.3
EBITDA	∨ 26.4%	$47.3	$64.3
EBITDA / Revenue	∨ 7.3%	35.5%	42.8%
EBIT	∨ 29.4%	$36.9	$52.3
EBIT / Revenue	∨ 7.1%	27.7%	34.8%
Segment Assets	∨ 9.1%	$169.2	$186.2
ROA (averaged)	∨ 9.2%	20.7%	29.9%

DAMPIER SUPPLY BASE EBIT ($m)



Activity levels at the main wharf were subdued in the 2014 financial year as a result of some Gorgon Project works coming to an end and decreased drilling activity in the region. Fewer vessel visits also impacted on operating margins.

Revenue was down 11.3% to $133.3 million and EBIT decreased by 29.4% to $36.9 million for the year.

Other dedicated supply base areas continued to perform in line with expectations. Upgrades on the Mermaid Logistics Base ("MLB") have improved returns. The facility, which is located adjacent to the main supply base, is being utilised by the Gorgon GUFT Project. The GUFT Project involves the offshore pigging of the Gorgon trunklines and MMA is contracted to manage the specialist equipment within the MLB. The project commenced in March 2014 and will continue for an 18 month term.

The Burrup Materials Facility ("BMF") operations also continued to contribute to earnings with the Company continuing to support Saipem Leighton and FUGRO TSM who also began operating out of the BMF for the Woodside Greater Western Flank Project. The BMF operations are not expected to contribute materially to FY15 earnings as operations wind up over the course of the first quarter.

As the Gorgon Project moves from construction to production, management of the project's supply base requirements are being transitioned from KJVG (the EPCM contractor) to Chevron. Pleasingly, a five year extension option for the sublease of four Chevron occupied areas was exercised during the year. MMA has also submitted a tender for ongoing marine and supply base operations for Chevron's production support operations.

The current Enterprise Bargaining Agreement ("EBA") on the Dampier Supply Base has expired and the Company is currently in negotiations for a new agreement. MMA is committed to reaching a fair and reasonable outcome for all parties that provides flexibility to meet our clients' requirements, market competitive pay and conditions and the long term employment security that comes with a successful business.

The challenge for the Supply Base going forward is to maintain earnings as the Gorgon related volumes continue to reduce. This involves securing new contracts, enhancing MMA's service offering, increasing flexibility for clients, reducing costs and improving productivity.

Notwithstanding the challenges, a number of significant Australian LNG projects are still to be constructed over the next three years and with ongoing drilling activity in the region, the Dampier Supply Base will continue to be a key contributor to MMA's earnings.

Spanning 28 hectares, MMA's Dampier Supply Base is capable of servicing the array of vessels engaged in offshore support activities.

Dampier Slipway

A new cradle installed during the year allows docking of much larger vessels.

Welders in the Slipway workshop.

The Slipway achieved 98.1% perfect days in FY14, a perfect day being a day without a recordable incident.

The Slipway delivered a strong financial performance during the year and remains a key strategic asset for the Company.

Financial highlights

- Revenue $29.3m, up 17.7%
- EBIT $3.1m, down 11.4%.
- Margins impacted by one off cost overrun and multi-vessel dockings to suit clients requirements.

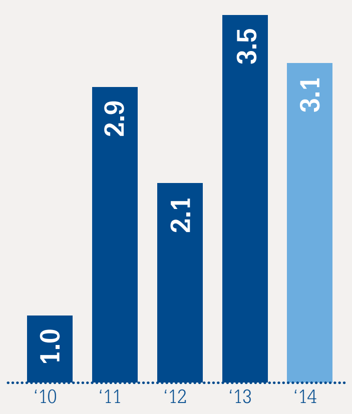
Operational highlights

- New cradle installed enabling docking of much larger offshore vessels.
- Major supplier to all terminal tug operators in the region (approx 45 vessels).
- Docked 58 vessels including 41 third party vessels, up from 56 in previous year.

Financials

$m	Variance	30 Jun 2014	30 Jun 2013
Revenue	∧ 17.7%	$29.3	$24.9
EBITDA	∨ 9.5%	$3.8	$4.2
EBITDA / Revenue	∨ 3.9%	13.0%	16.9%
EBIT	∨ 11.4%	$3.1	$3.5
EBIT / Revenue	∨ 3.5%	10.6%	14.1%
Segment Assets	∧ 23.3%	$20.1	$16.3
ROA (averaged)	∨ 6.3%	16.9%	23.2%

SLIPWAY EBIT ($m)



The Slipway delivered a strong financial performance during the year and remains a key strategic asset for the Company.

The Slipway delivered a strong financial performance during the year and remains a key strategic asset for the Company.

Revenue was $29.3 million, up 17.7% on the previous financial year, whilst EBIT was $3.1 million, down slightly on the prior year. The reduction in margins was primarily due to a loss on a third party docking as a result of cost overruns due to unplanned work scopes.

The Slipway docked 58 vessels in the 2014 financial year, up slightly from 56 dockings in the previous year and included 41 third party dockings. This included the largest vessel ever lifted in the facility's history, at 3,200 tonnes. The docking provided the Slipway with an opportunity to utilise the upgraded cradle infrastructure. The docking was extremely successful from an operational perspective and opens up new opportunities for the Slipway to provide a similar service to other third party clients. It also gives MMA the assurance that it will be able to cater for its expanding fleet of vessels in the future.

In addition to servicing offshore vessels, the Dampier Slipway is a major supplier to terminal towage operators in the region. There are now over 40 harbour tugs operating in Dampier through to Port Hedland which represents a solid ongoing demand for slipway services.

The focus for the Slipway over the next financial year is to review the existing cradle infrastructure as we continuously work to meet the requirements of larger vessels.

Broome Supply Base

(Joint Venture between MMA and Toll Holdings Ltd)

MMA's 50% share of NPAT for the 2014 financial year was $3.6 million, down slightly on the previous year's NPAT of $3.9 million.

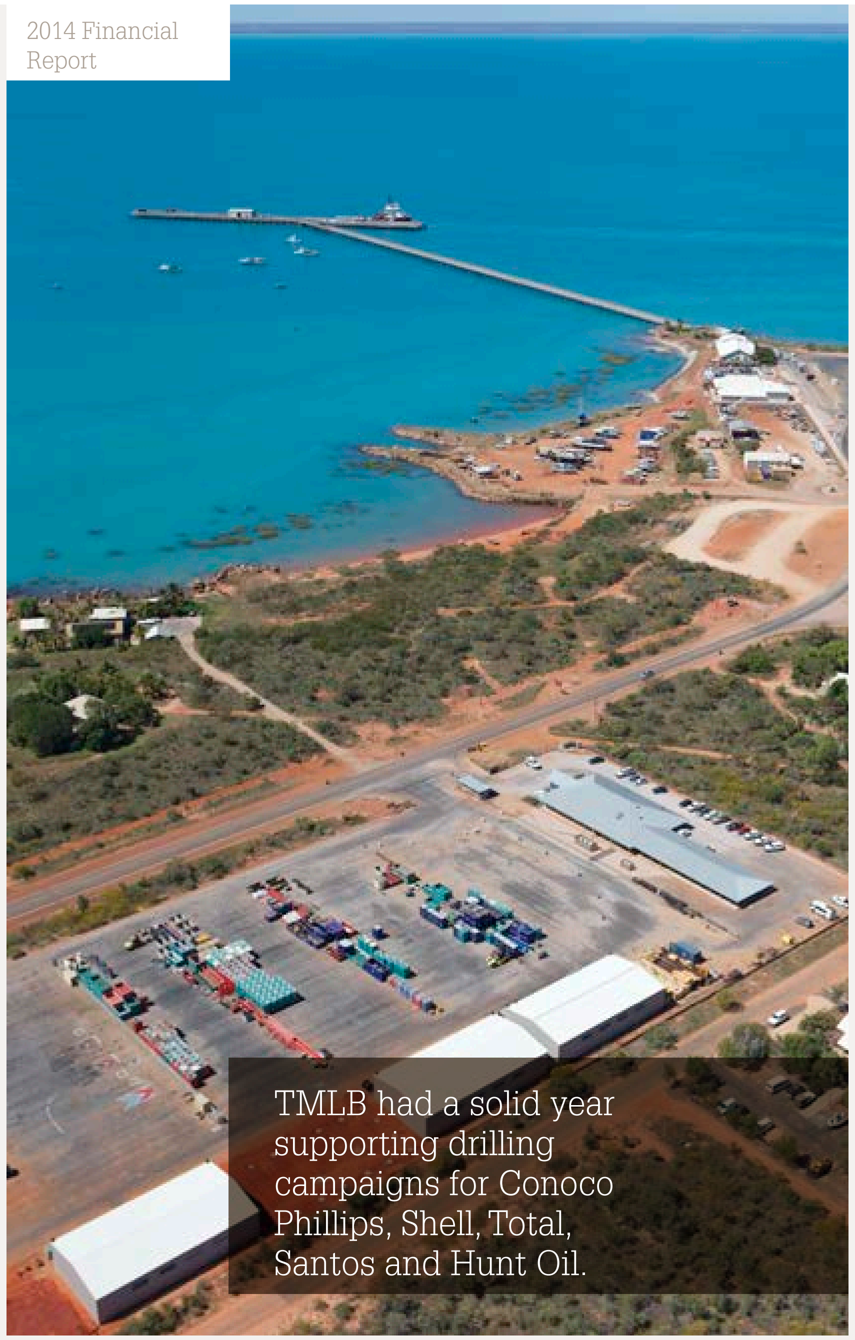
Toll Mermaid Logistics Broome ("TMLB") had a solid year supporting drilling campaigns for Conoco Phillips, Shell, Total, Santos and Hunt Oil.

In September 2013, TMLB opened the dedicated INPEX facility at the Broome Supply Base which will support the $32 billion Ichthys Project. INPEX is expected to commence its three year plus development drilling program in the second half of FY15.

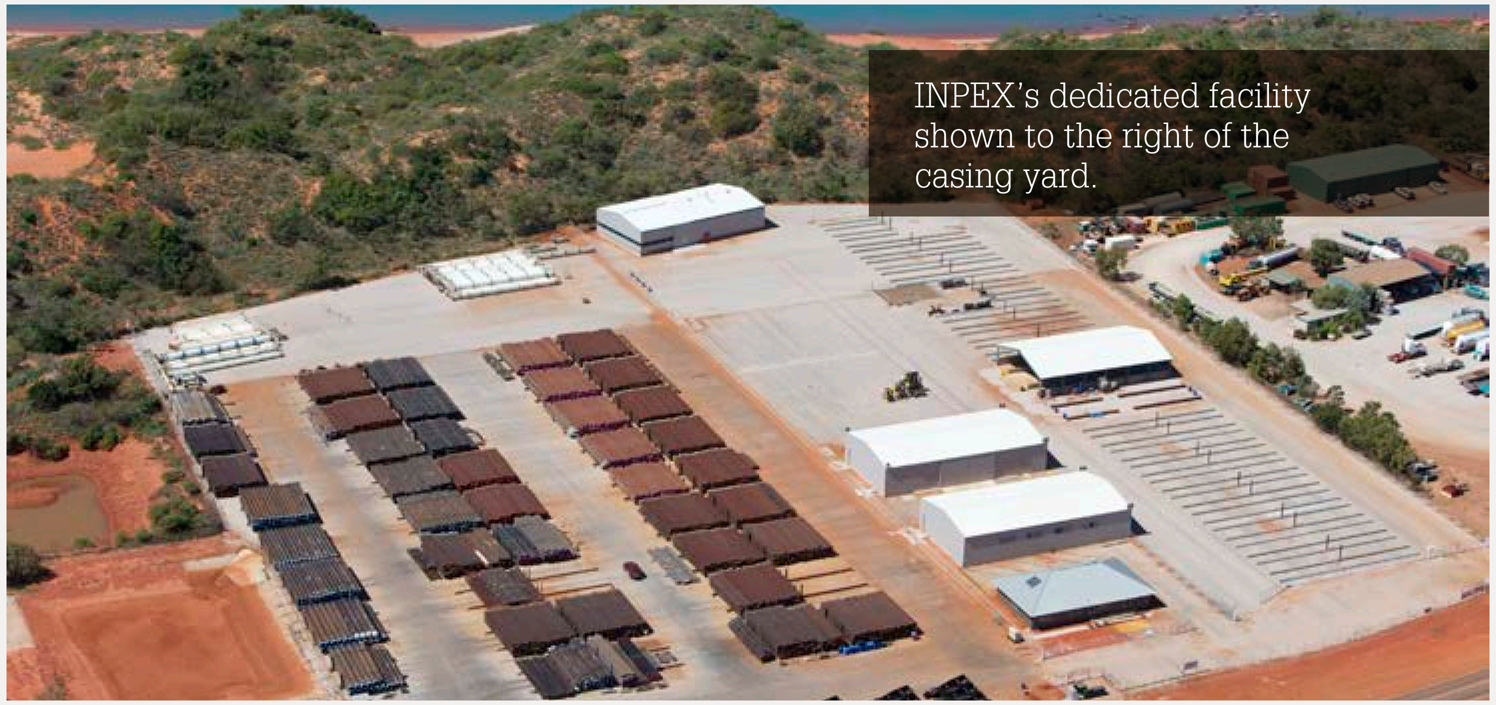
Shell Prelude operations continue under a long term (five year) contract and TMLB also continues to work with Woodside on their drilling campaigns.

To prepare for upcoming work programs, TMLB completed the development of a casing yard and additional undercover storage sheds.

The outlook for the Broome Supply Base remains positive as major drilling campaigns continue over the next several years.



TMLB had a solid year supporting drilling campaigns for Conoco Phillips, Shell, Total, Santos and Hunt Oil.



INPEX's dedicated facility shown to the right of the casing yard.

Our People

At MMA our Vision is supported by our key values of People, Customer Relationships and Team Work. We recognise that our people are the key to delivering success and we strive to provide a workplace built on trust, cooperation and mutual respect where our people care about their safety and the safety of those around them.

Our Code of Conduct sets out the standards of behaviour expected from all our people when performing duties at MMA to ensure that we work safely, behave considerately and work ethically in support of our Values, and to deliver our Vision.

Training and Development

We are committed to the development of our people through performance feedback, internal development opportunities and training programs. During the 2014 financial year, we placed greater emphasis on setting clear expectations and key performance objectives through Performance Coaching Agreements and ensured accountability through the performance review process.

At the WA Training and Development Awards 2014, MMA was recognised by training industry experts as being one of the top three employers in Western Australia.

The MMA Leadership Fundamentals course continued to be delivered across the business with 172 leaders having now attended the two day workshop which focused on improving leadership skills and developing a performance culture. In the 2014 financial year, we also delivered a one day team development and safety behaviours workshop to 122 of our frontline workforce which focused on identifying safety behaviours and empowering teams to take ownership of their own safety and the safety of those around them.

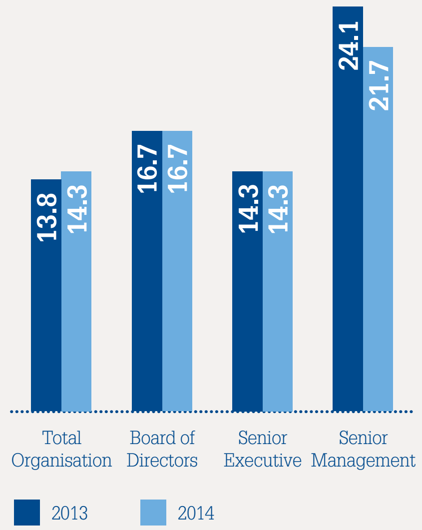
Our approach to delivering training outcomes has evolved with the development of an online learning environment enabling more efficient delivery of training programs across the business. We strive to continually develop our people through structured training outcomes, aligned with our strategic view, to confirm MMA as an employer of choice for our people and service provider of choice for our customers.

Workplace Gender Equality

Reporting to the Workplace Gender Equality Agency in line with requirements under the Workplace Gender Equality Act 2012 showed an increase in the number of women employed in the organisation from 13.8% in the 2013 reporting period to 14.3% in 2014.

MMA continues to progress towards its 2016 targets of at least 15% female representation in senior executive positions (14.3% currently) and at least 30% female representation in senior management roles (21.7% currently).

% OF WOMEN EMPLOYED



Source: MMA Workplace Gender Equality Report – 27 May 2014

Note: Data excludes impact of Jaya acquisition which completed on 4 June 2014.

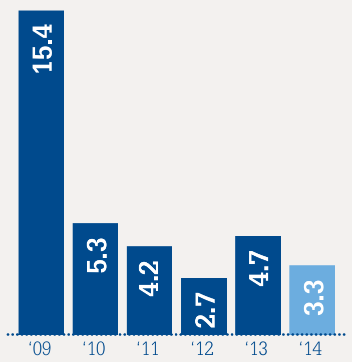
We are committed to the development of our people through performance feedback, internal development opportunities and training programs.

Health, Safety & Security

The health, safety and security of MMA's employees and contractors is core to the way we do business. MMA's health and safety strategy supports the Company's Mission to be incident free. This is reflected in our comprehensive suite of health, safety and security policies and procedures that guide activities across the organisation.

TOTAL RECORDABLE CASE FREQUENCY ("TRCF")

(per million hours worked)



During the 2014 financial year, MMA's TRCF decreased from 4.7 to 3.3 across the organisation, a 30% year on year improvement. This significant improvement is the result of:

- Further maturing of MMA's 'Target 365 – A Perfect Day Every Day' operating strategy which focuses on everyone coming to work each day with the aim of having a "perfect day", that is, a day free of recordable injuries and material incidents;
- Continuation of MMA Target 365 Leadership Program. A total of 172 leaders have now completed the two day leadership program and 122 frontline workforce have completed a one day team development and safety behaviours workshop;
- Dedicated incident prevention campaigns throughout the year;
- Continuous improvement in health, safety and risk management systems and processes; and
- Increased health and safety training program for all levels of staff, contractors and management.

Perfect days are tracked via internal reports and communicated to staff via the Company's intranet system on a perfect day dashboard. In the 2014 financial year, MMA achieved 322 perfect days. This equates to a perfect day percentage of 88.2% a 3% improvement on the previous year.

In the 2015 financial year, our organisation wide target is to have 365 perfect days.

In support of our overall health, safety and security strategy, MMA continues to implement a range of specific initiatives which are focused on continually improving our health and safety performance, including;

- a dedicated HSEQ department deployed to support business activities;
- strategies to identify and implement critical HSEQ controls;
- a company-wide Executive HSEQ committee;
- maintaining and improving our Integrated Business Management System ("IBMS");
- a program to measure Lead and Lag Indicators and report on the trends and shortfalls;
- ongoing training programs for employees and contractors in health and safety risk management;
- a compliance assurance program to maintain our license to operate, both on and offshore; and
- integrating international business processes into a best practice system.

MMA was also a finalist in the 2013 Australian Petroleum Production & Exploration Association Health and Safety Awards for the implementation of HSEQ Kiosks across the business. These kiosks provide real time access to the Company's current policies, procedures, HSEQ Alerts, bulletins, reports, local news and weather forecasts at the work front.

QUALITY

MMA achieved a three year re-certification for its quality systems accreditation (AS/NZS ISO 9001: 2008) during the reporting period. We continue to review and refine our IBMS through a process of continuous improvement projects, legal obligations mapping and annual audit and assurance plans for both vessel and onshore operations and projects.

Individual business units achieved the following results:

Business unit	Percentage	Perfect days
Mermaid Supply Base	95.6%	349 perfect days
Mermaid Slipway	98.1%	358 perfect days
Vessel Fleet	94.8%	346 perfect days
Mermaid Logistics Base	99.7%	364 perfect days
Corporate offices	100%	365 perfect days

A PERFECT DAY EVERY DAY

The HSEQ kiosks provide real time access to the Company's current policies, procedures, HSEQ Alerts, bulletins, reports, local news and weather forecasts at the work front.

Crew on board Mermaid Cove deploying Fast Response Craft to conduct person overboard drill.

Environment

MMA remains committed to achieving the highest standard of environmental performance across all our business activities.

MMA's environmental policies, management plans and supporting procedures are reviewed regularly to ensure potential environmental impacts are identified, assessed and controlled. As part of our continuous improvement journey MMA's Environmental Policy was updated to include a commitment to managing business operations in a sustainable manner. The MMA Environmental Management System has been designed to align with the requirements of ISO 14001: 2004 and remains firmly entrenched within the wider Integrated Business Management System ("IBMS").

To demonstrate compliance with the implementation conditions and environmental management commitments for our Supply Base (Ministerial Statement No. 535) and our licence for boat building and maintenance activities (Licence L4996/1993/8) at our Slipway, MMA undertakes a program of environmental monitoring. This includes monitoring of marine water quality and stormwater and water discharges, monitoring of sediment quality, the deployment of biosentinel oysters and the monitoring of mangroves in King Bay. MMA has increased the environmental monitoring program to ensure we effectively manage our environmental impacts. The results are reported annually to the relevant regulatory authorities.

In addition, MMA undertakes internal environmental compliance audits, as well as regularly being audited and inspected by clients and regulatory authorities.

MMA also reports on our water savings actions and initiatives annually to the Western Australian Water Corporation, as identified in our Water Efficiency Management Plan. Water use reduction options have been implemented at our Dampier Supply Base during the reporting period, including the construction and commissioning of a desalination plant which will significantly reduce the reliance on scheme water in the future.

In FY14, MMA constructed a desalination plant on the Dampier Supply Base which will significantly reduce reliance on scheme water.

Community Engagement

MMA is committed to contributing to the economic and social wellbeing of the communities in which we work. To support our goal we strive to:

- Invest in local community projects that have a positive and sustainable benefit;
- Seek business opportunities with local suppliers and subcontractors, including the use of products and services provided through companies owned and operated by Indigenous Australians;
- Strive to be good corporate citizens;
- Develop long term relationships with local indigenous communities in order to increase indigenous participation within our workforce and promote opportunities for training and development; and
- Create and maintain cross cultural awareness throughout the business.

Community sponsorship

In accordance with our Community Policy, we are active in engaging with the communities in the regional areas of Dampier, Karratha and Broome, where our main operations are located.

MMA has a regional sponsorship committee, which reviews sponsorship applications and allocates funds to a range of community events, charities and sporting groups in these regions.

MMA also supports the local community in Fremantle, where our head office is located. In the 2014 financial year, MMA sponsored the annual Fremantle Festival and supported a number of other cultural and community events.

In addition to community sponsorship, MMA runs a Target 365 Perfect Day reward program, whereby business units who achieve exceptional safety performance are given the opportunity to donate monetary rewards to registered charities. In the 2014 financial year, over $32,000 was donated to charities including; Red Cross, Canteen, Ronald McDonald House, the Royal Flying Doctor Service and the Autism Association of WA.

Reconciliation Action Plan ("RAP")

MMA is committed to creating meaningful relationships, enhancing respect and promoting sustainable opportunities for Aboriginal and Torres Strait Islander peoples. MMA's draft RAP is currently being evaluated by Reconciliation Australia.

The purpose of MMA's RAP is to clearly set out the steps MMA will take over the 2015 financial year to:

- build relationships with Aboriginal and Torres Strait Islander stakeholders, both internal and external to the organisation;
- determine the degree to which Aboriginal and Torres Strait Islander peoples are engaged through our recruitment and procurement activities;
- develop relationships, decide on our vision for reconciliation and explore our sphere of influence; and
- lay the groundwork for creating an Innovate RAP that is meaningful, mutually beneficial and sustainable.

MMA's RAP will provide a framework for the Company's Strategy for Indigenous Development and Employment ("STRIDE") program in FY15.

Local and Indigenous business

In the past 12 months MMA has identified and pursued a number of opportunities for the supply of goods and services to its Western Australian operations through Indigenous organisations.

MMA has proactively engaged with Indigenous vendors and has developed strong ties, both directly and indirectly, with the Aboriginal and Torres Strait Islander business community.

Direct engagement

Our direct engagement has resulted in the:

- Award of over $200,000 in supply contracts.
- Direct engagement of ten separate businesses identified as being Indigenous owned and operated.
- Trial of new products in the Western Australian market.

Our Procurement and Supply Chain team continues to provide mentoring and coaching for vendors to achieve mutual goals in safety, quality, cost and availability.

Indirect engagement

We support the broader aims of social and commercial equity in the community by championing the development of supplier diversity throughout the business community in Western Australia.

Local Contracting Alliance ("LCA")

Along with fellow collaborators, MMA co-founded this group which facilitates the process of evaluation and engagement of Aboriginal and Torres Strait Islander businesses with resources sector clients. The LCA helps resources sector companies achieve Corporate Social Responsibility goals and helps Aboriginal and Torres Strait Islander businesses win new contracts.

Since inception in late 2013, 12 new contracts have been enabled through the LCA network.

Advocacy

Our team attends and presents at industry and professional forums, such as the Oil & Gas Procurement Leaders Conference (speaker and panellist) and the Chartered Institute of Purchasing and Supply (newsletter contributor).

Informally, we advocate supplier diversity with our peers and provide testimonials and references for the businesses we successfully engage.

The 2014 financial year saw a strong commitment to our commercial activity with Indigenous businesses; we look forward to building on this success in the future.

In FY14, MMA business units donated over $32,000 to charity, as part of the Target 365 Perfect Day rewards program.

MMA's contribution assisted the Karratha Volunteer Fire & Rescue Service to send their Junior Brigade to compete in the State Championships.

MMA contributed to the 20th Annual Karratha to Broome Police Legacy Ride.

Corporate Governance Statement

1. INTRODUCTION

1.1 Corporate Governance

The Board of Directors ("Board") of Mermaid Marine Australia Limited ("Company" or "MMA") is responsible for the corporate governance of the consolidated entity. The Board is a strong advocate of good corporate governance as evidenced by the policies and practices outlined below. The Board regularly reviews and updates the Company's governance policies and practices by reference to corporate governance developments and best practice.

This Corporate Governance Statement outlines the Company's corporate governance policies and practices for the year ended 30 June 2014, and at the date of this report.

1.2 Compliance with Australian Corporate Governance Standards

In accordance with the disclosure requirements of the ASX Listing Rules, the Board believes that the governance policies and practices adopted by the Company for the year ended 30 June 2014 follow the Corporate Governance Principles and Recommendations (2nd Edition, with 2010 Amendments) ("ASX Principles") set out by the ASX Corporate Governance Council.

On 27 March 2014, the ASX Corporate Governance Council released the 3rd edition of the Corporate Governance Principles and Recommendations ("3rd Edition ASX Principles"). The Company has taken steps to early-adopt some of the new Recommendations in the 3rd Edition ASX Principles and has included disclosures in this Corporate Governance Statement reflecting this. The Company will measure its governance practices against the 3rd Edition ASX Principles in its 2015 Corporate Governance Statement as required under the 3rd Edition ASX Principles. In line with the 3rd Edition ASX Principles, the Company expects that its 2015 Corporate Governance Statement will be published on its website rather than contained in its Annual Report.

1.3 Access to policies and documents

The corporate governance documentation and policies referred to in this Corporate Governance Statement can be found on the Company's website at *www.mma.com.au/company.*

2. ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT

2.1 Functions of the Board

The Board of the Company is responsible for approving the strategic direction of the Company, for guiding and monitoring the management of the Company to achieve its strategic plans. The Board aims to increase shareholder value by maximising the Company's performance while taking into account the interests of other stakeholders, including the wider community in which it operates.

The Company has a Board Charter which clearly establishes the relationship between the Board and Senior Executives and describes their separate roles and responsibilities. A copy of the Board Charter can be found on the Company's website at *www.mma.com.au/company/corporategovernance.* The key roles and responsibilities of the Board are set out in the table on page 35.

2.2 Functions of Management

The Board has delegated to the Managing Director and Senior Executives authority over the day to day management of the Company and its operations.

Despite this delegation of authority, the Board maintains ultimate responsibility for strategy and control of the Company and its businesses. The key roles and responsibilities of the Managing Director and Senior Executives are set out in the table on page 35.

2.3 Roles and Responsibilities of the Board and Senior Executives

The Board will regularly review the separation of roles and responsibilities between Senior Executives and the Board to ensure that they are appropriate to meet the Company's needs and to develop best practice standards by reference to the ASX Principles.

The roles and responsibilities of the Company's Board and Senior Executives are consistent with those set out in ASX Recommendation 1.1 and new Recommendation 1.1 of the 3rd Edition ASX Principles and are summarised below:

Roles and Responsibilities of the Board
Providing strategic direction and deciding upon the Company's business strategies and objectives;
Monitoring the operational and financial position and performance of the Company and Senior Executives' performance and implementation of strategy;
Ensuring that appropriate resources are available to Senior Executives;
Identifying the principal risks faced by the Company and ensuring that appropriate control and monitoring systems are in place to manage the impact of these risks;
Ensuring that the Company's financial and other reporting mechanisms result in adequate, accurate and timely information being provided to the Board;
Ensuring that shareholders and the market are fully informed of all material developments;
Overseeing and evaluating the performance of the Chief Executive Officer (CEO) or equivalent and other Senior Executives in the context of the Company's strategies and objectives;
Appointing and, where appropriate, removing the CEO and the Company Secretary, appointing the Chairman, approving the appointment (or removal) of Senior Executives, and planning for Senior Executive succession;
Reviewing and approving the remuneration of the CEO (or equivalent) and Senior Executives and approving the entity's remuneration framework;
Approving the Company's budgets and business plans and monitoring the progress of major capital expenditures, capital management and acquisitions and divestments;
Ensuring that financial results are appropriately and accurately reported on a timely basis;
Reviewing, approving and monitoring the Company's systems of risk management, internal compliance and control systems (including a review of the effectiveness and implementation of the Company's risk management and internal control systems), codes of conduct and compliance with all laws, governmental regulations and accounting standards, including monitoring the effectiveness of the Company's governance practices;
Ensuring that the business is conducted openly and ethically; and
Actively monitor the health, safety and environmental performance of the Company.

Roles and Responsibilities of Senior Executives
Developing business plans, budgets and strategies for consideration by the Board and, to the extent approved by the Board, implementing these plans, budgets and strategies;
Operating the Company's business within the parameters set by the Board from time to time and keeping the Board informed of material developments in the business;
Where proposed transactions, commitments or arrangements exceed the parameters set by the Board from time to time, referring the matter to the Board for its consideration and approval;
Identifying, assessing, monitoring and managing material business risks associated with the Company's business activities and designing and implementing the risk management policies and internal control systems to best manage these material business risks for consideration by the Board;
Managing the Company's current financial and other reporting mechanisms and control and monitoring systems to ensure that these mechanisms and systems capture all relevant material information on a timely basis and are functioning effectively;
Ensuring that the Board is provided with sufficient information on a timely basis in regard to the Company's business, and in particular with respect to the Company's performance, financial condition, operating results and prospects, to position the Board to fulfil its governance responsibilities;
Ensuring that the Company's employees understand and embrace the Company's health, safety and the environment management systems through awareness campaigns and training; and
Implementing the policies, processes and codes of conduct approved by the Board.

Company Secretary

The Company Secretary reports directly to the Board through the Chairman, and all Directors have access to the Company Secretary. Consistent with new Recommendation 1.4 of the 3rd Edition ASX Principles, the Company Secretary's role in respect of matters relating to the proper functioning of the Board includes advising the Board and Board Committees on governance matters, monitoring that Board and Board Committee policies and procedures are followed, coordinating the timely completion and despatch of Board and Board Committee papers and ensuring that the business at Board and Board Committee meetings is accurately captured in the minutes and helping to organise and facilitate the induction and professional development of the Directors (as required).

2.4 The Company's Corporate Governance Model

The Company's Board and Senior Executive Management Model is illustrated below.

3. STRUCTURE AND COMPOSITION OF THE BOARD

3.1 Structure and Composition

The Company is committed to ensuring that the composition of the Board comprises of directors who bring an appropriate mix of skills, experience, expertise and diversity to Board decision making. The Board is currently comprised of six Directors, with five Non-Executive Directors (including the Chairman) and one Executive Director.

Details of each Director and the period of office held by each Director in office at the date of this Annual Report are as follows:

Name	Director Status	Year of Appointment	Period in Office
Mr M Bradley	Non-Executive Director	2000	14 years
Mr A Howarth	Non-Executive Director (Chairman)	2001	13 years
Mr J Weber	Managing Director/CEO	2002	12 years
Mr A Edwards	Non-Executive Director	2009	4 years
Ms E Howell	Non-Executive Director	2012	2 years
Mr CG Heng	Non-Executive Director	2012	2 years

A description of the skills, experience and expertise of each Director in office at the date of this Annual Report is included in the Directors' Report. The Board is in the process of developing a skills matrix, which sets out the mix of skills, experience and expertise that the Board currently has and is looking to achieve in its membership. The Board skills matrix will be disclosed in its 2015 Annual Report in line with Recommendation 2.2 of the 3rd Edition ASX Principles.

The Board is of the view that its current Directors possess an appropriate mix of skills, experience, expertise and diversity to enable the Board to discharge its responsibilities and deliver the Company's corporate objectives.

A description of the procedure for the selection and appointment of new Directors and the re-election of incumbent Directors and the Board's policy for the nomination and appointment of Directors is set out in the Nomination and Remuneration Committee Charter, which is to be found under Appendix C of the Board Charter. A copy of the Board Charter can be found on the Company's website at *www.mma.com.au/company/corporategovernance*.

Consistent with new Recommendation 1.2 of the 3rd Edition ASX Principles, the Company undertakes appropriate checks on potential candidates before a person is appointed by the Board or put forward to shareholders as a candidate for election as a Director, including checks as to the person's character, experience, education, criminal record and bankruptcy history. The Company also provides shareholders with all material information in its possession that is relevant to a decision whether or not to elect or re-elect a Director in the Company's Notices of Meeting and Explanatory Notes. The Company will ensure that the its 2014 Notice of Annual General Meeting ("AGM") contains all of the information set out in the commentary to new Recommendation 1.2 of the 3rd Edition ASX Principles.

3.2 Board Independence

ASX Principle 2.1 and new recommendation 2.4 of the 3rd Edition ASX Principles requires a majority of the Board to be independent Directors. In addition, ASX Principle 2.2 and new Recommendation 2.5 of the 3rd Edition ASX Principles requires the Chairperson of the Company to be independent.

3.2.1 Independence of the Chairman

The Chairman is elected from the independent Non-Executive Directors. Mr Tony Howarth is the present serving Chairman and is considered by the Board to be independent (having regard to the relationships affecting independent status described in Box 2.1 of the ASX Principles and Box 2.3 of the 3rd Edition ASX Principles and other facts, information and circumstances that the Board considers relevant). Consistent with new Recommendation 2.5 of the 3rd Edition ASX Principles, the Chairman of the Company is not the same person as the Managing Director. Further information about the Chairman, Mr Howarth, is included in the Directors' Report of this Annual Report.

The division of responsibilities between the Chairman and the Managing Director/CEO (as agreed by the Board) are detailed in the Board Charter and are summarised below:

Responsibilities of the Chairman

In consultation with the Managing Director/CEO and Company Secretary:

- setting the agenda for the matters to be considered by the Board;
- seeking to ensure that the information provided to the Board is accurate, timely and sufficient to keep the Board properly informed of the performance of the Company and of any developments that may have a significant impact on that performance;
- seeking to ensure that communications with shareholders are accurate and effective;

Managing the conduct, frequency and length of Board meetings so as to ensure that the Board maintains an in depth understanding of the Company's financial position and performance and the opportunities and challenges facing the Company;

Facilitating open and constructive communications between Board members and encouraging their contribution to Board deliberations;

Liaising with the CEO (or equivalent) and acting as the primary interface between the Board and the CEO (or equivalent); and

Liaising with and counselling, as appropriate, Board members.

Responsibilities of the Managing Director/CEO

Developing business plans, budgets and strategies for consideration by the Board and, to the extent approved by the Board, implementing these plans, budgets and strategies;

Operating the Company's business within the parameters set by the Board from time to time and keeping the Board informed of material developments in the business;

Where proposed transactions, commitments or arrangements exceed the parameters set by the Board from time to time, referring the matter to the Board for its consideration and approval;

Identifying, assessing, monitoring and managing material business risks associated with the Company's business activities and designing and implementing the risk management policies and internal control systems to best manage these material business risks for consideration by the Board;

Managing the Company's current financial and other reporting mechanisms and control and monitoring systems to ensure that these mechanisms and systems capture all relevant material information on a timely basis and are functioning effectively;

Ensuring that the Board is provided with sufficient information on a timely basis in regard to the Company's business, and in particular with respect to the Company's performance, financial condition, operating results and prospects, to position the Board to fulfil its governance responsibilities;

Ensuring that the Company's employees understand and embrace the Company's health, safety and the environment management systems through awareness campaigns and training; and

Implementing the policies, processes and codes of conduct approved by the Board.

3.2.2 Director Independence

As defined by the Corporate Governance Council, Directors of the Company are considered to be independent when they are Non-Executive Directors who are independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement.

The Board regularly reviews the independence of each Non-Executive Director in light of the relevant information disclosed to the Board. The Board assesses the independence of new Directors upon appointment and reviews their independence, and the independence of the other Directors, annually and as appropriate. When assessing the independence of a Director, the Board considers the matters potentially affecting the independent status of a Director as described in Box 2.1 of the ASX Principles and Box 2.3 of the 3rd Edition ASX Principles.

The Board may determine that a Director is independent notwithstanding the existence of an interest, position, association or relationship of the kind described in Box 2.1 of the ASX Principles and Box 2.3 of the 3rd Edition ASX Principles. However, in such a case, the Board will disclose the reasons for making its determination.

If at any time during the year a Director ceases or may have ceased to be independent, they are required to advise the Chairman immediately and a change in a Director's independent status will be disclosed and explained to the market in a timely fashion.

The test of whether a relationship could, or could be perceived to, materially interfere with the independent exercise of a Director's judgement is based on the nature of the relationship and the circumstances of that Director. Materiality is considered from the perspective of the Company, the Director, and the person or entity with which the Director has a relationship.

Of the six current Board members, the following five Directors are considered by the Board to be independent (having regard to the relationships affecting independent status described in Box 2.1 of the ASX Principles and Box 2.3 of the 3rd Edition ASX Principles and other facts, information and circumstances that the Board considers relevant):

Mr A Howarth
Chairman, Non-Executive Director

Mr M Bradley
Non-Executive Director

Mr A Edwards
Non-Executive Director

Ms E Howell
Non-Executive Director

Mr CG Heng
Non-Executive Director

The Board has considered the independence of Mr Bradley who has previously been employed in an executive capacity by the Company. The Board considers Mr Bradley to be independent as there has been a period of over fourteen years since Mr Bradley was employed in an executive capacity – which the Board considers is sufficient for Mr Bradley to be independent.

Of the six current Board members, the following Director is not considered by the Board to be independent (having regard to the relationships affecting independent status described in Box 2.1 of the ASX Principles and Box 2.3 of the 3rd Edition ASX Principles and other facts, information and circumstances that the Board considers relevant):

Mr J Weber
Managing Director

Therefore, the majority of the Board are considered to be independent. Further, the Chairperson of the Company is an independent Director.

In assessing the independence of each Non-Executive Director, and in line with Box 2.3 and the commentary to new Recommendation 2.3 of the 3rd Edition ASX Principles, the Board also considers the length of service of each Non-Executive Director (with any tenure in excess of 10 years needing further scrutiny in line with best governance practice). The Board considers that no Director has been a Director of the Company for such a period that their independence may have been compromised. The Board considers that the length of time that Mr Bradley and Mr Howarth have been on the Board does not have an adverse impact on each Director's ability to bring an independent judgement to bear in decision-making. The Board considers that having some Directors who have served on the Board for longer periods helps to ensure continuity of corporate knowledge and experience.

To foster Director independence, at the outset of every Board meeting the Directors of the Company meet without management present. The discussions at these meetings are facilitated by the Chairman.

3.2.3 Conflicts of Interest

Under the Directors' Code of Conduct (Appendix D of the Board Charter), the Directors have a duty not to place themselves in a position which gives rise to a real or substantial possibility of conflict of interest or duty, in relation to any matter which is or is likely to be brought before the Board. Directors are under an ongoing obligation to disclose to the Board such interests immediately, in addition to the statutory obligation to disclose to the Board any material personal interests in a matter.

3.2.4 Access to Information and Independent Advice

All Directors have unrestricted access to employees of the Company and, subject to the law, access to all Company records and information held by the Company and its external advisers. Each Director, the Board and the Board Committees may obtain independent professional advice at the Company's expense, as considered reasonable and necessary, subject to prior approval of the Chairman. Directors are entitled to reimbursement of all reasonable costs in obtaining such independent professional advice which has been approved by the Chairman. In the case of a request made by the Chairman, approval is required from the Chairman of the Audit and Risk Committee.

3.2.5 Induction and Education

New Directors are provided with a formal letter of appointment which sets out the key terms and conditions of their appointment, including their duties, rights and responsibilities, the time commitment envisaged, expectations regarding involvement with committee work and their responsibilities with respect to acting in a capacity other than as a Director of the Company.

The Company also has a Director Induction Program for new Directors which covers the Company's financial, strategic, operational and risk management position, and includes a meeting with key executives of the Company to gain an insight into the values and culture of the Company. The Director Induction Program also includes site visits to all of the Company's key operational centres. On an ongoing basis, Directors are provided with papers, presentations and briefings on matters which may affect the business or operations of the Company. To assist the Directors in maintaining an appropriate level of knowledge of the operations of the Company, Directors undertake site visits to the Company's operational centres each year.

Consistent with new Recommendation 2.6 of the 3rd Edition ASX Principles, and in addition to the formal induction program, Directors are provided with continuing education and professional development opportunities to develop and maintain their skills and knowledge needed to perform their role as directors effectively, including visits to the Company's operational centres, meetings with industry experts, local stakeholders and clients, ongoing briefings on developments in accounting standards and corporate governance changes as well as attendance at relevant industry conferences.

In line with new Recommendation 1.3 of the 3rd Edition ASX Principles, the Company has written agreements in place with each current Director and Senior Executive which sets out the terms of their appointment. A summary of the key terms of the employment contracts that the Company has in place with the Managing Director and Senior Management can be found in the Director's Report of this Annual Report.

4. COMMITTEES OF THE BOARD

The Board has established a Nomination and Remuneration Committee and an Audit and Risk Committee as standing committees to assist the Board in the discharge of its responsibilities.

These committees review matters on behalf of the Board and (subject to the terms of the relevant Committee's Charter) refer matters to the Board for decision, with a recommendation from the relevant committee.

Details of the membership, composition and responsibilities of each committee are detailed in sections 4.1 and 4.2 of this Corporate Governance Statement below.

4.1 Nomination and Remuneration Committee

4.1.1 Composition and Responsibilities

The Nomination and Remuneration Committee comprised the following members throughout the year:

Mr M Bradley (Chairman)
Independent, Non-Executive Director

Mr A Howarth
Independent, Non-Executive Director

Mr A Edwards
Independent, Non-Executive Director

Ms E Howell
Independent, Non-Executive Director

At the date of this Report, the Nomination and Remuneration Committee is comprised solely of Non-Executive Directors all of whom are independent and the Chair of the Nomination and Remuneration Committee is an independent Non-Executive Director who is not Chair of the Board.

The specific responsibilities of the Nomination and Remuneration Committee are set out in the Committee's Charter, which is to be found under Appendix C of the Board Charter and are consistent with commentary to Recommendation 2.4 of the ASX Principles. A copy of the Board Charter can be found on the Company's website at *www.mma.com.au/company/corporategovernance*.

Details of the qualifications of each of the above members of the Nomination and Remuneration Committee, the number of meetings of the Nomination and Remuneration Committee held during the year and the attendance at those meetings are set out in the Directors' Report.

4.1.2 Performance Evaluation and Remuneration

Senior Executive Performance Evaluation and Remuneration

The Nomination and Remuneration Committee is responsible for reviewing and making recommendations to the Board on remuneration policies, including, in particular, Senior Executive remuneration.

The objective of the Company's remuneration policy is to enhance both corporate and individual performance by taking into account all factors which it deems necessary to ensure that members of the Senior Executive of the Company are motivated to pursue the long term growth and success of the Company within an appropriate control framework and to ensure that there is a clear relationship between Senior Executive performance, Company performance and remuneration.

The performance of Senior Executives is reviewed on an annual basis. The Senior Executives of the Company are remunerated by way of a fixed annual remuneration component and an incentive or "at risk" remuneration component. The incentive or "at risk" remuneration component comprises both a short-term and long-term incentive. The mix of remuneration components and the measures of performance used in the incentive plans have been chosen by the Board to ensure that there is a strong link between remuneration, Senior Executive performance and sustainable Company performance to increase shareholder value.

Senior Executives who have an incentive or "at risk" component to their total remuneration packages, have defined performance conditions which are set at the start of the financial year (in the case of the annual short-term incentive plans) or at the commencement of the plan (in the case of the long-term incentive plans). Short-term incentives are based on the achievement of annual performance conditions, heavily weighted to Company earnings and shareholder return measures and also include non-financial goals which seek to achieve corporate objectives (including safety). For the short-term incentive plan, incentive awards are determined by the Board at the end of the financial year based on a review of overall performance of the Company and the performance of the individual against both the prescribed financial and non-financial measures set by the Board.

Long-term incentives for the 2014 financial year comprised the grant of performance rights with a three year performance hurdle based on normalised earnings per share growth and total shareholder returns. Shareholder approval is obtained for the grant of performance rights to the Managing Director. The Board exercises its discretion to grant performance rights commensurate with the overall performance of the Company and the performance of the individual during the period. Further details of the performance review process for Senior Executives are set out in the Remuneration Report of this Annual Report.

A performance evaluation for Senior Executives has taken place in the relevant reporting period in accordance with the process described above and as detailed in the Remuneration Report.

Remuneration of Senior Executives, Executive Directors and Non-Executive Directors

Details of:

- the remuneration and all monetary and non-monetary components for each of the Company's Senior Executives during the year and for each of the Directors during the year; and
- the difference in the structure of remuneration of Non-Executive Directors from that of Executive Directors and Senior Executives and the relationship between remuneration and Company performance,

are set out in the Directors' Report.

There is no scheme to provide retirement benefits, other than statutory superannuation, to Non-Executive Directors.

4.1.3 Board Performance Evaluation

A performance evaluation of the Board, its Committees and Directors has taken place in accordance with section 12 and Appendix J of the Board Charter. This evaluation was carried out by the Nomination and Remuneration Committee with the assistance of an independent, external corporate governance consultant, Effective Governance, and involved a review of the performance of the Board, its Committees and the Chairman.

Further detail about the process for periodically evaluating the performance of the Board, its Committees and the Directors is set out in section 12 and Appendix J of the Board Charter.

A copy of the Board Charter can be found on the Company's website at *www.mma.com.au/company/corporategovernance*.

4.2 Audit and Risk Committee

4.2.1 Composition and Responsibilities

The Audit and Risk Committee comprised the following members throughout the year:

Mr A Edwards (Chairman)
Independent, Non-Executive Director

Mr A Howarth
Independent, Non-Executive Director

Mr M Bradley
Independent, Non-Executive Director

Ms E Howell
Independent, Non-Executive Director

At the date of this Report, the Audit and Risk Committee is comprised solely of Non-Executive Directors all of whom are independent and the Chair of the Audit and Risk Committee is an independent Non-Executive Director who is not Chair of the Board.

Details of the qualifications of each of the above members of the Audit and Risk Committee, the number of meetings of the Audit and Risk Committee held during the year and the attendance at those meetings are set out in the Directors' Report.

The Audit Committee monitors internal control policies and procedures designed to safeguard Company assets and to maintain the integrity of financial reporting. The Audit and Risk Committee operates under a formal charter approved by the Board (a copy of which is to be found under Appendix B of the Board Charter).

It is the Board's responsibility to regularly review and approve the Company's risk management and oversight policies (including a review of the effectiveness of the implementation of that system) to satisfy itself that management has developed and implemented a sound system of risk management and internal control. Whilst retaining ultimate responsibility, the Board has delegated its responsibility for risk oversight, risk management and internal control to the Audit and Risk Committee. This includes monitoring the integrity of the financial statements of the Company, reviewing external reporting procedures, reviewing the performance of the Company's external audit function to ensure that independence is maintained, assessing the propriety of all related party transactions, monitoring, assessing and making recommendations to the Board in relation to the Company's business policies and procedures, internal control systems, internal audit functions, compliance with applicable laws and regulations, the Company's risk management framework and the effectiveness of the Company's management of its material business risks.

The Audit and Risk Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports.

4.2.2 Appointment, Rotation and Independence of the External Auditor

The Company's external auditor is Deloitte Touche Tohmatsu ("Deloitte"). The effectiveness, performance and independence of the external auditor are reviewed annually by the Audit and Risk Committee. The lead audit partner is required to rotate after a maximum of five years. Mr Ross Jerrard is currently the lead audit partner for Deloitte and was appointed on 16 April 2012. The procedure for the selection and appointment of the external auditor and the rotation of the external audit engagement partners is to be found under Appendix I of the Board Charter. Deloitte has provided the required Independence Declaration to the Board for the financial year ended 30 June 2014. This Independence Declaration follows the Directors' Report of this Annual Report.

During the year, the Company conducted vessel operations in a number of countries and also acquired all of the subsidiaries of Jaya Holdings Limited whose subsidiaries are located in various jurisdictions throughout South East Asia. The Company consequently incurred and paid taxation consulting and compliance fees to Deloitte and their network firms during the year in gaining a full understanding of and meeting the Company's taxation obligations in each of those countries as well as providing advice in relation to the Jaya acquisition. Details of the fees paid to the external auditor for audit and non-audit services during the year are set out in note 32 of the Financial Statements.

The Board considered that it was prudent and cost effective to engage the external auditor, Deloitte, to provide the required tax consulting and compliance services during the year because of their detailed knowledge of the Company's affairs, including its corporate tax structure. In addition, Deloitte was able to utilise the services of their network firms in the countries the Company operated in during the year to provide the necessary advice regarding the Company's tax obligations and compliance with these tax obligations within each of those countries.

Following a detailed review by the Audit and Risk Committee of the nature of the non-audit services provided by the external auditor during the year, the Board has determined that the services provided, and the amount paid for those services, are compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 (Cth) and that the auditor's independence has not been compromised.

In line with new Recommendation 4.3 of the 3rd Edition ASX Principles, Deloitte attends the Company's Annual General Meetings and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report. In addition to shareholders being able to ask questions at the Company's Annual General Meeting, shareholders may submit any written questions for the external auditor to the Company Secretary prior to the Company's Annual General Meeting.

4.2.3 Internal Audit function

In line with new Recommendation 7.3 of the 3rd Edition ASX Principles, the Company has a formal Internal Audit function which is led by the Internal Audit Manager. The Internal Audit Manager reports to the Audit and Risk Committee and the Chief Financial Officer and has access to the Audit and Risk Committee at all times.

The role of the Internal Audit function is to provide the Board and management with independent and objective assurance on the effectives of the Company's governance, risk management and internal control processes. The Internal Audit function is responsible for providing an independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control system. To maintain the necessary independence it needs to carry out its role, the Internal Audit function has no direct operational responsibility or authority over any of the Company's business or risk management activities.

5. GOVERNANCE POLICIES

5.1 Governance Policies and Procedures

Details of the Company's Governance Policies and Procedures are contained in the Board Charter and can be located on the Company's website at *www.mma.com.au/company/corporategovernance*. The location of the relevant Policy/Procedure is as follows:

Policy / Procedure	Board Charter
Directors' Code of Conduct and Corporate Code of Conduct	Section 7 and Appendix D and G
Share Trading Policy	Section 8 and Appendix E
Communications Policy and Disclosure Policy	Sections 9, 10, 11 and Appendix F
Risk Management Policy (Summary)	Section 13 and Appendix H
Procedure for the Selection, Appointment and Rotation of External Auditor	Appendix I
Procedure for the Evaluation of the Board and its Committees	Section 12 and Appendix J
Diversity Policy	Section 14 and Appendix K

In accordance with new Recommendation 8.3 of the 3rd Edition ASX Principles, the Company's Share Trading Policy prohibits persons participating in an equity-based remuneration scheme from entering into transactions which limit the economic risk of participants in that scheme. A copy of the Company's Share Trading Policy is set out in section 8 and Appendix E on the Company's website at *www.mma.com.au/company/corporategovernance*.

5.2 Diversity

5.2.1 Diversity Policy

In accordance with Recommendation 3.2 of the ASX Principles, the Company has established a Diversity Policy (a copy of which is included under Appendix K of the Board Charter).

In line with its objective to increase the overall proportion of women at all levels within the Company, within Senior Management positions and on the Board, the Company has established a Diversity Committee and appointed a Diversity Manager responsible for:

- Assisting the Board with diversity issues;
- Establishing and monitoring strategies on gender diversity;
- Implementing the measurable objectives set by the Board; and
- Reviewing achievements and progress against gender diversity objectives.

The table under section 5.2.2 below sets out the Company's measurable objectives for achieving greater gender diversity as disclosed in its 2012 and 2013 Annual Reports and the progress it has made towards achieving these measurable objectives. The 2014 measurable objectives agreed by the Board to improve gender diversity remain consistent with the 2012 objectives so that the Company is able to measure and demonstrate the progress it has made.

As part of its commitment to diversity, the Company continues to operate its Strategy for Indigenous Development and Employment ("STRIDE"). STRIDE was developed to provide training and employment opportunities for Indigenous Australians from across Western Australia.

5.2.2 Measurable Objectives

As disclosed in its 2012 Annual Report, the Company has set the following measurable objectives for achieving greater gender diversity throughout the Company and on the Board for a five year period commencing 1 July 2011 and ending on 30 June 2016. As at the date of this Annual Report, the progress the Company has made in achieving these measurable objectives is as follows:

Item	Measurable Objective	Progress
1	Amend the Board Charter and the Charter of the Nomination and Remuneration Committee to formalise its responsibility for diversity and for the Nomination and Remuneration Committee to review remuneration by gender across the Company.	• This objective has been achieved as the Board Charter and the Charter of the Nomination and Remuneration Committee have been so amended.
2	Appoint a Diversity Manager and establish a Diversity Committee.	• As previously reported the Company has appointed a Diversity Manager and established a Diversity Committee. • The Diversity Committee (comprising the Managing Director, Diversity Manager and senior female managers within the Company) meets on a regular basis to oversee the implementation of the Diversity Policy and the measurable objectives set by the Board. • The Managing Director is Chairman of the Diversity Committee and reports directly to the Nomination and Remuneration Committee in relation to diversity matters.
3	Increase the representation of women in Senior Executive positions by 2016 to represent at least 10%.	• Representation of women in Senior Executive positions has remained stable at 14.3%. The Company aims to increase this representation of women in Senior Executive positions to 15% by 2016.
4	Increase the representation of women in Senior Management positions by 2016 to represent at least 30%.	• Representation of women in Senior Management positions has declined slightly to 21.7% (2013:- 24.3%). Continued focus is required in this area which will be supported by the initiatives detailed in this Schedule and by complying with the Diversity Policy.
5	Appoint at least 2 female Directors to the Board.	• Ms Eve Howell was appointed as a Director to the Board on 27 February 2012. • The search for a suitable second female Director for the Company is continuing.

Item	Measurable Objective	Progress
6	Improve support for pregnancy and maternity leave and provide flexible working arrangements.	• Through the implementation of its new Maternity Leave Policy, the Company has been able to provide better support for pregnant women in the workplace and for women commencing and returning from maternity leave. • On current data, the majority of women who have taken maternity leave have returned to work for the Company, either in an equal or greater position of responsibility. • The Diversity Committee continually monitors the application of the Maternity Leave Policy and reports the Company's progress to the Nomination and Remuneration Committee. • The Diversity Committee has also undertaken an annual review of all part-time work arrangements to ensure that they are appropriate to maintain career development and support work/life balance.
7	Foster an equal opportunity culture.	• Through the implementation of its new recruitment procedure (which aims to create a more effective, transparent recruitment process based both on merit and the aims of the Company in achieving greater diversity) the Company has made steady progress towards its objective of fostering an equal opportunity culture. • During the financial year, the Company again conducted a company-wide Diversity and Equal Opportunity Survey to measure its progress on the findings from its 2013 survey. The results of the 2014 survey were generally very positive with a few areas still to be improved. The Company is continuing to develop initiatives, policies and procedures to address the issues identified in the 2014 survey. • The Company will continue to conduct a company-wide Diversity and Equal Opportunity Survey on an annual basis to measure its progress and the effectiveness of the policies, procedures and initiatives it has implemented in this regard.
8	Improve talent management – high potential women within the Company are identified and developed for career progression.	• The Company previously reported that over 50% of those employees for whom the Company had paid to undertake further study were women. This figure remains the same for the current reporting period. • The Diversity Committee undertook successful initiatives to promote career development for high potential women within the Company. The Diversity Committee has during the reporting period identified additional suitable candidates for inclusion in the program (including extending the program to female supervisors, Vessel Masters and Chief Engineers).

The Board will re-assess these diversity objectives annually and report on the Company's progress towards achieving them.

5.2.3 Diversity Profile

At the date of this Annual Report, the proportion of women employees within the Company is as follows:

- on the Board:- 16.7% (2013:- 16.7%);
- in Senior Executive positions:- 14.3% (2013:- 14.3%);
- in Senior Management positions:- 21.7% (2013:- 24.3%); and
- within the whole Company:- 14.3% (2013:- 13.8%).

In line with new Recommendation 1.5 of the 3rd Edition ASX Principles, the Company defined a "Senior Executive" position as a Senior Management position reporting directly to the Managing Director.

The proportion of women within the whole Company is comparable with other vessel operators within the industry as seafaring is not generally a profession in which women choose to participate.

5.3 Risk Management

The Company recognises that risk is an accepted part of doing business and that effective management of risk is vital to delivering on its objectives, success and continued growth. The Company is committed to managing its material business risks in a proactive and effective manner. The Company operates a standardised risk management framework across the Group which provides an over-arching and consistent process for the identification, assessment, monitoring and management of material business risks. The Company has a risk function, separate to the internal audit function, and aligns the Company's risk management process with the International Standard for risk management (ISO 31000: 2009 Risk Management - Principles and Guidelines).

The Company has a dedicated Risk Manager responsible for:

- reviewing and improving the Company's risk management framework;
- providing risk management support and guidance to ensure the effective implementation of the risk management framework; and
- developing risk management capability across the Company.

The Company's Risk Manager reports directly to the Audit and Risk Committee under the Company's Risk Management Policy.

5.3.1 Risk Management Policy

Since our Annual Report last year, the Board has approved a revised Risk Management Policy which describes the manner in which the Company:

- identifies, analyses and evaluates its material business risks;
- designs and implements appropriate risk control systems; and
- reviews the effectiveness of the control systems on a regular basis.

The Company's risk appetite and tolerance levels are set by the Board in line with the Company's strategy which has as its central focus, the creation of long-term shareholder value.

A summary of the Company's Risk Management Policy is to be found under Appendix H of the Board Charter, which is published on the Company's website at *www.mma.com.au/company/corporategovernance*.

The Company's Risk Management Policy is reviewed at least annually or as often as required.

5.3.2 Risk Management Oversight and Responsibility

The Board is responsible for regularly and at least on an annual basis, reviewing and approving the Company's risk management strategy, policy and key risk parameters. The Board is also responsible for satisfying itself that management has developed and implemented a sound system of risk management and internal control. The Board has delegated oversight of the Risk Management Policy, including review of the effectiveness of the Company's internal control system and risk management process, to the Audit and Risk Committee. Management is responsible for designing, implementing, reviewing and providing assurance as to the effectiveness of the Risk Management Policy. This responsibility includes conducting business risk identification, implementing appropriate risk treatments, strategies and controls, monitoring effectiveness of controls and reporting on risk management performance.

In 2014, both the Audit and Risk Committee and the Board reviewed the overall risk management framework and risk profile for the Company and received reports from management on the effectiveness of the Company's management of its material business risks. The Company's internal audit function is responsible for providing an independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control system.

5.3.3 Risk Certification

In accordance with ASX Principle 7.2, management has reported to the Board that the Company's material business risks are being effectively managed in line with the risk management and internal control systems designed and implemented by management and approved by the Board.

In accordance with ASX Principle 7.3 and new Recommendation 4.2 of the 3rd Edition ASX Principles, the Managing Director and the Chief Financial Officer have provided the Board with declarations in relation to the financial statements for the financial year ended 30 June 2014 that:

- in their opinion, the financial reports of the Company have been properly maintained;
- in their opinion, the financial statements comply with the appropriate accounting standards and give and true and fair view of the financial position and performance of the Company; and
- their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

In line with new Recommendation 4.2 of the 3rd Edition ASX Principles, it is the Company's practice that similar assurances are provided to the Board for the Company's half year financial statements and report.

5.3.4 Economic, Environmental and Social Sustainability Risk

Disclosure regarding compliance with the new Recommendation 7.4 of the 3rd Edition ASX Principles is set out in the Health, Safety and Security, Environment and Community Engagement sections of this Annual Report.

The Company's material business risks (including any material exposure to economic, environmental or social sustainability risks) and how it seeks to manage these risks, is discussed in the Strategy, Outlook and Risks section of this Annual Report.

5.4 Information about the Company and communicating with shareholders

The Company understands the importance of open, clear and timely communication with shareholders and investors and meeting the Company's continuous disclosure and other obligations to the market.

The Company values a direct, two-way dialogue with shareholders and investors and is committed to providing relevant information in a timely manner and to listen to and understand shareholders' and investors' feedback.

Consistent with new Recommendation 6.1 of the 3rd Edition ASX Principles, information about the Company and its governance can be found at the Company's website, including, among other things, the names, photo and brief biographical information for each of its Directors and Senior Executives, the Company's Constitution, Board Charter and Board Committee Charters as well as copies of the corporate governance policies referred to in this Corporate Governance Statement.

In line with new Recommendation 6.2 of the 3rd Edition ASX Principles, the Company has an investor relations program to promote effective communication with its shareholders and investors, and to encourage participation at the Company's shareholder meetings. Some initiatives adopted include:

- maintaining the Company's Investor Centre section on the Company's website where further access to information about the Company can be found, including copies of ASX and media releases, the Chairman's and Managing Director's address at the Annual General Meeting, copies of the Company's Annual Reports and financial statements, investor presentations and investor briefings and market/analyst briefings;
- webcasting our Annual General Meeting;
- meetings with shareholders and responding to any enquiries that shareholders may have from time to time; and
- encouraging shareholders to send in questions to us prior to the Annual General Meeting and responding to questions raised by shareholders.

As part of the Company's regular review of its Communication Policies and investor relations program, it intends to take into account these new recommendations to further promote effective communication between it and its shareholders and investors. In particular, the Company has given its shareholders the option to communicate with the Company and its share registry electronically in accordance with new Recommendation 6.4 of the 3rd Edition ASX Principles.

5.5 Encouraging participation at meetings

The Company considers that it conducts general meetings of shareholders in a manner that facilitates effective communication with shareholders and allows reasonable opportunity for informed shareholder participation consistent with new Recommendation 6.3 of the 3rd Edition ASX Principles.

At the Company's Annual General Meeting ("AGM"), shareholders have the opportunity to hear directly from the Board and Managing Director on Company performance and objectives, ask questions on important issues, and vote on Board recommendations. The Chairman and Managing Director's AGM addresses are announced to the market and posted on the Company's website either before or as soon as practicable after the AGM. Further, shareholders are invited to submit questions in advance of the AGM so the Company can ensure those questions are adequately addressed at the AGM.

Notices of Meetings are accompanied by explanatory notes to enable shareholders to assess and make an informed decision on the resolutions put forward at the meeting. Full copies of the Notices of Meeting and explanatory notes are posted on the Company's website. Shareholders may also elect to receive all communications from the share registry electronically, including Notices of Meeting and Annual Reports, in line with new Recommendation 6.4 of the 3rd Edition Principles.

In line with new Recommendation 4.3 of the 3rd Edition ASX Principles, Deloitte attends the Company's AGM and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report. In addition to shareholders being able to ask questions at the Company's AGM, shareholders may submit any written questions for the external auditor to the Company Secretary prior to the Company's AGM.

The Board requests the attendance of the Chairs of the various Board Committees to be available at the AGM to answer shareholder questions about the business of those Committees.

Shareholders who are unable to attend the Company's AGM may vote by appointing a proxy using the form included with the Notice of Meeting. The Company's AGMs are recorded each year and are uploaded to the Company's website as soon as possible after the AGM where they can be viewed online.

6. CHECKLIST

6.1 ASX Corporate Governance Council Recommendations Checklist

ASX Listing Rule 4.10.3 requires companies to disclose the extent to which they have complied with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (2nd Edition as amended on 30 June 2010) ("ASX Principles"). Where recommendations have not been followed, the Company must identify the recommendations which have not been followed and give reasons for not following them.

The Company's corporate governance practices for the year ended 30 June 2014 are outlined in the Corporate Governance Statement above. The following table lists each of the ASX Principles and the Company's assessment of its compliance with the ASX Principles:

ASX Corporate Governance Council Recommendations		Reference	Comply	3rd Edition ASX Principles
Principle 1: Lay solid foundations for management and oversight				
1.1	Companies should establish the functions reserved to the Board and those delegated to Senior Executives and disclose those functions.	2.1, 2.2 and 2.3	Yes	1.1
1.2	Companies should disclose the process for evaluating the performance of Senior Executives.	4.1.2	Yes	1.7
1.3	Companies should provide the information indicated in the *Guide to reporting on Principle 1.*	As above	Yes	No equivalent
Principle 2: Structure the Board to add value				
2.1	A majority of the Board should be independent Directors.	3.2.2	Yes	2.4
2.2	The Chair should be an independent Director.	3.2.1	Yes	2.5
2.3	The roles of Chair and Chief Executive Officer should not be exercised by the same individual.	3.1 and 3.2.1.	Yes	2.5
2.4	The Board should establish a Nomination Committee.	4.1	Yes	2.1
2.5	Companies should disclose the process for evaluating the performance of the Board, its Committees and individual Directors.	4.1.3 and 5.1F	Yes	1.6
2.6	Companies should provide the information indicated in the *Guide to reporting on Principle 2.*	As above and 2.1, 3.1, 3.2.2 and 3.2.4	Yes	No equivalent
Principle 3: Promote ethical and responsible decision-making				
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the Company's integrity • the practices necessary to take into account their legal obligations and reasonable expectations of their stakeholders; and • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	5.1A	Yes	3.1

ASX Corporate Governance Council Recommendations		Reference	Comply	3rd Edition ASX Principles
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them.	5.2.1 and 5.1G	Yes	1.5
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	5.2.2	Yes	1.5
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in Senior Executive positions and women on the Board.	5.2.3	Yes	1.5
3.5	Companies should provide the information indicated in the *Guide to reporting on Principle 3.*	As above	Yes	No equivalent
Principle 4: Safeguard integrity in financial reporting				
4.1	The Board should establish an Audit Committee.	4.2	Yes	4.1
4.2	The Audit Committee should be structured so that it: • consists only of Non-Executive Directors; • consists of a majority of independent Directors; • is chaired by an independent Chair, who is not Chair of the Board; and • has at least three members.	4.2.1	Yes	4.1
4.3	The Audit Committee should have a formal charter.	4.2.1	Yes	4.1
4.4	Companies should provide the information indicated in the *Guide to reporting on Principle 4.*	As above, 4.2.2 and 5.1E.	Yes	No equivalent
Principle 5: Make timely and balanced disclosure				
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a Senior Executive level for that compliance and disclose those policies or a summary of those policies.	5.1C	Yes	5.1
5.2	Companies should provide the information indicated in the *Guide to reporting on Principle 5.*	As above	Yes	No equivalent
Principle 6: Respect the rights of shareholders				
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	5.1C, 5.4 and 5.5	Yes	6.1-6.4

ASX Corporate Governance Council Recommendations		Reference	Comply	3rd Edition ASX Principles
6.2	Companies should provide the information indicated in the *Guide to reporting on Principle 6.*	As above	Yes	No equivalent
Principle 7: Recognise and manage risk				
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	5.3.1, 5.1D and 4.2	Yes	7.1
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	5.3.2 and 5.3.3	Yes	7.2
7.3	The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	5.3.3	Yes	4.2
7.4	Companies should provide the information indicated in the *Guide to reporting on Principle 7.*	As above	Yes	No equivalent
Principle 8: Remunerate fairly and responsibly				
8.1	The Board should establish a Remuneration Committee.	4.1	Yes	8.1
8.2	The Remuneration Committee should be structured so that it: • consists of a majority of independent Directors • is chaired by an independent Chair; and • has at least three members.	4.1.1	Yes	8.1
8.3	Companies should clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executive Directors and Senior Executives.	4.1.2	Yes	8.2
8.4	Companies should provide the information indicated in the *Guide to reporting on Principle 8.*	As above	Yes	No equivalent

Directors' Report

The Directors of Mermaid Marine Australia Limited ("Company" or "MMA") submit herewith the annual financial report of the Company for the financial year ended 30 June 2014. In order to comply with the provisions of the Corporations Act 2001 (Cth), the Directors report as follows:

Directors

The names and particulars of the Directors of the Company during or since the end of the financial year are:

Mr Anthony (Tony) John Howarth AO

Chairman
– Appointed 1 August 2006

Tony was appointed as a Director of the Company on 5 July 2001 and as Chairman of the Company on 1 August 2006. Tony is also currently a Non-Executive Director of Wesfarmers Limited, Alinta Holdings and BWP Management Limited. Tony worked in the banking and finance industry for over 30 years. His work has involved a number of overseas appointments. He has previously held the positions of Managing Director of Challenge Bank Limited, CEO of Hartleys Limited, Chairman of Alinta Limited, Deputy Chairman of the Bank of Queensland Limited, a Non-Executive Director of AWB Limited and Chairman of Home Building Society Limited. Tony is also Chairman of St John of God Health Care Inc. and an Adjunct Professor (Financial Management) at the University of Western Australia Business School. Tony is also involved in a number of community and business organisations including the Senate of the University of Western Australia, a member of the University of Western Australia Business School Advisory Board and the Rio Tinto Community Fund and a Director of the West Australian Rugby Union Inc. Tony is a member of the Company's Nomination and Remuneration Committee and the Audit and Risk Committee.

Mr Jeffrey Andrew Weber

Managing Director
– Appointed 31 December 2002

Jeff began his career as a Marine Engineer with BHP Transport. He went on to complete a degree in this field in 1993 and in 1994 graduated with a Master's in Engineering and Technology Management from the University of Queensland. During his 19 years with BHP, Jeff gained comprehensive project management experience and helped develop new business for BHP Transport in Australia and South-East Asia. He also managed a major initiative with BHP's steel division, reviewing its logistics arrangements and developing processes to improve services and reduce costs. In 1998, Jeff joined Riverside Marine in Queensland and helped expand its operations Australia-wide. This included forming a joint venture company with Wijsmuller International Towage BV, RiverWijs and negotiating with Woodside Petroleum to take over that company's harbour towage operation in Dampier, Western Australia. Jeff is also a Non-Executive Director of Maritime Super Pty Ltd, a superannuation fund dedicated to employees in the maritime industry. As Managing Director of Mermaid Marine Australia Ltd, Jeff is responsible for the financial and operational performance of all of the Company's business lines.

Mr Mark Francis Bradley

Non-Executive Director
– Appointed 22 September 2000

A Civil Engineer with a track record in senior offshore engineering management, Mark joined the J Ray McDermott company in 1977 for service on Esso's Tuna/Mackerel project in Bass Strait. During the 14 years of technically challenging work that followed, Mark held senior positions with the company in Indonesia, Singapore, Malaysia, Dubai and Saudi Arabia. Still with McDermott, but returning to Australia, he then worked on new projects in Bass Strait and, finally, the Woodside North Rankin A and Goodwyn A platforms on the North West Shelf in Western Australia. In 1991, Mark joined Clough Offshore as Project Manager of a number of North West Shelf projects. Duties in Thailand, China and Indonesia followed, and by 1993 he was Operations/Project Manager for BHP's Griffin project. In 1994, Mark became Managing Director of Clough Offshore. A highly talented manager, he then presided over that company's fivefold growth, which was to make it one of the most well-equipped, professional and competitive groups in the offshore contracting business. In 1997, Mark joined the Board of Clough Engineering as an Executive Director, retiring and becoming a Director of Mermaid Marine in 2000. Mark is the Chairman of the Company's Nomination and Remuneration Committee and a member of the Audit and Risk Committee.

Mr James Henry Carver

Executive Director
– Retired 15 July 2013

Captain James Carver is a Ships' Master with over 30 years' direct experience in the marine industry. As Woodside Petroleum's first Ships' Master, he carried out marine operations in LNG development. Captain Carver, who has been involved in exploration, construction and production for most of the oil and gas projects on the North West Shelf, has an in-depth knowledge of the industry, its needs and its future. He established Mermaid Marine in 1982 and pursued a 'can do' attitude at sea and ashore. Under his direction, the fleet grew from one to 15 vessels and the Supply Base at Dampier was secured for its present expansion. Captain Carver retired as a Director of the Company on 15 July 2013.

Mr Hugh Andrew Jon (Andrew) Edwards

Non-Executive Director
– Appointed 18 December 2009

Andrew is a former Managing Partner of PriceWaterhouseCoopers, Perth Office (PWC), a former national Vice President of the Securities Institute of Australia (now the Financial Services Institute of Australasia) and a former President of the Western Australian division of that Institute. He is a Fellow of the Australian Institute of Company Directors, a Fellow of the Institute of Chartered Accountants in Australia and has served as State Chairman of the local Education Committee of that Institute and was a former member of its National Education Committee. Andrew currently serves as a Non-Executive Director of Nido Petroleum Limited and is Non-Executive Chairman of MACA Ltd and is President of Activ Foundation Inc. Andrew has previously served on the Board of Aspire Mining Limited as a Non-Executive Director. Andrew graduated from the University of Western Australia with a Bachelor of Commerce degree. He is the Chairman of the Company's Audit and Risk Committee and a member of the Company's Nomination and Remuneration Committee.

Ms Eva Alexandra (Eve) Howell

Non-Executive Director – Appointed 27 February 2012

Eve has over 40 years of experience in the oil and gas industry in a number of technical and managerial roles. Eve was recently Executive Chairman of Tanglers Petroleum Limited, Executive Vice President for Health, Safety & Security at Woodside Energy Ltd and previously served as Executive Vice President of North West Shelf at Woodside and Managing Director at Apache Energy Ltd. Eve is currently a Director of Downer EDI Limited, Buru Energy Limited and EMR Resources Pty Ltd. Eve also currently holds a senior advisor role with Miro Advisors Pty Ltd, an independent business focused on corporate advisory opportunities in the natural resources sector. She has previously served on a number of Boards, including the Fremantle Port Authority, the Australian Petroleum Production & Exploration Association and was a Board member and President of the Australian Mines and Metals Association. Eve holds a Bachelor of Science (with Honours in Geology and Mathematics) from the University of London and an MBA from Edinburgh Business School and is a member of the Australian Institute of Company Directors. Eve is a member of the Company's Nomination and Remuneration Committee and the Company's Audit and Risk Committee.

Mr Chiang Gnee Heng

Non-Executive Director – Appointed 5 July 2012

Chiang Gnee graduated as a Marine Engineer in July 1977 from the University of Newcastle Upon Tyne (UK) and spent almost 30 years working in Singapore government-linked companies and in various industries including shipyards, ordnance equipment manufacturing, aircraft engine component manufacturing, amusement and lifestyle businesses and environment management.
In June 1989, Chiang Gnee attended the Sloan School of Management at MIT (USA) and graduated with a Masters in Management in July 1990. He was formerly the CEO of Sembawang Shipyard for 10 years and CEO of Sembcorp Environment Management Pte Ltd for 2 years until August 2007. Chiang Gnee is currently the Executive Director of Singapore Maritime Institute (SMI) which focuses on the development of the Singapore maritime industry - with special focus on training and education, research and development, and policy formulation. Chiang Gnee is also engaged in workplace health and safety management and in vocational technical education. He is Deputy Chairman of the Singapore Workplace Safety and Health Council and Deputy Chairman of the Institute of Technical Education (ITE) Board of Governors.

The above named Directors held office during the whole of the financial year and since the end of the financial year, with the exception of:

- Mr James Henry Carver who retired on 15 July 2013.

Directorships of Other Listed Companies

Directorships of other listed companies held by the Directors in the three years immediately before and since the end of the financial year are as follows:

Name	Company	Period of Directorship
Mr A Howarth	Wesfarmers Limited	Since July 2007
Mr A Howarth	BWP Management Limited	Since October 2012
Mr A Edwards	Nido Petroleum Limited	Since December 2009
Mr A Edwards	MACA Limited	Since October 2010
Mr A Edwards	Aspire Mining Limited	July 2011 – May 2014
Ms E Howell	Downer EDI Limited	Since January 2012
Ms E Howell	Tangiers Petroleum Limited	September 2012 – February 2014
Ms E Howell	Buru Energy Limited	Since July 2014

Directors' Shareholdings

The following table sets out each Director's relevant interest in shares and rights or options in shares of the Company as at the date of this report:

Name	Fully paid ordinary shares direct	Fully paid ordinary shares indirect	Share options/ rights direct
Mr A Howarth	584,146	281,756	–
Mr J Weber	1,459,484	320,000	995,030
Mr M Bradley	573,819	–	–
Mr A Edwards	–	14,750	–
Ms E Howell	–	–	–
Mr CG Heng	–	–	–

The Directors do not have any interests in shares, options or rights of any related body corporate of the Company.

Remuneration of Key Management Personnel

Information about the remuneration of key management personnel is set out in the Remuneration Report of this Directors' Report on pages 57 to 72. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, either directly or indirectly, including any Director (whether executive or otherwise) of the consolidated entity.

Share Rights Granted to Directors and Senior Management

During and since the end of the financial year, an aggregate of 892,330 performance rights were granted to the following Director and to the seven highest remunerated Officers of the Company as part of their remuneration:

Name	Number of rights granted	Issuing entity	Number of ordinary shares under rights
Mr J Weber	346,023	Mermaid Marine Australia Ltd	346,023
Mr D Ross	169,619	Mermaid Marine Australia Ltd	169,619
Mr P Raynor	169,619	Mermaid Marine Australia Ltd	169,619
Mr D Lofthouse	53,317	Mermaid Marine Australia Ltd	53,317
Mr D Roberts	44,177	Mermaid Marine Australia Ltd	44,177
Mr M Gillett	44,177	Mermaid Marine Australia Ltd	44,177
Mr D Thomas	42,548	Mermaid Marine Australia Ltd	42,548
Ms L Buckey	22,850	Mermaid Marine Australia Ltd	22,850

Company Secretary
Mr Dylan Darbyshire-Roberts

– Appointed 19 August 2008

Dylan held the position of Company Secretary of Mermaid Marine Australia Limited at the end of the financial year. He joined the Company in May 2007 in the role of Commercial Manager. Previously, he was a Senior Associate with the law firm DLA Piper Australia where he practised in the areas of insurance, corporate and marine law. After obtaining a Bachelor of Commerce degree (1995) and a LLB degree (1997) at the University of Natal (PMB), Dylan qualified as a Solicitor in South Africa, New South Wales and Western Australia. Dylan has worked in a legal capacity in all of these jurisdictions as well as the UK over the past 14 years. Dylan is an Associate of the Institute of Chartered Secretaries and Administrators and Chartered Secretaries Australia.

Principal Activities

The consolidated entity's principal activities during the course of the financial year were the provision of marine logistics and supply base services throughout all phases of the oil and gas development cycle.

There were no significant changes in the nature of the activities of the consolidated entity during the financial year.

Review of Operations

A review of, and information about the operations of the consolidated entity for the financial year and the results of those operations are set out in the Chairman's Address and the Managing Director's Report in this Annual Report.

Changes in State of Affairs

During the financial year, there were no significant changes in the state of affairs of the consolidated entity other than those referred to in the Financial Statements or the notes thereto.

Subsequent Events

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Future Developments

The Chairman's Address and the Managing Director's Report give an indication, in general terms, of likely developments in the Company's operations in future financial years, and the expected results of those operations.

Environmental Regulations

The Company continues to conduct its operations within the parameters of the Department of Environmental and Conservation Licence and Ministerial requirements. There were no breaches of licence conditions for the year ended 30 June 2014.

Dividends

In respect of the financial year ended 30 June 2013, as detailed in the Directors' Report for that financial year, a final dividend of 7 cents per share franked to 100% at 30% corporate income tax rate was paid to holders of fully paid ordinary shares on 27 September 2013.

In respect of the financial year ended 30 June 2014, an interim dividend of 5.5 cents per share franked to 100% at 30% corporate income tax rate was paid to holders of fully paid ordinary shares on 1 April 2014.

Further, in respect of the financial year ended 30 June 2014, the Directors are satisfied that the requirements under section 254T of the Corporations Act 2001 (Cth) have been met and have declared a final dividend of 7 cents per share franked to 100% at 30% corporate income tax rate to be paid on 26 September 2014 to holders of fully paid ordinary shares in the Company on the record date of 5 September 2014.

Shares under Option/Rights and Issued on Exercise of Options/Rights

Details of unissued shares under option/rights at the date of this Report are:

Issuing entity	Number of shares under option/ rights	Class of shares	Exercise price of options/rights $	Expiry date of options/rights
Mermaid Marine Australia Ltd	17,647	Ordinary	0.00(a)	18 Sep 2014
Mermaid Marine Australia Ltd	1,382,355	Ordinary	3.05(b)	18 Sep 2014
Mermaid Marine Australia Ltd	83,022	Ordinary	0.00(c)	1 Jul 2014
Mermaid Marine Australia Ltd	28,474	Ordinary	0.00(c)	1 Jul 2014
Mermaid Marine Australia Ltd	615,869	Ordinary	0.00(d)	1 Jul 2015
Mermaid Marine Australia Ltd	317,865	Ordinary	0.00(d)	1 Jul 2015
Mermaid Marine Australia Ltd	1,431,622	Ordinary	0.00(e)	1 Jul 2016
Mermaid Marine Australia Ltd	346,023	Ordinary	0.00(e)	1 Jul 2016

(a) These share options vested on 18 September 2012 and can only be exercised during their exercise period subject to the Company achieving certain performance criteria, which have been achieved, as detailed in note 29.

(b) These share options vested on 18 September 2012 and can only be exercised during their exercise period subject to the Company achieving certain performance criteria, which have been achieved, as detailed in note 29.

(c) A portion of these performance rights vested on 1 July 2014 as detailed in note 29.

(d) These performance rights vest on 1 July 2015 subject to the Company achieving certain performance criteria as detailed in note 29.

(e) These performance rights vest on 1 July 2016 subject to the Company achieving certain performance criteria as detailed in note 29.

The holders of these options/rights do not have the right, by virtue of the option/right, to participate in any share issue of the Company.

Details of shares issued during or since the end of the financial year as a result of exercise of options/vesting of rights are:

Issuing entity	Number of shares issued	Class of shares	Amount paid for shares $	Amount unpaid on shares $
Mermaid Marine Australia Ltd	687,833	Ordinary	0.00	Nil
Mermaid Marine Australia Ltd	266,351	Ordinary	0.00	Nil
Mermaid Marine Australia Ltd	2,109	Ordinary	0.00	Nil
Mermaid Marine Australia Ltd	24,799	Ordinary	0.00	Nil

Indemnification of Officers and Auditors

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company (as named above), the Company Secretary and all Executive Officers of the Company and of any related body corporate against a liability incurred in acting in their capacity as a Director, Company Secretary or Executive Officer of the Company to the extent permitted by the Corporations Act 2001 (Cth). The relevant contract of insurance prohibits disclosure of the nature of any liability and the amount of the premium.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an Officer or auditor of the Company or of any related body corporate against any liability incurred in acting in their capacity as such an Officer or auditor of the Company.

Directors' Meetings

The following table sets out the number of Directors' meetings (including meetings of Committees of Directors) held during the financial year and the number of meetings attended by each Director (while they were a Director or Committee member). During the financial year, eight Board Meetings, four Audit and Risk Committee meetings and three Nomination and Remuneration Committee meetings were held.

	Board of Directors		Audit and Risk Committee		Nomination and Remuneration Committee	
Name	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Mr A Howarth	8	8	4	4	3	3
Mr J Weber	8	8	n/a	n/a	n/a	n/a
Mr M Bradley	8	8	4	4	3	3
Mr A Edwards	8	8	4	4	3	3
Ms E Howell	8	8	4	4	3	3
Mr CG Heng	8	7	n/a	n/a	n/a	n/a

Proceedings on Behalf of the Company

No persons have applied for leave under section 237 of the Corporations Act 2001 (Cth) to bring, or intervene in, proceedings on behalf of the Company during the financial year.

Non-Audit Services

During the year, the Company conducted vessel operations in various countries and also acquired all of the subsidiaries of Jaya Holdings Limited, whose subsidiaries are located in various jurisdictions throughout South East Asia. The Company consequently incurred and paid consulting and compliance fees to the external auditor, Deloitte Touche Tohmatsu ("Deloitte") and their network firms, during the year in gaining a full understanding of and meeting the Company's taxation obligations in each of those countries as well as providing advice in relation to the Jaya acquisition. Details of the amounts paid or payable to the auditor for non-audit services provided during the year are outlined in note 32 to the Financial Statements.

The Board considers that it was prudent and cost effective to engage the external auditor, Deloitte, to provide the required tax consulting and compliance services during the year because of their detailed knowledge of the Company's affairs, including its corporate tax structure. Deloitte were able to utilise the services of their network firms in the countries the Company operated in during the year to provide the necessary advice regarding the Company's tax obligations and compliance with these tax obligations within each of those countries.

In addition, the Directors are satisfied that the provision of non-audit services during the year by the auditor (or another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 (Cth).

In view of the above, the Directors are of the opinion that the services as disclosed in note 32 to the Financial Statements do not compromise the external auditors' independence, based on advice received from the Audit and Risk Committee, for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 'Code of Ethics for Professional Accountants' issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing economic risks and rewards.

Auditor's Independence Declaration

The Auditor's Independence Declaration is included on page 73 of this Annual Report.

Rounding Off of Amounts

The Company is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order, amounts in the Directors' Report and the Financial Statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Remuneration Report (Audited)

This Remuneration Report, which forms part of the Directors' Report, sets out information about the remuneration of the Company's key management personnel for the financial year ended 30 June 2014. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Company, either directly or indirectly, including any Director (whether executive or otherwise) of the Company. The prescribed details for each person covered by this report are detailed below under the following headings:

- Key Management Personnel;
- Remuneration Policy;
- Relationship between the Remuneration Policy and Company Performance;
- Remuneration of Key Management Personnel;
- Bonus and share based payments granted as compensation for the current financial year; and
- Key Terms of Employment Contracts.

Key Management Personnel

The Directors and other key management personnel of the Company during and since the end of the financial year were:

Directors

Mr A Howarth (Chairman) (Non-Executive Director)

Mr J Weber (Managing Director)

Mr J Carver (Executive Director) – Retired 15 July 2013

Mr M Bradley (Non-Executive Director)

Mr A Edwards (Non-Executive Director)

Ms E Howell (Non-Executive Director)

Mr CG Heng (Non-Executive Director)

Other Key Management Personnel

Mr D Ross (Chief Operating Officer)

Mr P Raynor (Chief Financial Officer)

Mr D Lofthouse (General Manager Business Development)

Mr D Roberts (General Manager Legal/ Company Secretary)

Mr M Gillett (General Manager Human Resources)

Ms L Buckey (General Manager Corporate Development)

Mr D Thomas (General Manager HSEQ)

Mr D Verboon (Slipway General Manager)

Mr S Lee (Supply Base General Manager)

Mr R Furlong (Vessel Operations General Manager)

Mr G Horsington (President Offshore and Business Development) – Appointed 4 June 2014

Except as noted, the above named persons held their current position for the whole of the financial year and since the end of the financial year.

Remuneration Policy

The Company's Remuneration Policy is focused on driving a performance culture within the Group by linking key management personnel remuneration to the achievement of the Company's strategic and business objectives, and ultimately, increasing shareholder value.

The Nomination and Remuneration Committee is delegated responsibility by the Board for reviewing the remuneration packages of all Directors and key management personnel on an annual basis and making recommendations to the Board in this regard. The specific responsibilities of the Nomination and Remuneration Committee are set out in the Committee's Charter, which is to be found under Appendix C of the Board Charter.

Remuneration packages are reviewed and determined with due regard to current market rates and are benchmarked against comparable industry salaries, and are adjusted by a performance factor to reflect changes in the performance of the Company.

In carrying out its review of the remuneration packages of the Chairman, Non-Executive Directors, Managing Director and non-director key management personnel for the 2014 financial year, the Nomination and Remuneration Committee engaged the services of an independent remuneration consultant, Godfrey Remuneration Group Pty Ltd, to provide current market rates and industry benchmarking. Godfrey Remuneration Group Pty Ltd were engaged directly by the Chairman of the Nomination and Remuneration Committee and were paid the sum of $32,000 in consideration for providing their remuneration recommendations.

As the independent remuneration consultant was engaged directly by and provided their advice directly to the Chairman of the Nomination and Remuneration Committee (without management involvement), the Board is satisfied that the remuneration recommendations made were free from undue influence by any member of the key management personnel to whom the recommendations relate.

Non-Executive Directors' Fees

Non-Executive Directors' fees are determined within an aggregate Directors' fee pool which is periodically recommended for approval by shareholders. The maximum fees payable to Non-Executive Directors are currently $950,000 per annum in aggregate (as approved by shareholders at the Company's AGM on 22 November 2012).

Fees paid to Non-Executive Directors are set at levels which reflect both the responsibilities of, and time commitments required from each Non-Executive Director to discharge their duties. Non-Executive Directors' fees are reviewed annually by the Board to ensure they are appropriate for the duties performed, including Board committee duties, and are in line with the market. Other than statutory superannuation, Directors are not entitled to retirement allowances.

Following a review by the Nomination and Remuneration Committee, Non-Executive Directors' fees for the 2014 financial year were increased in line with the recommendations made by the independent remuneration consultant, Godfrey Remuneration Group Pty Ltd. There has been no increase in Non-Executive Directors' fees for the 2015 financial year.

Other Key Management Personnel

Remuneration of the Managing Director and Senior Management comprises both a fixed component and an at-risk component, which is designed to remunerate key management personnel for increasing shareholder value and for achieving financial targets and business strategies set by the Board. It is also designed to attract and retain high calibre executives.

The remuneration of the Managing Director and Senior Management has the following three components:

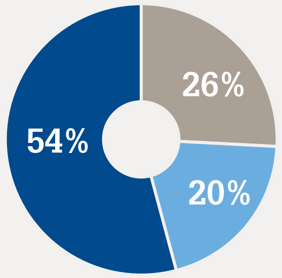
No.	Remuneration Component	Details
1.	Fixed Annual Remuneration (FAR)	• Comprising base salary and superannuation. • In setting FAR, consideration is given to current market rates and industry benchmarking against appropriate comparator groups (including the median market rates within the sector and industry peers), Company performance and individual performance. • Based on the recommendations of the independent remuneration consultant, Godfrey Remuneration Group Pty Ltd, the Board approved an average FAR increase of 4% for the Managing Director and Senior Management for the 2014 financial year. The Board has determined that the Managing Director and Senior Management will receive a 3.5% increase in FAR for the 2015 financial year.
2	Short-term incentive (STI)	• An annual "at-risk" cash component designed to reward performance against the achievement of key performance indicators (KPIs). • The invitation to participate in the STI is at the absolute discretion of the Board and is subject to such conditions which the Board may prescribe from time to time. • The STI KPI's are set at the start of each financial year and are chosen to drive the achievement of the Company's strategic, financial and operating objectives set by the Board. • The STI KPI's during the financial year were a mix of financial and non-financial measures which were allocated as follows: – Financial targets (40%); – Growth targets (30%); – Business Improvement targets (10%); and – Safety targets (20%). • Further details of these KPI's and the performance against each of these KPI's are set out under the Bonus and Share Based Payments section on page 63.
3.	Long-term incentive (LTI)	• The Company grants rights over its ordinary shares under the LTI. • The vesting of these rights is based on the achievement of stipulated performance criteria targets over a 3 year period. • These performance criteria targets comprise growth in EPS and TSR to ensure a strong link with the creation of shareholder value and were set by the Board with due regard to the Company's long-term strategy. • The LTI also aims to align executives' long-term interests with those of shareholders. • Further details of the LTI plan and the number of performance rights granted to the Managing Director and Senior Management during the financial year are set out under the Bonus and Share Based Payments section on page 63.

Allocation of Executive Remuneration between Fixed and Variable Remuneration

The allocation of total executive remuneration between fixed and variable remuneration for the 2014 financial year is as follows:

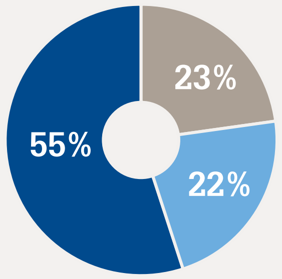
MANAGING DIRECTOR

- FAR
- STI
- LTI



OTHER EXECUTIVES

- FAR
- STI
- LTI



Relationship between the Remuneration Policy and Company Performance

The table below summarises information about the Company's earnings for the 2014 financial year and the Company's earnings and movements in shareholder wealth for the five years to 30 June 2014 – which is an important indicator of performance and key measure under the STI plan.

Having regard to the overall performance of the Company during the 2014 financial year, the Board has exercised its discretion to pay a portion of the STI bonuses and grant LTI performance rights to the Managing Director and Senior Management of the Company.

	30 June 2014 $'000	30 June 2013 $'000	30 June 2012 $'000	30 June 2011 $'000	30 June 2010 $'000
Revenue	594,597	449,490	380,358	285,268	193,922
Net profit before tax	77,112	83,755	71,602	58,160	41,826
Net profit after tax	53,884	60,298	51,036	43,150	37,889
Share price at start of the year	$3.52	$2.82	$3.19	$2.54	$1.83
Share price at end of the year	$2.06	$3.52	$2.82	$3.19	$2.54
Interim dividend[1]	5.5cps	5.5cps	5.0cps	4.0cps	3.0cps
Final dividend[1]	7.0cps	7.0cps	6.0cps	5.0cps	5.0cps
Basic earnings per share	18.78cps	25.17cps	23.44cps	21.09cps	20.40cps
Diluted earnings per share	18.76cps	24.78cps	22.93cps	20.72cps	20.00cps
3 year compound annual TSR[2]	(9%)	15%	19%	30%	12%

[1] Franked to 100% at 30% corporate income tax rate.
[2] TSR comprises share price growth and dividends.

Remuneration of Key Management Personnel

The following tables disclose the remuneration of the Directors and other key management personnel of the Company for the 2014 financial year to which this report relates and to the previous financial year:

2014	Short-term employee benefits			Post-employment benefits	Share based payment	Total
	Salary & fees $	Bonus [1] $	Non-monetary[2] $	Superannuation $	Options & rights $	$
Directors						
Mr A Howarth	227,164	–	1,584	17,775	–	246,523
Mr J Weber	903,202	348,075	2,156	25,000	432,946	1,711,379
Mr M Bradley	111,600	–	–	10,323	–	121,923
Mr J Carver[4]	8,872	–	173	–	–	9,045
Mr A Edwards	111,600	–	–	10,323	–	121,923
Ms E Howell	101,600	–	–	9,398	–	110,998
Mr CG Heng	104,987	–	–	6,011	–	110,998
Senior Management						
Mr D Ross	521,000	213,800	1,528	25,000	218,357	979,685
Mr P Raynor	521,000	213,800	3,030	25,000	218,357	981,187
Mr D Lofthouse	364,425	57,330	1,967	17,775	61,610	503,107
Mr D Roberts	298,905	107,502	3,193	17,775	51,048	478,423
Mr M Gillett	298,905	47,502	–	17,775	51,048	415,230
Ms L Buckey	192,986	47,464	–	17,775	23,589	281,814
Mr D Thomas	287,225	45,750	–	17,775	12,956	363,706
Mr S Lee	230,355	25,123	–	17,775	19,928	293,181
Mr D Verboon	224,225	27,225	2,038	17,775	18,931	290,194
Mr R Furlong	233,386	28,256	–	17,775	20,244	299,661
Mr G Horsington[3]	36,554	–	–	–	–	36,554
Total	**4,777,991**	**1,161,827**	**15,669**	**271,030**	**1,129,014**	**7,355,531**

(footnote to this table on page 62)

2013	Short-term employee benefits			Post-employment benefits	Share based payment	Total
	Salary & fees	Bonus	Non-monetary[2]	Superannuation	Options & rights	
	$	$	$	$	$	$
Directors						
Mr A Howarth	228,126	–	1,760	16,598	–	246,484
Mr J Weber	867,500	423,938	2,302	25,000	561,319	1,880,059
Mr M Bradley	91,800	–	–	8,262	–	100,062
Mr J Carver[4]	220,000	–	2,136	–	–	222,136
Mr A Edwards	102,000	–	–	9,180	–	111,180
Ms E Howell	91,800	–	–	8,262	–	100,062
Mr CG Heng	92,771	–	–	4,749	–	97,520
Senior Management						
Mr D Ross	500,000	199,500	1,154	25,000	258,103	983,757
Mr P Raynor	500,000	199,500	2,817	25,000	258,103	985,420
Mr D Lofthouse	351,030	91,875	2,558	16,470	77,009	538,942
Mr D Roberts	288,030	57,855	3,018	16,470	63,894	429,267
Mr M Gillett	288,030	57,855	–	16,470	70,103	432,458
Mr J Rogers[5]	246,030	49,875	–	16,470	59,824	372,199
Ms L Buckey[6]	156,651	25,000	–	16,470	26,125	224,246
Mr D Thomas[7]	2,219	–	–	199	–	2,418
Mr S Lee	222,115	32,209	46,946	16,470	27,436	345,176
Mr D Verboon	230,793	42,444	3,352	16,470	25,177	318,236
Mr R Furlong	225,030	45,885	–	16,470	18,252	305,637
Total	**4,703,925**	**1,225,936**	**66,043**	**254,010**	**1,445,345**	**7,695,259**

(1) The bonuses for the 2014 financial year includes a discretionary transaction bonus for certain key executives involved in the Jaya acquisition.
(2) These non-monetary benefits comprise the provision of housing, motor vehicle, fuel, travel and other benefits, as applicable.
(3) Appointed as President Offshore and Business Development in Singapore on 4 June 2014.
(4) Retired 15 July 2013.
(5) Stepped down from role of GM HSEQ on 17 June 2013.
(6) Appointed as GM Corporate Development on 16 November 2012.
(7) Appointed as GM HSEQ on 17 June 2013.

No key management personnel appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

Bonus and share based payments granted as compensation for the current financial year

Bonuses (STI)

Having regard to the overall performance of the Company during the respective financial years, the Managing Director and Senior Management personnel were granted cash bonuses for the 2014 and 2013 financial years as noted above. The bonuses were granted on 30 June each year. The respective amounts under the STI were subject to a number of specified key performance targets being achieved. The STI performance targets for the 2014 financial year and the Company's performance against these targets are summarised in the table below:

STI Performance Target	Comprising	Weighting	Weighted Actual Performance
Financial Targets	Combination of EBITDA, PBT and EPS growth targets.	40%	27%
Growth Targets	Identified business growth targets, including securing and executing the Subsea 7 project, extension of the Chevron sublease, securing new production support contracts, securing the INPEX PSV Contract and growth of the Company's international operations (including the Jaya acquisition).	30%	28%
Business Improvement Targets[1]	Identified business improvement targets, including implementation of an ERP System and identified cost reduction/efficiency targets from supply chain initiatives.	10%	10%
Safety Targets[2]	Identified health/safety targets for each business unit and the Company as a whole (including identified Total Recordable Injury Rate safety targets), identified targets under the Company's Target 365 safety program, timely close out of Audit action items and the Company's overall IS Networld (CHESM) rating.	20%	10%
Total		**100%**	**75%**

(1) The Company has not disclosed the specific STI performance targets as from a competition point of view, many of these are market sensitive.
(2) The Company's performance against its health/safety targets is detailed in the Health, Safety & Security section of this Annual Report.

Subject to the above STI performance targets being met, the Managing Director is eligible for a cash bonus of 50% of his base salary and superannuation with an up-lift to a maximum of 67.5% for over-performance. The actual performance against the STI performance targets for the 2014 financial year resulted in the Managing Director, Mr J Weber, receiving a cash bonus of 37.5% of his base salary, non-monetary benefit and superannuation (2013: 48%).

Subject to the STI performance targets being met, the other key management personnel are eligible for a cash bonus of up to 40% of their base salary and superannuation with an up-lift for over-performance. Based on the actual performance against the STI performance targets for the 2014 financial year, other key management personnel received a cash bonus component of up to 39% of their base salary, non-monetary benefit and superannuation (2013: 38%).

Employee share options and rights plans (LTI)

Under its LTI remuneration component, the Company operates share option and rights schemes for the Managing Director, Senior Management and other employees. Each share option or right converts into one ordinary share of Mermaid Marine Australia Limited on exercise or vesting. No amounts are paid or payable by the recipient upon grant of the options or rights. The options or rights carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. Please refer to the tables below for details of the performance criteria for the rights granted during the year.

The table below sets out the relevant performance criteria for the performance rights granted to the Managing Director, Chief Operating Officer and Chief Financial Officer during the financial year:

Performance criteria	Performance period	Percentage of LTI subject to performance criteria	Performance criteria targets	Percentage of performance rights which vest if target met
Normalised Earnings per Share ("EPS") growth[(1)]	Beginning 1 July 2013 and ending 30 June 2016	25%	Less than 6%	Nil
			Equal to 6%	50%
			Between 6% and 12.5%	50% to 100% (pro-rata)
			Equal to 12.5%	100%
Company's Total Shareholder Return ("TSR")[(2)] percentile ranking over the Performance Period relative to a selected Peer Group[(3)]	Beginning 1 July 2013 and ending 30 June 2016	75%	Below the 50th percentile	Nil
			At the 50th percentile	50%
			Between the 50th percentile and the 90th percentile	50% to 100% (pro-rata)
			At the 90th percentile	100%

The table below sets out the relevant performance criteria for the performance rights granted to other Senior Management (ie. excluding the Managing Director, Chief Operating Officer and Chief Financial Officer) during the financial year:

Performance criteria	Performance period	Percentage of LTI subject to performance criteria	Performance criteria targets	Percentage of performance rights which vest if target met
Normalised Earnings per Share growth[(1)]	Beginning 1 July 2013 and ending 30 June 2016	25%	Below 6%	0%
			Between 6% and 10%	50% to 100% (on a straight line basis)
			Above 10%	100%
Company's Total Shareholder Return[(2)] percentile ranking over the Performance Period relative to a selected Peer Group[(3)]	Beginning 1 July 2013 and ending 30 June 2016	75%	Below the 50th percentile	0%
			Between the 50th percentile and the 75th percentile	50% to 100% (on a straight line basis)
			Above the 75th percentile	100%

(1) **Normalised Earnings per Share (EPS) growth** means the growth in earnings per share of the Company, annualised over the Performance Period, to be determined in a manner decided by the Board in its absolute discretion (including any determination that the impact of one-off or non-recurring items should be excluded for the purposes of the calculation).

(2) **Total Shareholder Return (TSR)** means broadly, the increase in the share price plus dividends paid (calculated in Australian dollars), excluding franking credits and taxation, over the Performance Period, to be determined in a manner decided by the Board in its absolute discretion.

(3) **Peer Group** means the peer group comprising the following ASX-listed companies, the composition of which may be changed by the Board in its absolute discretion:

Transurban Group (ASX: TCL), Sydney Airport (ASX: SYD), Brambles Limited (ASX: BXB), Seek Limited (ASX: SEK), Qube Holdings Limited (ASX: QUB), Aurizon Holdings Limited (ASX: AZJ), McMillan Shakespeare (ASX: MMS), GWA Group Limited (ASX: GWA), Transpacific Industries Group Limited (ASX: TPI), Virgin Australia Holdings Limited (ASX: VAH), SAI Global Limited (ASX: SAI), ALS Limited (ASX: ALQ), Asciano Limited (ASX: AIO), CSR Limited (ASX: CSR), Toll Holdings Limited (ASX: TOL), Cardno Limited (ASX: CDD), Monadelphous Group Limited (ASX: MND), Skilled Group Limited (ASX: SKE), UGL Limited (ASX: UGL), Qantas Airways Limited (ASX: QAN), Leighton Holdings Limited (ASX: LEI), Bradken Limited (BKN), Cabcharge Australia Limited (ASX: CAB), Downer EDI Limited (ASX: DOW), Seven Group Holdings Limited (ASX: SVW), Decmil Group Limited (ASX: DCG), NRW Holdings Limited (ASX: NWH), Mineral Resources Limited (ASX: MIN), Transfield Services Limited (ASX: TSE), Emeco Holdings Limited (ASX: EHL), Ausdrill Limited (ASX: ASL), Macquarie Atlas Roads Group (ASX: MQA).

During the financial year, the following share option and rights schemes were in existence:

Series	Number issued	Grant date	Expiry date	Exercise price $	Fair value at grant date $	Vesting date
(1) 23 Sep 2008 (a)	1,385,432	23 Sep 2008	23 Sep 2013	1.60	0.26	23 Sep 2011
(2) 27 Nov 2008 (b)	1,277,584	27 Nov 2008	23 Sep 2013	1.60	0.08	23 Sep 2011
(3) 22 Sep 2009 (c)	475,705	22 Sep 2009	18 Sep 2014	0.00	1.43	18 Sep 2012
(4) 22 Sep 2009 (d)	3,112,049	22 Sep 2009	18 Sep 2014	3.05	0.46	18 Sep 2012
(5) 1 Dec 2009 (e)	1,488,356	1 Dec 2009	18 Sep 2014	3.05	0.47	18 Sep 2012
(6) 20 Oct 2010 (f)	780,082	20 Oct 2010	1 Jul 2013	0.00	1.62	1 Jul 2013
(7) 25 Nov 2010 (f)	266,351	25 Nov 2010	1 Jul 2013	0.00	1.62	1 Jul 2013
(8) 18 Oct 2011 (g)	848,863	18 Oct 2011	1 Jul 2014	0.00	2.06	1 Jul 2014
(9) 18 Oct 2011 (g)	324,650	18 Oct 2011	1 Jul 2014	0.00	1.89	1 Jul 2014
(10) 24 Nov 2011 (g)	331,142	24 Nov 2011	1 Jul 2014	0.00	1.69	1 Jul 2014
(11) 25 Oct 2012 (h)	311,634	25 Oct 2012	1 Jul 2015	0.00	2.28	1 Jul 2015
(12) 25 Oct 2012 (h)	283,254	25 Oct 2012	1 Jul 2015	0.00	2.42	1 Jul 2015
(13) 22 Nov 2012 (h)	317,865	22 Nov 2012	1 Jul 2015	0.00	2.47	1 Jul 2015
(14) 20 Dec 2012 (h)	20,981	20 Dec 2012	1 Jul 2015	0.00	2.42	1 Jul 2015
(15) 3 Dec 2013 (i)	1,092,384	11 Oct 2013	1 Jul 2016	0.00	2.14	1 Jul 2016
(16) 3 Dec 2013 (i)	339,238	11 Oct 2013	1 Jul 2016	0.00	2.02	1 Jul 2016
(17) 3 Dec 2013 (i)	346,023	21 Nov 2013	1 Jul 2016	0.00	1.71	1 Jul 2016

(a) In accordance with the terms of the Senior Executive Share Option Plans, 1,385,432 share options vested on 23 September 2011 subject to the performance hurdle that the Company's Total Shareholder Return must exceed the performance of the ASX Small Ordinaries index over a minimum period of three years commencing on 23 September 2008 and ending on 23 September 2011 and a maximum period of five years commencing on 23 September 2008 and ending on 23 September 2013. This performance hurdle has been met.

(b) In accordance with the terms of the Managing Director's Share Option Plan – 2008, 1,277,584 share options vested on 23 September 2011 subject to the performance hurdle that the Company's Total Shareholder Return must exceed the performance of the ASX Small Ordinaries index over a minimum period of three years commencing on 23 September 2008 and ending on 23 September 2011 and a maximum period of five years commencing on 23 September 2008 and ending on 23 September 2013. This performance hurdle has been met.

(c) In accordance with the terms of the Mermaid Marine Share Option Plan (amended September 2009), 475,705 share options issued to employees vested on 18 September 2012 subject to the performance hurdle that the Company's Total Shareholder Return must exceed the performance of the ASX Small Ordinaries index over a minimum period of three years commencing on 18 September 2009 and ending on 18 September 2012 and a maximum period of five years commencing on 18 September 2009 and ending on 18 September 2014. This performance hurdle has been met.

(d) In accordance with the terms of the Senior Executive Share Option Plan (amended September 2009), 3,112,049 share options vested on 18 September 2012 subject to the performance hurdle that the Company's Total Shareholder Return must exceed the performance of the ASX Small Ordinaries index over a minimum period of three years commencing on 18 September 2009 and ending on 18 September 2012 and a maximum period of five years commencing on 18 September 2009 and ending on 18 September 2014. This performance hurdle has been met.

(e) In accordance with the terms of the Managing Director's Share Option Plan - 2009, 1,488,356 share options vested on 18 September 2012 subject to the performance hurdle that the Company's Total Shareholder Return must exceed the performance of the ASX Small Ordinaries index over a minimum period of three years commencing on 18 September 2009 and ending on 18 September 2012 and a maximum period of five years commencing on 18 September 2009 and ending on 18 September 2014. This performance hurdle has been met.

(f) In accordance with the terms of the Mermaid Marine Australia Limited Performance Rights Plan – 2010 (granted on 20 October 2010) and the Mermaid Marine Australia Limited Managing Director's Performance Rights Plan – 2010 (as approved by shareholders at the Company's AGM on 25 November 2010), 1,046,433 performance rights vested on 1 July 2013 subject to meeting the required growth in the Earnings per Share of Mermaid Marine Australia Limited and the total shareholder return of the Company relative to a selected peer group of companies as set out in note 29(h) of the Financial Statements. All of the relevant performance criteria over the specified performance period have been satisfied under the 2010 Performance Right Plan Rules.

(g) In accordance with the terms of the Mermaid Marine Australia Limited Performance Rights Plan – 2011 (granted on 18 October 2011) and the Mermaid Marine Australia Limited Managing Director's Performance Rights Plan – 2011 (as approved by shareholders at the Company's AGM on 24 November 2011), a total of 1,504,655 performance rights would vest on 1 July 2014 subject to meeting the stipulated growth in the Earnings per Share of Mermaid Marine Australia Limited and the total shareholder return of the Company relative to a selected peer group of companies as detailed in note 29(i) of the Financial Statements. Only a portion of the stipulated growth in the Earnings per Share of the Company was achieved during the performance period resulting in only 52% of the rights subject to this performance criteria vesting. The Company's total shareholder return relative to the selected peer group of companies did not meet the minimum level required during the performance period and therefore none of the rights subject to this performance criteria vested. Consequently only 13% of the total performance rights granted under the 2011 Plans vested.

(h) In accordance with the terms of the Mermaid Marine Australia Limited Performance Rights Plan – 2012 (granted on 25 October 2012 and 20 December 2012) and the Mermaid Marine Australia Limited Managing Director's Performance Rights Plan – 2012 (as approved by shareholders at the Company's AGM on 22 November 2012), the number of performance rights which vest on 1 July 2015 will depend on the growth in the Earnings per Share of Mermaid Marine Australia Limited and the total shareholder return of the Company relative to a selected peer group of companies as set out in note 29(j) of the Financial Statements.

(i) In accordance with the terms of the Mermaid Marine Australia Limited Performance Rights Plan – 2013 (granted on 11 October 2013 and 21 November 2013) and the Mermaid Marine Australia Limited Managing Director's Performance Rights Plan – 2013 (as approved by shareholders at the Company's AGM on 21 November 2013), the number of performance rights which vest on 1 July 2016 will depend on the growth in the Earnings per Share of Mermaid Marine Australia Limited and the total shareholder return of the Company relative to a selected peer group of companies as set out in note 29(k) of the Financial Statements.

The following grants of share based payment compensation to the Managing Director and key management personnel relate to the current financial year:

		During the financial year				
Name	Performance Rights	Number granted	Number vested	% of grant vested	% of grant forfeited	% of compensation for the year consisting of share based payment
Mr J Weber	Issued 21 Nov 2013	346,023	–	–	–	25%
Mr D Ross	Issued 11 Oct 2013	169,619	–	–	–	22%
Mr P Raynor	Issued 11 Oct 2013	169,619	–	–	–	22%
Mr D Lofthouse	Issued 11 Oct 2013	53,317	–	–	–	12%
Mr D Roberts	Issued 11 Oct 2013	44,177	–	–	–	11%
Mr M Gillett	Issued 11 Oct 2013	44,177	–	–	–	12%
Mr D Thomas	Issued 11 Oct 2013	42,548	–	–	–	4%
Ms L Buckey	Issued 11 Oct 2013	22,850	–	–	–	8%
Mr S Lee	Issued 11 Oct 2013	17,307	–	–	–	7%
Mr D Verboon	Issued 11 Oct 2013	16,880	–	–	–	7%
Mr R Furlong	Issued 11 Oct 2013	17,518	–	–	–	7%

During the financial year, the following key management personnel exercised options and/or had performance rights vest that were granted to them as part of their compensation. Each option/performance right converts into one ordinary share of Mermaid Marine Australia Limited.

Name	Number of options exercised and rights vested	Number of ordinary shares of Mermaid Marine Australia Ltd	Amount paid $	Amount unpaid $
Mr J Weber	266,351	266,351	Nil	Nil
Mr D Ross	130,401	130,401	Nil	Nil
Mr P Raynor	130,401	130,401	Nil	Nil
Mr D Lofthouse	44,114	44,114	Nil	Nil
Mr D Roberts	39,276	39,276	Nil	Nil
Mr M Gillett	55,923	55,923	Nil	Nil
Ms L Buckey	14,982	14,982	Nil	Nil
Mr S Lee	17,479	17,479	Nil	Nil
Mr D Verboon	15,398	15,398	Nil	Nil

The following table summarises the value of options and performance rights to key management personnel which were granted, exercised or lapsed during the financial year:

Name	Value of rights granted at grant date $	Value of options/ rights at exercise/ vesting date $	Value of options/ rights lapsed at lapse date $
Mr J Weber	591,700	988,162	–
Mr D Ross	342,631	483,788	–
Mr P Raynor	342,631	483,788	–
Mr D Lofthouse	114,098	163,663	–
Mr D Roberts	94,539	145,714	–
Mr M Gillett	94,539	207,474	–
Ms L Buckey	48,899	55,583	–
Mr D Thomas	91,052	–	–
Mr S Lee	37,037	64,847	–
Mr D Verboon	36,122	57,127	–
Mr R Furlong	37,489	–	–

The Board has adopted a Share Trading Policy that, among other things, prohibits executives from entering into transactions that limit the economic risk of participating in unvested employee entitlements. The policy also requires executives proposing to enter into arrangements that limit the economic risk of a vested holding in the Company's securities to first obtain approval from the Chairman of the Board (or, in the case of the Chairman, prior approval of the Chairman of the Audit and Risk Committee) and subsequently provide details of the dealing within five business days of the dealing taking place. Any breach of the Share Trading Policy is taken very seriously by the Company and is subject to disciplinary action, including possible termination of a person's employment or appointment. A copy of the Company's Share Trading Policy is set out in section 8 and Appendix E of the Board Charter.

Key management personnel equity holdings

Fully paid ordinary shares of Mermaid Marine Australia Limited:

2014	Balance at 1 July 2013 No.	Granted as compensation No.	Received on exercise of options No.	Net other change No.	Balance at 30 June 2014 No.	Balance held nominally No.
Mr A Howarth	686,139	–	–	179,763	865,902	–
Mr J Weber	2,463,133	–	266,351	(950,000)	1,779,484	–
Mr M Bradley	573,819	–	–	–	573,819	–
Mr J Carver[(1)]	1,590,671	–	–	(903)	1,589,768	–
Mr A Edwards	10,417	–	–	4,333	14,750	–
Ms E Howell	–	–	–	–	–	–
Mr CG Heng	–	–	–	–	–	–
Mr D Ross	991,357	–	130,401	(395,704)	726,054	–
Mr P Raynor	1,240,194	–	130,401	(1,209,044)	161,551	–
Mr S Lee	65,190	–	17,479	(46,690)	35,979	–
Mr D Verboon	176,491	–	15,398	(16,000)	175,889	–
Mr D Lofthouse	168,845	–	44,114	9,427	222,386	–
Mr D Roberts	29,161	–	39,276	(68,437)	–	–
Mr M Gillett	–	–	55,923	–	55,923	–
Mr R Furlong	–	–	–	–	–	–
Ms L Buckey	–	–	14,982	367	15,349	–
Mr D Thomas	–	–	–	–	–	–
Mr G Horsington[(2)]	–	–	–	–	–	–

2013	Balance at 1 July 2012 No.	Granted as compensation No.	Received on exercise of options No.	Net other change No.	Balance at 30 June 2013 No.	Balance held nominally No.
Mr A Howarth	663,159	–	–	22,980	686,139	–
Mr J Weber	877,153	–	3,735,980	(2,150,000)	2,463,133	–
Mr M Bradley	573,819	–	–	–	573,819	–
Mr J Carver	1,875,671	–	–	(285,000)	1,590,671	–
Mr A Edwards	10,235	–	–	182	10,417	–
Ms E Howell	–	–	–	–	–	–
Mr CG Heng[(3)]	–	–	–	–	–	–
Mr D Ross	277,153	–	1,144,826	(430,622)	991,357	–
Mr P Raynor	420,281	–	1,210,366	(390,453)	1,240,194	–
Mr S Lee	197,153	–	65,190	(197,153)	65,190	–
Mr D Verboon	215,703	–	–	(39,212)	176,491	–
Mr J Rogers[(4)]	–	–	–	–	–	–
Mr D Lofthouse	83,587	–	292,497	(207,239)	168,845	–
Mr D Roberts	–	–	107,661	(78,500)	29,161	–
Mr M Gillett	–	–	–	–	–	–
Mr R Furlong	–	–	85,049	(85,049)	–	–
Ms L Buckey[(5)]	–	–	–	–	–	–
Mr D Thomas[(6)]	–	–	–	–	–	–

(Footnote to the above table on page 70)

(1) Retired on 15 July 2013.
(2) Appointed as President Offshore and Business Development in Singapore on 4 June 2014.
(3) Appointed as a Director on 5 July 2012.
(4) Stepped down from the role of GM HSEQ on 17 June 2013.
(5) Appointed as GM Corporate Development on 16 November 2012.
(6) Appointed as GM HSEQ on 17 June 2013.

Share options and performance rights of Mermaid Marine Australia Limited:

2014	Balance at 1 July 2013	Granted as compensation	Exercised	Net other change	Balance at 30 June 2014	Balance vested at 30 June 2014	Vested but not exercisable	Vested & exercisable	Rights vested during year
	No.	No.	No.	No.	No.	No.	No.	No.	No.
Mr J Weber	915,358	346,023	(266,351)	–	995,030	–	–	–	266,351
Mr D Ross	909,787	169,619	(130,401)	–	949,005	461,244	–	461,244	130,401
Mr P Raynor	448,543	169,619	(130,401)	–	487,761	–	–	–	130,401
Mr S Lee	156,196	17,307	(17,479)	–	156,024	106,311	–	106,311	17,479
Mr D Verboon	141,568	16,880	(15,398)	–	143,050	95,680	–	95,680	15,398
Mr D Lofthouse	144,429	53,317	(44,114)	–	153,632	–	–	–	44,114
Mr D Roberts	122,395	44,177	(39,276)	–	127,296	–	–	–	39,276
Mr M Gillett	139,042	44,177	(55,923)	–	127,296	–	–	–	55,923
Mr R Furlong	32,962	17,518	–	–	50,480	–	–	–	–
Ms L Buckey	51,739	22,850	(14,982)	–	59,607	–	–	–	14,982
Mr D Thomas	–	42,548	–	–	42,548	–	–	–	–
Mr G Horsington	–	–	–	–	–	–	–	–	–

2013	Balance at 1 July 2012	Granted as compensation	Exercised	Net other change	Balance at 30 June 2013	Balance vested at 30 June 2013	Vested but not exercisable	Vested & exercisable	Options vested during year
	No.	No.	No.	No.	No.	No.	No.	No.	No.
Mr J Weber	4,333,473	317,865	(3,735,980)	–	915,358	–	–	–	1,488,356
Mr D Ross	1,898,796	155,817	(1,144,826)	–	909,787	461,244	–	461,244	691,866
Mr P Raynor	1,503,092	155,817	(1,210,366)	–	448,543	–	–	–	691,866
Mr S Lee	205,495	15,891	(65,190)	–	156,196	106,311	–	106,311	106,311
Mr D Verboon	126,688	14,880	–	–	141,568	95,680	–	95,680	95,680
Mr J Rogers	258,210	34,968	–	–	293,178	182,248	–	182,248	182,248
Mr D Lofthouse	387,971	48,955	(292,497)	–	144,429	–	–	–	202,497
Mr D Roberts	189,493	40,563	(107,661)	–	122,395	–	–	–	107,661
Mr M Gillett	98,479	40,563	–	–	139,042	–	–	–	–
Mr R Furlong	101,925	16,086	(85,049)	–	32,962	–	–	–	85,049
Ms L Buckey	30,758	20,981	–	–	51,739	–	–	–	–
Mr D Thomas	–	–	–	–	–	–	–	–	–

All share rights issued to the key management personnel during the financial year were made in accordance with the terms of the respective rights plans.

During the financial year 714,325 share rights (2013: 6,641,569) were exercised by key management personnel at a weighted average exercise price of $nil per options/rights. A total of 714,325 (2013: 6,641,569) ordinary shares in Mermaid Marine Australia Ltd were issued on exercise of these options. No rights amounts remain unpaid on the options/rights exercised during the financial year at year end.

Further details of the share based payment arrangements during the 2014 and 2013 financial years are contained in note 29.

Key Terms of Employment Contracts

As at the date of this report, the Managing Director and key management personnel are all employed by the Company under an employment contract, none of which are of fixed-term duration.

These employment contracts may be terminated by either party giving the required notice and subject to termination payments as detailed below:

Jeff Weber

– Managing Director

- The Remuneration Package consists of an annual base salary and a short-term incentive component and a long-term incentive component at the discretion of the Nomination and Remuneration Committee and the Board.
- The Company and the employee are required to provide six months' notice of termination.
- If the employee is made redundant as a result of a material diminution in the nature and level of responsibilities or functions of the employee's position as a publicly listed company located in Perth, Western Australia, including without limitation through a change in control of the Company, the employee will be entitled to a payment being the lesser of either:
  - 1.5 times the Fixed Annual Remuneration in the relevant year (excluding any short term incentives or long term incentives); or
  - the maximum amount that may be paid to the Managing Director under the Corporations Act and ASX Listing Rules without prior shareholder approval.

David Ross

– Chief Operating Officer

- The Remuneration Package consists of an annual base salary and a short-term incentive component and a long-term incentive component at the discretion of the Nomination and Remuneration Committee and the Board.
- The Company and the employee are required to provide six months' notice of termination.
- If the employee is made redundant as a result of a material diminution in the nature and level of responsibilities or functions of the employee's position as a publicly listed company located in Perth, Western Australia, including without limitation through a change in control of the Company, the employee will be entitled to a payment being the lesser of either:
  - 1.5 times the Fixed Annual Remuneration in the relevant year (excluding any short term incentives or long term incentives); or
  - the maximum amount that may be paid to the Chief Operating Officer under the Corporations Act and ASX Listing Rules without prior shareholder approval.

Peter Raynor

– Chief Financial Officer

- The Remuneration Package consists of an annual base salary and a short-term incentive component and a long-term incentive component at the discretion of the Nomination and Remuneration Committee and the Board.
- The Company and the employee are required to provide six months' notice of termination.
- If the employee is made redundant as a result of a material diminution in the nature and level of responsibilities or functions of the employee's position as a publicly listed company located in Perth, Western Australia, including without limitation through a change in control of the Company, the employee will be entitled to a payment being the lesser of either:
  - 1.5 times the Fixed Annual Remuneration in the relevant year (excluding any short term incentives or long term incentives); or
  - the maximum amount that may be paid to the Chief Financial Officer under the Corporations Act and ASX Listing Rules without prior shareholder approval.

David Lofthouse

– General Manager Business Development

- Remuneration consists of an annual base salary and statutory superannuation contributions.
- The employee may participate in the Company's incentive scheme at the discretion of the Company.
- The Company and employee are required to provide 6 weeks' notice of termination.
- No termination benefits are payable.

Dylan Roberts
– General Manager Legal/Company Secretary

- Remuneration consists of an annual base salary and statutory superannuation contributions.
- The employee may participate in the Company's incentive scheme at the discretion of the Company.
- The Company and employee are required to provide 6 weeks' notice of termination.
- No termination benefits are payable.

Michael Gillett
– General Manager Human Resources

- Remuneration consists of an annual base salary and statutory superannuation contributions.
- The employee may participate in the Company's incentive scheme at the discretion of the Company.
- The Company and employee are required to provide 8 weeks' notice of termination.
- No termination benefits are payable.

Liz Buckey
– General Manager Corporate Development

- Remuneration consists of an annual base salary and statutory superannuation contributions.
- The employee may participate in the Company's incentive scheme at the discretion of the Company.
- The Company and employee are required to provide 30 days' notice of termination.
- No termination benefits are payable.

Darren Thomas
– General Manager HSEQ

- Remuneration consists of an annual base salary and statutory superannuation contributions.
- The employee may participate in the Company's incentive scheme at the discretion of the Company.
- The Company and employee are required to provide 12 weeks' notice of termination.
- No termination benefits are payable.

Shaun Lee
– Supply Base General Manager

- Remuneration consists of an annual base salary and statutory superannuation contributions.
- The employee may participate in the Company's incentive scheme at the discretion of the Company.
- The Company and employee are required to provide 30 days' notice of termination.
- No termination benefits are payable.

Dirk Verboon
– Slipway General Manager

- Remuneration consists of an annual base salary and statutory superannuation contributions.
- The employee may participate in the Company's incentive scheme at the discretion of the Company.
- The Company and employee are required to provide 30 days' notice of termination.
- No termination benefits are payable.

Richard Furlong
– Vessel Operations General Manager

- Remuneration consists of an annual base salary and statutory superannuation contributions.
- The employee may participate in the Company's incentive scheme at the discretion of the Company.
- The Company and employee are required to provide 8 weeks' notice of termination.
- No termination benefits are payable.

George Horsington
– President Offshore and Business Development

- Remuneration consists of an annual base salary, Central Provident Fund contributions and any other payments required by law to be made in Singapore.
- The employee may participate in the Company's incentive scheme at the discretion of the Company.
- The Company and employee are required to provide 6 months' notice of termination.
- No termination benefits are payable.

This Directors' Report is signed in accordance with a resolution of Directors made pursuant to section 298(2) of the Corporations Act 2001 (Cth).

On behalf of the Directors,

Tony Howarth AO
Chairman
Fremantle, 18 September 2014

Auditor's Independence Declaration

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

18 September 2014

Dear Directors

Auditors Independence Declaration to 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 audit of the financial statements of Mermaid Marine Australia Limited for the financial year ended 30 June 2014, 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 audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Ross Jerrard
Partner
Chartered Accountants
18 September 2014

Audit Report

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

Report on the Financial Report

We have audited the accompanying financial report of Mermaid Marine Australia Limited, which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 76 to 137.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Independence Declaration

In conducting our audit, 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 report.

Opinion

In our opinion:

(a) the financial report of Mermaid Marine Australia Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 57 to 72 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Mermaid Marine Australia Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Ross Jerrard
Partner
Chartered Accountants
Perth, 18 September 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;

(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;

(c) in the Directors' opinion, the attached Financial Statements are in compliance with International Financial Reporting Standards, as stated in note 2 to the Financial Statements; and

(d) the Directors have been given the declarations required by section 295A of the Corporations Act 2001 (Cth).

At the date of this declaration, the Company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company, which is party to the deed, guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the Directors' opinion, there are reasonable grounds to believe that the Company and the companies to which the ASIC Class Order applies, as detailed in note 33 to the Financial Statements will, as a Group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the Directors made pursuant to section 295(5) of the Corporations Act 2001 (Cth).

On behalf of the Directors,

Tony Howarth AO
Chairman
Fremantle, 18 September 2014

Whilst MMA has been operating vessels internationally for some time, the Jaya acquisition gives MMA much greater scale, with 28 additional vessels now operating across South East Asia, the Middle East and Africa.

Financial Statements 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2014

	Note	2014 $'000	2013 $'000
Revenue	5(a)	594,597	449,490
Investment Income		3,341	1,261
Other losses	5(b)	(927)	(163)
Share of profits of jointly controlled entity	12	3,555	3,893
Vessel expenses		(386,323)	(239,249)
Supply Base expenses		(93,964)	(96,066)
Slipway expenses		(15,606)	(14,196)
Administration expenses		(17,562)	(11,427)
Finance costs	5(c)	(9,999)	(9,788)
Profit before tax		77,112	83,755
Income tax expense	7	(23,228)	(23,457)
PROFIT FOR THE YEAR		**53,884**	**60,298**
Other Comprehensive Income, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	23	(11,754)	14,166
Gain on hedge of net investment in a foreign operation	23	3,794	–
Gain/(loss) on cashflow hedges	23	(11,504)	1,822
Transfer of cashflow hedge loss to initial carrying amount of hedged items	23	7,668	973
Other comprehensive income for the year, net of tax		(11,796)	16,961
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**42,088**	**77,259**
Profit attributable to owners of the Company		53,884	60,298
Total comprehensive income attributable to owners of the Company		42,088	77,259
Earnings per share			
– Basic (cents per share)	6	18.78	25.17
– Diluted (cents per share)	6	18.76	24.78

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

as at 30 June 2014

	Note	2014 $'000	2013 $'000
Current Assets			
Cash and cash equivalents	25(a)	174,768	58,824
Trade and other receivables	9	201,335	122,231
Inventories	10	6,101	2,454
Other financial assets	13	–	2,030
Other	11	36,092	9,118
Total Current Assets		**418,296**	**194,657**
Non-Current Assets			
Investments accounted for using the equity method	12	10,970	8,915
Other financial assets	13	–	2,000
Property, plant and equipment	14	896,441	448,195
Goodwill	15	20,710	20,710
Other	11	17,573	–
Total Non-Current Assets		**945,694**	**479,820**
Total Assets		**1,363,990**	**674,477**
Current Liabilities			
Trade and other payables	16	83,601	48,329
Unearned revenue	17	17,454	11,274
Borrowings	18	47,218	29,196
Provisions	20	21,979	9,613
Current tax liabilities	7(c)	41,605	8,912
Other	21	4,820	–
Total Current Liabilities		**216,677**	**107,324**
Non-Current Liabilities			
Unearned revenue	17	2,278	–
Borrowings	18	393,625	150,443
Other financial liabilities	19	1,806	–
Provisions	20	1,067	666
Deferred tax liabilities	7(d)	11,695	13,018
Total Non-Current Liabilities		**410,471**	**164,127**
Total Liabilities		**627,148**	**271,451**
Net Assets		**736,842**	**403,026**
Equity			
Issued capital	22	549,813	226,382
Reserves	23	(12,260)	2,280
Retained earnings	24	199,289	174,364
Total Equity		**736,842**	**403,026**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2014

	Issued Capital	Employee equity settled benefits reserve	Hedging reserve	Foreign currency translation reserve	Retained earnings	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2012	**197,694**	**5,596**	**(765)**	**(20,576)**	**139,830**	**321,779**
Profit for the year	–	–	–	–	60,298	60,298
Other comprehensive income for the year	–	–	2,795	14,166	–	16,961
Total comprehensive income for the year	**–**	**–**	**2,795**	**14,166**	**60,298**	**77,259**
Payment of dividends	–	–	–	–	(25,764)	(25,764)
Issue of shares under dividend reinvestment plan	10,044	–	–	–	–	10,044
Issue of shares under employee option plans	16,102	–	–	–	–	16,102
Related income tax benefit	–	1,622	–	–	–	1,622
Transfer to share capital	2,542	(2,542)	–	–	–	–
Recognition of share based payments	–	1,984	–	–	–	1,984
Balance at 30 June 2013	**226,382**	**6,660**	**2,030**	**(6,410)**	**174,364**	**403,026**
Profit for the year	–	–	–	–	53,884	53,884
Other comprehensive income for the year	–	–	(3,836)	(7,960)	–	(11,796)
Total comprehensive income for the year	**–**	**–**	**(3,836)**	**(7,960)**	**53,884**	**42,088**
Payment of dividends	–	–	–	–	(28,959)	(28,959)
Issue of shares under dividend reinvestment plan	10,609	–	–	–	–	10,609
Issue of shares under Institutional Placement	100,058	–	–	–	–	100,058
Issue of shares under Institutional Entitlement Offer	143,445	–	–	–	–	143,445
Issue of shares under Retail Entitlement	73,705	–	–	–	–	73,705
Related income tax expense	–	(743)	–	–	–	(743)
Transfer to share capital	3,648	(3,648)	–	–	–	–
Recognition of share based payments	–	1,647	–	–	–	1,647
Share issue costs	(8,034)	–	–	–	–	(8,034)
Balance at 30 June 2014	**549,813**	**3,916**	**(1,806)**	**(14,370)**	**199,289**	**736,842**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

for the year ended 30 June 2014

	Note	2014 $'000	2013 $'000
Cash flows from Operating Activities			
Receipts from customers		615,103	459,186
Interest received		3,262	1,111
Payments to suppliers and employees		(530,336)	(358,184)
Income tax paid		(23,617)	(21,490)
Interest and other costs of finance paid		(9,999)	(9,788)
Net cash provided by Operating Activities	25(c)	54,413	70,835
Cash flows from Investing Activities			
Payments for property, plant and equipment		(74,316)	(89,026)
Proceeds from sale of property, plant and equipment		7	23
Net cash outflow on purchase of business	28.5	(174,957)	–
Dividends received		1,500	–
Amounts repaid from jointly controlled entity	31.2	2,000	–
Net cash used in Investing Activities		(245,766)	(89,003)
Cash flows from Financing Activities			
Proceeds from issue of shares		310,000	16,102
Payment for share issue costs		(825)	–
Proceeds from borrowings		47,147	45,403
Repayment of borrowings		(24,725)	(25,025)
Payments for borrowing costs		(4,014)	–
Dividends paid		(18,352)	(15,720)
Net cash provided by Financing Activities		309,231	20,760
Net increase in cash and cash equivalents		117,878	2,592
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		(1,934)	949
Cash and cash equivalents at the end of the financial year		**174,768**	**58,824**

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

Notes to the Financial Statements

for the year ended 30 June 2014

1. APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

1.1 Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

In the current year, the Group has applied the following new and revised AASBs issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2013.

AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	AASB 10 replaces the parts of AASB 127 'Consolidated and Separate Financial Statements' that deal with consolidated financial statements and Interpretation 112 'Consolidation – Special Purpose Entities'. AASB 10 changes the definition of control such that an investor controls an investee when a) it has power over an investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee, and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in AASB 10 to explain when an investor has control over an investee. The application of this standard has no material impact on the amounts recognised in the consolidated financial statements.
AASB 11 'Joint Arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangement standards'	AASB 11 replaces AASB 131 'Interest in Joint Ventures'. AASB 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under AASB 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under AASB 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method. Investments in joint operations are accounted for such that each joint operator recognises its liabilities, revenue and expenses relating to its interest in the joint operation in accordance with applicable Standards. The Directors of the Company reviewed and assessed the Group's investment in Toll Mermaid Logistics Broome Pty Ltd and concluded that it is correctly classified as a joint venture under AASB 11 and accounted for using the equity method.
AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangement standards'	AASB 12 is a new disclosure standard and requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interest in other entities and the effects of those interests in the consolidated financial statements. Other than additional disclosures, the application of AASB 12 does not have any material impact on the amounts recognised in the consolidated financial statements.
AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	The AASB defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. Other than additional disclosures, the application of AASB 13 does not have any material impact on the amounts recognised in the consolidated financial statements.
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	This standard removes the individual key management personnel disclosure requirements in AASB 124 'Related Party Disclosures'. As a result the Group only discloses the key management personnel compensation in total and for each of the categories required in AASB 124.

1. APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS (CONT)

AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle'	The Annual Improvements to AASBs 2009-2011 have made a number of amendments to AASBs. The amendments that are relevant to the Group are the amendments to AASB 101 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position.
AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'	This standard amends AASB 10 and various Australian Accounting Standards to revise the transition guidance on the initial application of those Standards. This standard also clarifies the circumstances in which adjustments to an entity's previous accounting for its involvements with other entities are required and the timing of such adjustments. The adoption of this amending standard does not have any material impact on the consolidated financial statements.
AASB CF 2013-1 'Amendments to the Australian Conceptual Framework' and AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments' (Part A Conceptual Framework)	This amendment has incorporated IASB's Chapters 1 and 3 Conceptual Framework for Financial Reporting as an Appendix to the Australian Framework for the Preparation and Presentation of Financial Statements. As a result the Australian Conceptual Framework now supersedes the objective and the qualitative characteristics of financial statements, as well as the guidance previously available in the Statement of Accounting Concepts SAC 2 'Objective of General Purpose Financial Reporting'. The adoption of this amending standard does not have any material impact on the consolidated financial statements.

1. APPLICATION OF NEW AND REVISED STANDARDS (CONT)

1.2 Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective:–

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments' and the relevant amending standards.	1 January 2018	30 June 2018
AASB 1031 'Materiality' (2013)	1 January 2014	30 June 2015
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
AASB 2013-3 'Amendments to AASB 135 – Recoverable Amount Disclosures for Non-Financial Assets'	1 January 2014	30 June 2015
AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting'	1 January 2014	30 June 2015
AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'	1 January 2014	30 June 2015
AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'	1 January 2014	30 June 2015
AASB 2014-1 'Amendments to Australian Accounting Standards' Parts A – C	1 July 2014	30 June 2015
AASB 2014-1 'Amendments to Australian Accounting Standards' – Part E	1 January 2015	30 June 2016
AASB 2014-3 'Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations'	1 January 2016	30 June 2017
AASB 2014-4 'Amendment to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
IFRS 15 – 'Revenue from Contracts with Customers'	1 January 2017	30 June 2018
IFRS 9 – 'Financial Instruments'	1 January 2018	30 June 2019
Amendment to IAS 27 – 'Equity Method in Separate Financial Statements'	1 January 2016	30 June 2017

A number of Australian Accounting Standards and Interpretations and IFRSs and IFRIC Interpretations are in issue but are not effective for the current year end. The reported results and position of the Group will not change on adoption of these pronouncements as they do not result in any changes to the group's existing accounting policies. Adoption will, however, result in changes to information currently disclosed in the financial statements. The group does not intend to adopt any of these pronouncements before their effective dates.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001 (Cth), Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Company and its subsidiaries (the "Group"). For the purposes of preparing the consolidated financial statements, the Company is a for profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with the Australian Accounting Standards ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the Directors on 18 September 2014.

Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for financial instruments that are measured at fair values as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT)

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 Financial Report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(b) Business combinations

Acquisitions of business are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group and liabilities incurred by the Group to the former owners of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:–

(i) deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 'Income Taxes' and AASB 119 'Employee Benefits' respectively.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

(c) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business (see note 2(b) above) less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to the Group's cash-generating unit that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent period.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT)

(d) Interests in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

(e) Foreign currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purposes of the consolidated financial statements, the results and financial position of each group entity are expressed in Australian Dollars ($), which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the exchange rate prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (note 2(q)).
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in a foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Australian Dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised through other comprehensive income and recognised in equity.

On the disposal of the foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss.

(f) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined progressively at contractual rates as service hours are delivered and direct expenses incurred.

Revenue from construction contracts is recognised using the percentage of completion basis.

Notes to the Financial Statements for the year ended 30 June 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONT)

Rental income

Rental income from operating leases is recognised in accordance with the Group's accounting policy outlined in note 2(g).

Dividend and interest income

Dividend income from investments is recognised when the Group's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding at the effective interest rate applicable.

(g) Leasing

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Refer to note 2(h).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(h) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(i) Employee benefits

Short-term and long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured at the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Retirement benefits costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Termination benefit

A liability for termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT)

(j) Share based payments

Equity settled share based payments to employees and others providing similar services are measured at fair value of the equity instrument at grant date. Details regarding the determination of fair value of equity settled share based transactions are set out in note 29.

The fair value determined at the grant date of the equity settled share based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with corresponding adjustment to the employee equity settled benefits reserve.

(k) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date.

Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period(s) in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for business combination.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT)

(m) Property, plant and equipment

Leasehold buildings and improvements, plant and equipment and equipment under finance lease are stated at cost less, where applicable, accumulated depreciation and impairment losses. Construction in progress is stated at cost. Cost includes expenditure that is directly attributed to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives. Leasehold buildings and improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit and loss.

The following rates are used in the calculation of depreciation:

Leasehold buildings and improvements	2.38% – 50% straight-line
Vessels	4% – 5% straight line / 4% diminishing value
Vessel refits	20% – 40% straight line / 10% diminishing value
Plant and equipment	1% – 100% straight-line

(n) Impairment of tangible assets

At each reporting date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

(o) Financial assets

All financial assets are initially measured at fair value.

Financial assets are classified into the following specified category; loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest rate method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. They are recorded at amortised cost less impairment.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been affected.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

(p) Financial liabilities and equity instruments issued by the Group

All financial liabilities are initially measured at fair value.

Classification as debt or equity

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue cost.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at fair value through profit or loss, are subsequently measured at the higher of:

(i) the amount of the obligation under the contract, as determined under AASB 137 'Provisions, Contingent Liabilities and Contingent Assets'; and

(ii) the amount initially recognised less, where appropriate, cumulative amortisation in accordance with the revenue recognition policies described in note 2(f).

Financial liabilities

Financial liabilities are classified as other financial liabilities.

Other financial liabilities

Other financial liabilities including borrowings are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the profit and loss.

(q) Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate and interest rate risk. Further details of derivative financial instruments are disclosed in note 35 to the Financial Statements.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit and loss immediately unless the derivative is designated and effective as a hedging instrument in which event, the timing of the recognition in profit and loss depends on the nature of the hedge relationship.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT)

Hedge accounting

Hedges of foreign exchange risk on firm commitments and interest rate risk are accounted for as cash flow hedges.

At the inception of the hedge relationship the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item. Note 35 contains details of the fair values of the derivative instruments used for hedging purposes.

Cash flow Hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in the "other gains and losses" line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Hedges of net investment in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated under the heading of foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in the 'other gains and losses' line item.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal of foreign operation.

(r) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Restructurings

Restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Warranties

Provision for warranties represents the best estimate of the Group's liabilities to repair or replace products still under warranty at the end of the reporting period. The provision is based on past experience of the level of repairs and claims.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT)

(s) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

(i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

(ii) for receivables and payables which are recognised inclusive of GST.

The gross amount of GST recoverable from, and payable to, the taxation authority are included as part of receivables and payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as investing and operating cash flows respectively.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives of property, plant and equipment

As described in note 2(m), the Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. At the end of this reporting period, the Directors have determined that there was no adjustment required to the Group's property, plant and equipment's useful lives.

Provision for cancellation costs

Provision is recognised for the expected cash outflows for the cancellation of certain committed purchase orders which is in relation to the Group's effort in rationalising and optimising the Group's vessel-build programme in prior years. Assumptions used to estimate the provision were based on current negotiations with key suppliers. At the end of this reporting period, the Directors are satisfied that no adjustment is required to be made to the Group's provision for cancellation costs.

Provision for warranties

As described in note 2(r), the provision for warranties represent the best estimate of the Group's liability to repair vessels and replace affected parts still under warranty. At the end of this reporting period, the Directors are satisfied that no adjustment is required to be made to the Group's provision for warranties.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. At the end of the reporting period, the Directors have determined that there was no adjustment required to the Group's carrying amount of goodwill.

They carrying amount of goodwill at 30 June 2014 was $20.7 million (2013: $20.7 million). No impairment was recognised during the year. Details of goodwill are set out in note 15.

Notes to the Financial Statements for the year ended 30 June 2014

4. SEGMENT INFORMATION

4.1 Products and services from which reportable segments derive their revenues

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 'Operating Segments' are therefore as follows:

- Vessels
- Supply Base
- Slipway

The financial effect of the Jaya acquisition is reflected in the 'Vessels' operating segment, except for transaction costs which are disclosed as part of 'Central administration costs' in segment profits below.

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

4.2 Segment revenues and results

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	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Segment Revenues						
Vessels	445,410	283,718	516	–	445,926	283,718
Supply Base	130,819	148,341	2,485	1,966	133,304	150,307
Slipway	18,368	17,431	10,947	7,463	29,315	24,894
Total	594,597	449,490	13,948	9,429	608,545	458,919
Eliminations					(13,948)	(9,429)
Total consolidated revenue					**594,597**	**449,490**

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

	2014 $'000	2013 $'000
Segment Profit		
Vessels	59,087	44,469
Supply Base	36,855	52,275
Slipway	3,071	3,479
Eliminations	(309)	(244)
Total for continuing operations	98,704	99,979
Investment revenue	3,341	1,261
Other losses	(927)	(163)
Central administration costs	(17,562)	(11,427)
Share of profit of jointly controlled entity	3,555	3,893
Unallocated finance costs	(9,999)	(9,788)
Profit before income tax	**77,112**	**83,755**

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.

4. SEGMENT INFORMATION (CONT)

4.3 Segment Assets

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

	2014 $'000	2013 $'000
Segment assets		
Vessels	976,532	397,881
Supply Base	169,245	186,245
Slipway	20,084	16,263
Unallocated	198,129	74,088
Total	**1,363,990**	**674,477**

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

4.4 Other segment information

	Depreciation and amortisation		Additions to non-current assets		Carrying value of equity accounted investments	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Vessels	30,367	23,760	486,475	74,682	–	–
Supply Base	10,452	12,053	11,661	16,553	–	–
Slipway	749	692	371	2,502	–	–
Unallocated	1,113	1,004	2,754	1,901	10,970	8,915
Total	**42,681**	**37,509**	**501,261**	**95,638**	**10,970**	**8,915**

4.5 Revenue from major services

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

	2014 $'000	2013 $'000
Vessel services	440,330	283,095
Property and equipment rental	61,908	66,508
Supply Base services	68,898	81,769
Slipway services	18,368	17,432
Others	5,093	686
Total	**594,597**	**449,490**

4. SEGMENT INFORMATION (CONT)

4.6 Geographical information

The Group is based in two principal geographical areas – Australia (country of domicile) and Singapore.

During the year the Group operated vessels in a number of countries outside of Australia. The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets* by location of assets are detailed in the following table:

	Revenue from external customers		Non-current assets*	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Australia	567,292	435,602	434,994	409,195
Other	27,305	13,888	482,157	59,710
Total	**594,597**	**449,490**	**917,151**	**468,905**

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

4.7 Information about major customers

Included in revenues arising from vessel and supply base services are revenues of approximately $216.3 million (2013: $194.6 million) which arose from sales to the Group's largest customer, revenues of approximately $144.3 million (2013: $55.1 million) which arose from sales to the Group's second largest customer.

5. PROFIT FROM OPERATIONS

	2014 $'000	2013 $'000
(a) Revenue from continuing operations consisted of the following items:		
Rendering of services	532,689	382,982
Rental revenue	61,908	66,508
	594,597	**449,490**
(b) Other losses		
Net foreign exchange losses	(928)	(180)
Gain/(loss) on disposal of:		
Property, plant and equipment	1	17
	(927)	**(163)**
(c) Finance costs		
Interest expense – bank loans	9,224	8,746
Finance charges – lease finance charges	775	1,042
	9,999	**9,788**
(d) Profit for the year		
Profit for the year before income tax has been arrived at after charging the following:		
(i) Depreciation		
Leasehold buildings and improvements	8,787	10,152
Vessels	29,149	21,970
Vessels – hire purchase	869	1,574
Plant and equipment	2,892	3,038
Plant and equipment – hire purchase	984	775
	42,681	**37,509**
(ii) Impairment losses		
Impairment loss recognised on trade receivables	270	31
Reversal of impairment losses recognised on trade receivables	–	(69)
(iii) Employee benefits		
Post employment benefits:		
Defined contribution plans	8,747	7,185
Share based payments:		
Equity settled share based payments	1,647	1,984
Other employee benefits	181,927	166,761
	192,321	**175,930**

6. EARNINGS PER SHARE

	2014 Cents per Share	2013 Cents per Share
Basic earnings per share	18.78	25.17
Diluted earnings per share	18.76	24.78

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:

	2014 $'000	2013 $'000
Net Profit	53,884	60,298

	2014 No.'000	2013 No.'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	286,865	239,530

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:

	2014 $'000	2013 $'000
Net Profit	53,884	60,298

	2014 No.'000	2013 No.'000
Weighted average number of ordinary shares used in the calculation of basic earnings per share	286,865	239,530
Shares deemed to be issued for no consideration in respect of employee options and rights	313	3,812
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	287,178	243,342

	2014 No.'000	2013 No.'000
The following potential ordinary shares are non-dilutive and are therefore excluded from the weighted average number of ordinary shares used in the calculation of diluted earnings per share.		
Employee options and rights	5,367	–

Restatement of Earnings per Share

Earnings per share comparatives have been restated due to a rights issue in the current year which included a 'bonus' element. As a result;

- Basic earnings per share previously reported has decreased by 1.72 cents per share to 25.17 cents per share.
- Diluted earnings per share previously reported has decreased by 1.69 cents per share to 24.78 cents per share.

7. INCOME TAXES

(a) Income tax recognised in profit or loss

Tax expense comprises:	2014 $'000	2013 $'000
Current tax expense in respect of the current year	26,542	22,810
Deferred tax expense in respect of the current year	(2,993)	399
Adjustment recognised in the current year in relation to the current tax of prior years	(321)	248
Total tax expense	**23,228**	**23,457**

The income tax expense for the year can be reconciled to accounting profit as follows:

Profit from operations	**77,112**	**83,755**
Income tax expense calculated at 30%	23,134	25,126
Effect of revenue that is exempt from taxation	(936)	(1,156)
Effect of expenses that are not deductible in determining taxable profit	2,581	64
Effect of tax deductible items not included in accounting profit	328	(559)
Effect of foreign income taxable in Australia	344	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	(1,902)	(266)
	23,549	23,209
Adjustment recognised in the current year in relation to the current tax of prior years	(321)	248
	23,228	**23,457**

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

	2014 %	2013 %
Australia	30	30
Singapore	17	17
Mexico	30	30
Brunei	20	–
Saudi Arabia	20	–
Indonesia	25	–
Thailand	20	20
Malaysia	25	25

(b) Income tax recognised directly in equity

	2014 $'000	2013 $'000
Employee share trust	743	(1,622)
	743	**(1,622)**

(c) Current tax liabilities

Income tax payable	(41,605)	(8,912)
	(41,605)	**(8,912)**

(d) Deferred tax balances

Deferred tax assets	10,268	9,234
Deferred tax liabilities	(21,963)	(22,252)
	(11,695)	**(13,018)**

7. INCOME TAXES (CONT)

Deferred tax assets/(liabilities) arise from the following:

	Opening balance $'000	Recognised in profit or loss $'000	Recognised in equity $'000	Acquisitions $'000	Closing balance $'000
2014					
Gross deferred tax liabilities:					
Property, plant and equipment	(20,485)	2,181	–	(926)	(19,230)
Inventory	(688)	(110)	–	–	(798)
Receivables	(712)	51	–	–	(661)
Other	(366)	(908)	–	–	(1,274)
	(22,252)	1,214	–	(926)	(21,963)
Gross deferred tax assets:					
Provisions	3,149	942	–	–	4,091
Share issue costs	145	(71)	–	–	74
Employee share trust	2,250	(924)	(743)	–	583
Unearned revenue	3,370	1,646	–	–	5,016
Other	320	185	–	–	505
	9,234	1,778	(743)	–	10,268
	(13,018)	**2,993**	**(743)**	**(926)**	**(11,695)**
2013					
Gross deferred tax liabilities:					
Property, plant and equipment	(19,931)	(554)	–	–	(20,485)
Inventory	(391)	(297)	–	–	(688)
Receivables	(949)	237	–	–	(712)
Other	(168)	(198)	–	–	(366)
	(21,439)	(812)	–	–	(22,252)
Gross deferred tax assets:					
Provisions	2,232	917	–	–	3,149
Share issue costs	218	(73)	–	–	145
Employee share trust	2,639	(2,011)	1,622	–	2,250
Unearned revenue	1,896	1,474	–	–	3,370
Other	214	106	–	–	320
	7,199	413	1,622	–	9,234
	(14,240)	**(399)**	**1,622**	**–**	**(13,018)**

(e) Unrecognised deferred tax assets

	2014 $'000	2013 $'000
Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognised are attributable to the following:		
Tax losses (revenue in nature)	463	–
	463	**–**

7. INCOME TAXES (CONT)

(f) Tax consolidation

Relevance of tax consolidation to the Group

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Mermaid Marine Australia Ltd. The members of the tax-consolidated group are identified at note 33.

Nature of tax funding arrangements and tax sharing agreements

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax sharing agreement with the head entity. Under the terms of the tax funding arrangement, Mermaid Marine Australia Ltd and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group.

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if any entity should leave the tax consolidated group. The effect of the tax sharing agreement is that each member's liability for tax payable by the tax consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

8. DIVIDENDS PROVIDED FOR OR PAID

	2014 $'000	2013 $'000
Adjusted franking account balance	41,921	32,483
Impact on franking account balance of dividends not recognised	(11,003)	(6,899)

	2014		2013	
	Cents Per Share	Total $'000	Cents Per Share	Total $'000
Recognised Amounts				
Fully paid ordinary shares				
Interim dividend:				
Fully franked at a 30% tax rate	5.5	12,795	5.5	12,467
Final dividend:				
Fully franked at a 30% tax rate	7.0	16,164	6.0	13,297
Unrecognised Amounts				
Fully paid ordinary shares				
Final dividend:				
Fully franked at a 30% tax rate	7.0	25,674	7.0	16,097

On 21 August 2014, the Directors declared a fully franked final dividend of 7.0 cents per share in respect of the financial year ended 30 June 2014 to the holders of fully paid ordinary shares, to be paid on 26 September 2014. The dividend will be paid to all shareholders on the register of members on 5 September 2014. This dividend has not been included as a liability in these financial statements.

9. TRADE AND OTHER RECEIVABLES

	2014 $'000	2013 $'000
Trade receivables	182,953	116,300
Allowance for doubtful debts	(1,063)	(59)
Other receivables	16,121	4,487
Goods and services tax recoverable	3,324	1,503
	201,335	**122,231**

The average credit period on rendering of services is 30 days. An allowance has been made for estimated irrecoverable trade receivable amounts arising from the past rendering of services, determined by reference to past default experience. The Group has provided for certain receivables over 150 days because historical experience is such that receivables that are past due beyond 150 days are generally not recoverable. Trade receivables between 120 days and 150 days are provided for based on estimated irrecoverable amount from the rendering of services, determined by reference to past default experience.

Of the trade receivables balance at the end of the year, $50.9 million (30 June 2013: $62.5 million) is outstanding from the Group's largest debtor and $35.3 million (30 June 2013: $13.5 million) from the Group's second largest debtor.

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period but against which the Group has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

	2014 $'000	2013 $'000
Ageing of past due but not impaired		
31-60 days	41,436	40,054
61-90 days	13,790	19,181
91-120 days	8,279	300
121-150 days	8,970	296
Over 150 days	1,585	653
Total	**74,060**	**60,484**
Movement in the allowance for doubtful debts		
Balance at the beginning of the year	59	106
Impairment losses recognised on receivables	270	31
Amounts written off as uncollectible	–	(10)
Amounts recovered during the year	–	(69)
Amount recognised as part of business combination	734	–
Balance at the end of the year	**1,063**	**59**

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

10. INVENTORIES

	2014 $'000	2013 $'000
Fuel – at cost	2,027	1,974
Consumables	3,477	320
Work in progress	597	160
	6,101	**2,454**

11. OTHER ASSETS

	2014 $'000	2013 $'000
Current		
Prepayments	**36,092**	**9,118**
Non-current		
Prepayments	**17,573**	**–**

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Name of Entity	Principal Activity	Country of Incorporation	Ownership Interest 2014 %	Ownership Interest 2013 %	Consolidated Carrying Amount 2014 $'000	Consolidated Carrying Amount 2013 $'000
Jointly Controlled Entity						
Toll Mermaid Logistics Broome Pty Ltd	Supply base services in Broome for the offshore oil and gas industry	Australia	50	50	10,970	8,915
Total					**10,970**	**8,915**

(i) The reporting date of Toll Mermaid Logistics Broome Pty Ltd (TMLB) is 30 June. The Company acquired a 50% ownership interest in TMLB in October 2006. Pursuant to a shareholder agreement the Company has the right to cast 50% of the votes at TMLB shareholder meetings.

Summarised financial information in respect of the Group's jointly controlled entity is set out below:

	2014 $'000	2013 $'000
Financial position:		
Current assets	14,251	15,695
Non-current assets	13,842	11,930
Current liabilities	(6,058)	(5,746)
Non-current liabilities	(95)	(4,049)
Net assets	21,940	17,830
Group's share of jointly controlled entity net assets	10,970	8,915
Financial performance:		
Total revenue	44,852	48,042
Total profit before tax for the year	9,988	11,124
Group's share of jointly controlled entity profit before tax	4,994	5,562
Group's share of jointly controlled entity income tax expense	(1,439)	(1,669)
Group's share of jointly controlled entity profit	**3,555**	**3,893**

Contingent Liabilities and Capital Commitments

The Company's share of the contingent liabilities, capital commitments and other expenditure commitments of the jointly controlled entity is nil (2013: nil).

Notes to the Financial Statements for the year ended 30 June 2014

13. OTHER FINANCIAL ASSETS

	2014 $'000	2013 $'000
Current		
Derivatives		
Interest Rate Swaps	–	(121)
Foreign currency forward contracts	–	2,151
	–	**2,030**
Non Current		
Loans and receivables		
Loans to jointly controlled entity (i)	–	2,000
	–	**2,000**

(i) The Group provided a jointly controlled entity with a loan at rates comparable to the average commercial rate of interest.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold buildings and improvements at cost	Vessels at cost	Vessels – hire purchase at cost	Plant and equipment at cost	Plant and equipment – hire purchase at cost	Fixed assets under construction	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Gross carrying amount:							
Balance at 1 July 2012	118,345	296,876	26,289	17,195	9,388	–	468,093
Additions	15,069	74,673	–	5,043	853	–	95,638
Disposals	(11)	(5,160)	(492)	(35)	–	–	(5,698)
Transfers	–	7,599	(7,599)	–	–	–	–
Net currency exchange differences	–	14,341	–	20	–	–	14,361
Balance at 1 July 2013	133,403	388,329	18,198	22,223	10,241	–	572,394
Additions	8,686	49,488	–	4,539	2,020	3,314	68,047
Acquistions through Business Combinations	1,414	357,702	–	4,289	–	69,809	433,214
Disposals	–	(12,287)	–	(964)	(146)	–	(13,397)
Transfers	(6)	11,005	(10,998)	–	–	–	–
Net currency exchange differences	(115)	(10,963)	–	(206)	–	(1,004)	(12,288)
Balance at 30 June 2014	**143,382**	**783,274**	**7,200**	**29,881**	**12,115**	**72,119**	**1,047,972**
Accumulated depreciation:							
Balance at 1 July 2012	(17,868)	(59,862)	(4,923)	(5,595)	(2,166)	–	(90,414)
Disposals	10	5,158	492	31	–	–	5,691
Transfers	–	(1,184)	1,184	–	–	–	–
Depreciation expense	(10,152)	(21,970)	(1,574)	(3,038)	(775)	–	(37,509)
Net currency exchange differences	–	(1,961)	–	(6)	–	–	(1,967)
Balance at 1 July 2013	(28,010)	(79,819)	(4,821)	(8,608)	(2,941)	–	(124,199)
Disposals	–	12,286	–	957	144	–	13,387
Transfers	–	(2,418)	2,418	–	–	–	–
Depreciation expense	(8,787)	(29,149)	(869)	(2,892)	(984)	–	(42,681)
Net currency exchange differences	103	1,712	–	148	–	–	1,962
Balance at 30 June 2014	**(36,694)**	**(97,388)**	**(3,272)**	**(10,395)**	**(3,781)**	**–**	**(151,531)**
Net book value:							
As at 30 June 2013	105,393	308,510	13,377	13,615	7,300	–	448,195
As at 30 June 2014	**106,688**	**685,886**	**3,928**	**19,486**	**8,334**	**72,119**	**896,441**

Assets Pledged as Security

In accordance with the security arrangements of liabilities, as disclosed in note 18 to the financial statements, all non-current assets of the Group have been pledged as security, except deferred tax assets.

15. GOODWILL

	2014 $'000	2013 $'000
Cost	20,710	20,710
Accumulated impairment losses	–	–
	20,710	**20,710**
Cost		
Balance at beginning of year	20,710	20,710
Amount recognised from business combination occurring during the year	–	–
Balance at end of year	**20,710**	**20,710**

Allocation of goodwill to cash generating units

Goodwill has been allocated for impairment testing purposes to the Supply Base cash-generating unit.

The recoverable amount of this cash-generating unit is determined based on a value in use calculation, which uses cash flow projections based on financial budgets approved by the Directors covering a three year period, and a discount rate of 13.90% per annum (2013: 11.50% per annum).

Cash flow projections during the budget period are based on management's best estimates of cash flows and known contractual arrangements. The cash flows beyond that three year period have been extrapolated using a 2.70% per annum growth rate. The Directors believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash generating unit.

16. TRADE AND OTHER PAYABLES

The average credit period on purchases of all goods is 30 days. The Group monitors payments to ensure that all payables are paid within the credit time frame.

	2014 $'000	2013 $'000
Trade payables	26,859	8,544
Other payables and accruals	50,913	34,820
Goods and services tax payable	5,829	4,965
	83,601	**48,329**

17. UNEARNED REVENUE

Current	17,454	11,274
Non-current	2,278	–
	19,732	**11,274**

Unearned revenue represents revenue received in advance to be recognised over the life of the service contract.

18. BORROWINGS

Secured – at amortised cost

	2014 $'000	2013 $'000
Current		
Hire purchase liability (i)	4,572	7,796
Bank loans (ii)	42,646	21,400
	47,218	**29,196**
Non-Current		
Hire purchase liability (i)	2,423	5,443
Bank loans (ii)	391,202	145,000
	393,625	**150,443**

Summary of borrowing arrangements:

(i) Secured by hire purchase assets, the borrowings are fixed interest rate debt with repayment periods not exceeding 5 years. The current weighted average effective interest rate on the hire purchase liabilities is 7.57% (2013: 7.10%) – refer note 35.

(ii) In August 2011 the Company entered into a Loan Facility Agreement with NAB with a term of 5 years. In April 2012 the Company entered into a separate Loan Facility Agreement with ANZ with a term of 5 years. The Loan Facilities were fully secured by fixed and floating charges given by certain controlled entities within the Group, registered ship mortgages over a number of vessels owned by certain controlled entities, real property mortgages and a mortgage by way of sub-demise over the Dampier Supply Base lease. The assets secured under these Loan Facilities were consolidated under a Club structure whereby the assets were mortgaged by a security trustee who held these mortgages on trust for the creditor beneficiaries, NAB and ANZ.

In May 2014, the Company entered into a Syndicated Facility Agreement with NAB and ANZ as mandated lead arranger, underwriter and bookrunner. The Syndicated Facility comprised a A$200 million term loan facility and a US$227 million term loan facility. The primary purpose of the A$ loan facility was to refinance the Company's existing loan facilities. The purpose of the US$ loan facility was to support the acquisition of the subsidiaries of Jaya Holdings Ltd. The Syndicated Facility has a term of 5 years and is fully secured by fixed and floating charges given by certain controlled entities within the Group, registered ship mortgages over a number of vessels owned by certain controlled entities, real property mortgages, and a mortgage by way of sub-demise over the Dampier Supply Base lease. The security is held by the Security Trustee on behalf of the banking members of the Syndicated Facility. The current weighted average effective interest rate on the bank loans is 3.67% (2013: 5.48%) – refer note 35.

19. OTHER FINANCIAL LIABILITIES

	2014 $'000	2013 $'000
Derivatives		
Foreign currency forward contracts	1,806	–
	1,806	**–**

20. PROVISIONS

	2014 $'000	2013 $'000
Current		
Employee benefits – annual leave (i)	11,023	8,293
Employee benefits – long service leave (ii)	1,807	1,320
Restructuring (iii)	1,534	–
Project related costs (iv)	7,615	–
	21,979	**9,613**
Non-current		
Employee benefits – long service leave (ii)	**1,067**	**666**

(i) Provision for annual leave entitlements accrued.

(ii) Provision represents long service leave entitlements accrued both current and non-current. Vested long service leave payable falls under current provision.

(iii) This is a provision for employee redundancy costs in respect of the closing of the Singapore ship yard.

(iv) Project related cost provision relates to the following:

(a) Provision for cancellation costs $5.1 million: A provision is recognised for the expected cash outflows for the cancellation of certain committed purchase orders, which is in relation to the Group's efforts in rationalising and optimising the vessel-build programme. Assumptions used to estimate the provision were based on current negotiations with key suppliers.

(b) Provision for warranties $2.5 million: The provision for warranties represents the best estimate of the Group's liability to repair vessels and replace affected parts still under warranty at the end of the reporting period.

21. OTHER CURRENT LIABILITIES

	2014 $'000	2013 $'000
Customer security deposits	**4,820**	**–**

Amounts charged to customers to be held by the Group to secure the customers' obligations under the contracts.

22. ISSUED CAPITAL

	2014 $'000	2013 $'000
366,766,098 fully paid ordinary shares (2013: 229,962,314)	**549,813**	**226,382**

22. ISSUED CAPITAL (CONT)

Changes to the Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

	2014 No.'000	2014 $'000	2013 No.'000	2013 $'000
Fully Paid Ordinary Shares				
Balance at beginning of financial year	229,962	226,382	219,453	197,694
Issue of shares under employee option and rights plans	981	–	7,506	16,102
Issue of shares under dividend reinvestment plan	3,653	10,609	3,003	10,044
Issue of shares under institutional placement	41,691	100,058	–	–
Issue of shares under institutional entitlement	59,769	143,445	–	–
Issue of shares under retail entitlement	30,710	73,705	–	–
Transfer from employee equity settled benefits reserve	–	3,648	–	2,542
Share issue costs	–	(8,034)	–	–
Balance at end of financial year	**366,766**	**549,813**	**229,962**	**226,382**

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Share Options & Rights

As at 30 June 2014, executives and employees held options and rights over 5,539,257 ordinary shares (2013: 4,775,681) in aggregate. Please refer to note 29.5 for details of these options and rights.

Share options and rights granted under the employee share option and rights plans carry no right to dividends and no voting rights.

23. RESERVES

	2014 $'000	2013 $'000
Employee equity settled benefits	3,916	6,660
Hedging	(1,806)	2,030
Foreign currency translation	(14,370)	(6,410)
Balance at end of financial year	**(12,260)**	**2,280**

	2014 $'000	2013 $'000
Employee equity settled benefits reserve		
Balance at beginning of financial year	6,660	5,596
Share based payment	1,647	1,984
Transfer to share capital	(3,648)	(2,542)
Deferred income tax (expense)/benefit	(743)	1,622
Balance at end of financial year	**3,916**	**6,660**

23. RESERVES (CONT)

The employee equity settled benefits reserve arises on the grant of share options and rights to executives and employees under the Company's share options and rights plans. Amounts are transferred out of the reserve and into issued capital when the options and rights vest.

	2014 $'000	2013 $'000
Hedging reserve		
Balance at beginning of financial year	2,030	(765)
Gain/(Loss) on cash flow hedges	(11,504)	1,822
Transfer of cash flow hedge loss to initial carrying amount of hedged items	7,668	973
Balance at end of financial year	**(1,806)**	**2,030**

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

	2014 $'000	2013 $'000
Foreign currency translation reserve		
Balance at beginning of financial year	(6,410)	(20,576)
Translation of foreign operations	(11,754)	14,166
Gain on hedge of net investment in a foreign operation	3,794	–
Balance at end of financial year	**(14,370)**	**(6,410)**

Exchange differences relating to the translation from the functional currencies of the Group's foreign controlled entities into Australian Dollars are brought to account by entries made directly to the foreign currency translation reserve. Gains and losses on hedging instruments that are designated as hedging instruments for hedges of net investments in foreign operations are included in the foreign currency translation reserve.

24. RETAINED EARNINGS

	2014 $'000	2013 $'000
Balance at beginning of financial year	174,364	139,830
Profit attributable to owners of the Company	53,884	60,298
Dividend provided for or paid	(28,959)	(25,764)
Balance at end of financial year	**199,289**	**174,364**

25. NOTES TO THE STATEMENT OF CASH FLOW

(a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the balance sheet as follows:

	2014 $'000	2013 $'000
Cash and cash equivalents	**174,768**	**58,824**

(b) Non cash financing and investing activities

During the financial year, the Group acquired property, plant and equipment with an aggregate value of $1.8 million (2013: $1.1 million), which was financed by bank finance and hire purchase agreements. These acquisitions will be reflected in the cash flow statement as repayment of borrowings over the term of the facilities.

The purchase of the subsidiaries of Jaya Holdings Ltd for $546.0 million was funded through a payment of $301.2 million from the Company's cash reserves and the drawdown of $244.8 million of new debt which was paid directly by the bank to the vendor. On acquisition, the Company has acquired cash and cash equivalents totalling $126.3 million.

Underwriting fees associated with the capital raising totalling $7.2 million were incurred. The total proceeds received from the capital raising were reduced by this amount.

Underwriting fees associated with the new Syndicated Banking Facility totalling $3.1 million were deducted direct by the banks on drawdown of the new facility.

In addition, the Company issued shares to the value of $10.6 million (2013: $10.0 million) under the Dividend Reinvestment Plan.

(c) Reconciliation of profit for the year to net cash flows from operating activities

	2014 $'000	2013 $'000
Profit for the year	53,884	60,298
Depreciation of non-current assets	42,681	37,509
Gain/(Loss) on sale of property, plant and equipment	–	(17)
Unrealised foreign exchange loss	355	87
Allowance for doubtful debts	270	21
Bad debts	–	10
Reversal of impairment losses on trade receivables	–	(69)
Equity settled share based payment	1,647	1,984
Share of jointly controlled entity profit	(3,555)	(3,893)
Change in net assets and liabilities:		
Increase in current trade and other receivables	(36,883)	(38,569)
Increase in prepayments	(7,234)	(8)
Increase in inventories	(3,077)	(894)
Increase in provisions	3,615	3,106
Increase in trade and other payables	7,238	4,875
(Decrease)/increase in unearned revenue	(3,775)	4,503
Increase in deferred tax liabilities	172	493
(Decrease)/increase in current tax liability	(925)	1,399
Net cash flows from operating activities	**54,413**	**70,835**

Notes to the Financial Statements for the year ended 30 June 2014

25. NOTES TO THE STATEMENT OF CASH FLOW (CONT)

(d) Financing facilities

	2014 $'000	2013 $'000
Secured loan facilities with various maturity dates through to 2019 and which may be extended by mutual agreement:		
– Amount used	433,848	166,400
– Amount unused	–	16,000
	433,848	**182,400**
Secured bank overdraft:		
– Amount used	–	–
– Amount unused	4,000	4,000
	4,000	**4,000**

26. COMMITMENTS FOR EXPENDITURE

(a) Lease Commitments

Hire purchase liabilities and non-cancellable operating lease commitments are disclosed in note 27.

(b) Capital expenditure commitments

	2014 $'000	2013 $'000
Plant and Equipment	2,746	3,866
Leasehold Improvements	978	3,727
Vessels	148,146	28,751
	151,870	**36,344**

27. LEASES

(a) Finance lease liabilities

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Not later than 1 year	5,009	8,514	4,572	7,796
Later than 1 year and not later than 5 years	2,615	5,857	2,423	5,443
Minimum future payments	7,624	14,371	6,995	13,239
Less future finance charges	(629)	(1,132)	–	–
Present value of minimum lease payments	**6,995**	**13,239**	**6,995**	**13,239**
Included in the financial statements as:				
Borrowings – current (note 18)			4,572	7,796
Borrowings – non-current (note 18)			2,423	5,443
			6,995	**13,239**

Finance leases relate to vessels and equipment with lease terms of up to 5 years. The Group has options to purchase the equipment for a nominated amount at the conclusion of the lease agreements.

27. LEASES (CONT)

(b) Operating leases

	2014 $'000	2013 $'000
Payments recognised as an expense		
Minimum lease payment	171,562	67,634
Non-cancellable operating lease commitments		
Not later than 1 year	59,526	26,037
Later than 1 year and not later than 5 years	15,949	9,779
Later than 5 years	3,750	5,845
Aggregate lease expenditure contracted for at balance date	**79,225**	**41,661**
Aggregate operating lease commitments comprise:		
Office rental commitments (i)	5,380	2,513
Supply Base rental commitments (ii)	19,573	16,142
Vessel charter fee commitments (iii)	51,505	19,232
Other (iv)	2,767	3,774
	79,225	**41,661**

(i) Office rental commitments:

The Company entered into a lease for new office premises at 1 Mews Road, Fremantle commencing on 5 August 2010. The Company is committed under a 5 year arrangement, with a 5 year option term commencing 5 August 2015. The rental is subject to an annual 3.5% increase for the first four years of the lease and a market review on the fifth anniversary of the lease. Following the Jaya acquisition, the Company has a lease for its office premises in Singapore. The lease expires in 2021 and contains provisions for rental adjustments of 5.5% per annum.

(ii) Supply Base rental commitments:

Supply Base rental commitments includes the lease of the Dampier Supply Base for a term of 21 years commencing 1 January 1999 with an option to renew the lease for a further period of 21 years. The rental commitment increased during the comparative year following a market rent review in accordance with the terms of the lease agreement.

The approved use of the site is for the purpose of conducting a multi-purpose marine service facility and supply base including but not limited to open and covered laydown and storage, warehousing, production and storage of drilling mud and other drilling supplies, operating and maintaining vessels and floating plant together with associated docking, maintenance and engineering works. Any other uses require the prior written consent of the Lessor.

Restrictions apply to the assignment or subletting of the site (or any part) without prior consent of the Lessor, although that consent cannot unreasonably be withheld (subject to "usual" prudential requirements common to leases in Western Australia).

(iii) Vessel charter commitments

As of 30 June 2014, the Company had 31 vessels (2013: 8) under bare boat charter agreements. Vessel charter commitments represent charter fee payments to be made to the owners of these vessels. These leases are all on commercial terms for periods of up to 2 years.

(iv) Other lease commitments:

The Group has leases over a number of residential properties in Karratha and Dampier and items of machinery and equipment. These leases are all on commercial terms for periods up to 5 years.

Notes to the Financial Statements for the year ended 30 June 2014

27. LEASES (CONT)

(c) The Group as lessor

The Group has entered into sub lease agreements and equipment rental agreements at the Dampier Supply Base for periods between 1.5 years to 5 years with options to extend. The Group also entered into charter hire contracts with third parties relating to the leasing of certain vessels with terms up to 6 years.

	2014 $'000	2013 $'000
Non-cancellable operating lease receivables		
Not later than 1 year	32,864	28,056
Later than 1 year and not later than 5 years	63,707	685
Later than 5 years	5,342	–
	101,913	**28,741**

28. BUSINESS COMBINATIONS

28.1 Subsidiaries acquired

Subsidiary	Principal activity	Date of acquisition	Proportion of shares acquired %	Consideration transferred $'000
Jaya Marine Pte Ltd	Ship owning, ship chartering	4 Jun 2014	100	7,982
Java Marine Lines Pte Ltd	Ship owning, ship chartering	4 Jun 2014	100	185,879
Jaya Offshore Pte Ltd	Ship chartering and ship management	4 Jun 2014	100	68,127
Jaya Offshore Support Services Pte Ltd	Ship owning, ship chartering and ship management	4 Jun 2014	100	89,502
Jaya Shipbuilding and Engineering Pte Ltd	Ownership of shipyard and the building and repairing of ships	4 Jun 2014	100	67,869
Jaya Century Pte Ltd	Investment holding	4 Jun 2014	100	–
Xinet Pte Ltd	Investment holding	4 Jun 2014	100	–
Jaya Offshore (H.K.) Limited	Investment holding	4 Jun 2014	100	–
Airia Jaya Marine (S) Pte Ltd	Ship owning, ship chartering and ship management	4 Jun 2014	100	n/a
AJM Shipping Pte Ltd	Ship owning, ship chartering and ship management	4 Jun 2014	100	n/a
Venus Marine Services Sdn Bhd	Ship owning, ship chartering and ship management	4 Jun 2014	100	n/a
JSE Shipping Pte Ltd	Ship owning, ship chartering and ship management	4 Jun 2014	100	n/a
JSE Offshore Shipping Pte Ltd	Ship owning, ship chartering and ship management	4 Jun 2014	100	n/a
Jaya Offshore Services Pte Ltd	Ship owning, ship chartering and ship management	4 Jun 2014	100	n/a
JSE Offshore (Labuan) Pte Ltd	Ship owning, ship chartering and ship management	4 Jun 2014	100	n/a
Concord Offshore (Labuan) Ltd	Ship management	4 Jun 2014	100	n/a
PT Jaya Asiatic Shipyard	Ownership of shipyard and the building and repairing of ships	4 Jun 2014	100	n/a

The subsidiaries of Jaya Holdings Limited, as listed in the above table, were acquired to provide immediate scale to MMA's international operations and represent a strategic platform for further growth as well as expanding the scope of MMA's integrated offshore service offering.

28. BUSINESS COMBINATIONS (CONT)

28.2 Consideration transferred

The consideration transferred for the acquisition totalled A$546 million dollars (equivalent $625 million Singapore dollars).

Of this, A$419 million (S$479 million) was allocated to the purchase of subsidiaries as described above and the remaining A$127 million (S$146 million) was allocated to the novation and assignment of the net intra-group indebtedness owing by the subsidiaries to Jaya Holdings Limited.

Acquisition related costs amounting to A$7.8 million have been excluded from the consideration transferred and have been recognised as an expense in the profit and loss statement in the current year, within Administration expenses.

28.3 Assets acquired and liabilities assumed at the date of acquisition

	2014 $'000
Current Assets	
Cash and cash equivalents	126,263
Trade and other receivables (net)	42,467
Inventories	910
Other	27,522
Non-Current Assets	
Plant and equipment	433,214
Current Liabilities	
Trade and other payables	(31,493)
Unearned revenue	(12,233)
Provisions	(8,503)
Current tax provisions	(31,214)
Intercompany debts	(126,633)
Non-Current Liabilities	
Deferred tax liabilities	(941)
Total	**419,359**

The initial accounting for the acquisition has only been provisionally determined at the end of the reporting period.

The completion of this transaction occurred on 4 June 2014. Given the proximity to the end of the financial year there is additional analysis required in finalising and confirming the values of assets and liabillties at acquisition date. As a result these values have only been provisionally determined based on the Directors' best estimate of the likely values.

The receivables acquired (which principally comprised trade receivables) in the transaction with a fair value of $42.5 million, had gross contractual amounts of $43.2 million. The best estimate at acquisition date of the contractual cash flows not expected to be collected are $0.7 million.

28.4 Goodwill arising on acquisition

There was no goodwill arising on the acquisition. The fair value of the consideration transferred is considered to be equal to the fair value of the assets acquired and liabilities assumed.

28.5 Net cash outflow on acquisition of subsidiaries

	2014 $'000
Consideration paid in cash	301,220
Less: cash and cash equivalents balances acquired	(126,263)
Total	**174,957**

Refer note 25(b) for details of non cash consideration component of acquisition totalling $244.8 million.

28. BUSINESS COMBINATIONS (CONT)

28.6 Impact of acquisitions on the results of the Group

Included in the revenue and net profit after tax for the year is $10.0 million and $2.6 million respectively, attributable to the additional business generated by the acquisition.

Had the business combination been effected at 1 July 2013, the revenue of the Group from continuing operations would have been $808 million, and the profit for the year from continuing operations would have been $93 million. The Directors of the Group consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

29. SHARE BASED PAYMENTS

29.1 Share option and rights incentive plans

The Group has established ownership based compensation plans whereby executives and employees of the Group have been issued with options and rights over ordinary shares of Mermaid Marine Australia Limited.

Upon exercise, each share option or right, converts into one ordinary share of Mermaid Marine Australia Ltd. No amounts are paid or are payable by the recipient on receipt of the options or rights. The options or rights carry no rights to dividends and no voting rights. Holders of options or rights do not have the right, by virtue of the option or right, to participate in any share issue of the Company. The options and rights may be exercised at any time from their vesting date to the date of their expiry.

The options or rights are not quoted on the ASX.

The following share based payment arrangements were in existence during the current and comparative reporting periods:

Series	Number issued	Grant Date	Expiry Date	Exercise price $	Fair Value at grant date $
(1) Issued 22 November 2007 (a)	970,040	22 Nov 2007	11 Oct 2012	1.83	0.39
(2) Issued 23 October 2007 (b)	2,576,788	23 Oct 2007	11 Oct 2012	1.83	0.45
(3) Issued 24 January 2008 (b)	487,714	24 Jan 2008	24 Jan 2013	1.83	0.45
(4) Issued 23 September 2008 (c)	1,385,432	23 Sep 2008	23 Sep 2013	1.60	0.26
(5) Issued 27 November 2008 (d)	1,277,584	27 Nov 2008	23 Sep 2013	1.60	0.08
(6) Issued 22 September 2009 (e)	475,705	22 Sep 2009	18 Sep 2014	0.00	1.43
(7) Issued 22 September 2009 (f)	3,112,047	22 Sep 2009	18 Sep 2014	3.05	0.46
(8) Issued 1 December 2009 (g)	1,488,356	1 Dec 2009	18 Sep 2014	3.05	0.47
(9) Issued 20 October 2010 (h)	780,082	20 Oct 2010	1 Jul 2013	0.00	1.62
(10) Issued 25 November 2010 (h)	266,351	25 Nov 2010	1 Jul 2013	0.00	1.62
(11) Issued 18 October 2011 (i)	848,863	18 Oct 2011	1 Jul 2014	0.00	2.06
(12) Issued 18 October 2011 (i)	324,650	18 Oct 2011	1 Jul 2014	0.00	1.89
(13) Issued 24 November 2011 (i)	331,142	24 Nov 2011	1 Jul 2014	0.00	1.69
(14) Issued 25 October 2012 (j)	311,634	25 Oct 2012	1 Jul 2015	0.00	2.28
(15) Issued 25 October 2012 (j)	283,254	25 Oct 2012	1 Jul 2015	0.00	2.42
(16) Issued 22 November 2012 (j)	317,865	22 Nov 2012	1 Jul 2015	0.00	2.47
(17) Issued 20 December 2012 (j)	20,981	20 Dec 2012	1 Jul 2015	0.00	2.42
(18) Issued 03 December 2013 (k)	1,092,384	11 Oct 2013	1 Jul 2016	0.00	2.14
(19) Issued 03 December 2013 (k)	339,238	11 Oct 2013	1 Jul 2016	0.00	2.02
(20) Issued 03 December 2013 (k)	346,023	21 Nov 2013	1 Jul 2016	0.00	1.71

29. SHARE BASED PAYMENTS (CONT)

(a) In accordance with the terms of the Managing Director's Share Option Plan – October 2007, 970,040 share options vested on 11 October 2010 subject to the performance hurdle that the Company's Total Shareholder Return must exceed the performance of the ASX Small Ordinaries index over a minimum period of three years commencing on 11 October 2007 and ending on 11 October 2010 and a maximum period of five years commencing on 11 October 2007 and ending on 11 October 2012. These options were all exercised on 4 September 2012.

(b) 15% of the options issued on 23 October 2007 and 24 January 2008 vested 36 months after their issue date. The remaining 85% may be exercised subject to the performance hurdle that the Company's Total Shareholder Return must exceed the performance of the ASX Small Ordinaries index over a minimum period of three years from issue date and a maximum period of five years from issue date. This performance hurdle has been met and all vested options exercised.

(c) In accordance with the terms of the Senior Executive Share Option Plans, 1,385,432 share options vested on 23 September 2011 subject to the performance hurdle that the Company's Total Shareholder Return must exceed the performance of the ASX Small Ordinaries index over a minimum period of three years commencing on 23 September 2008 and ending on 23 September 2011 and a maximum period of five years commencing on 23 September 2008 and ending on 23 September 2013. This performance hurdle has been met and all vested options exercised.

(d) In accordance with the terms of the Managing Director's Share Option Plan – 2008, 1,277,584 share options vested on 23 September 2011 subject to the performance hurdle that the Company's Total Shareholder Return must exceed the performance of the ASX Small Ordinaries index over a minimum period of three years commencing on 23 September 2008 and ending on 23 September 2011 and a maximum period of five years commencing on 23 September 2008 and ending on 23 September 2013. These options were all exercised on 28 June 2013.

(e) In accordance with the terms of the Mermaid Marine Share Option Plan (amended September 2009), the share options issued to employees vested on 18 September 2012 subject to the performance hurdle that the Company's Total Shareholder Return must exceed the performance of the ASX Small Ordinaries index over a minimum period of three years commencing on 18 September 2009 and ending on 18 September 2012 and a maximum period of five years commencing on 18 September 2009 and ending on 18 September 2014. This performance hurdle has been met and all vested options exercised.

(f) In accordance with the terms of the Senior Executive Share Option Plans (amended September 2009), 3,112,047 share options vested on 18 September 2012 subject to the performance hurdle that the Company's Total Shareholder Return must exceed the performance of the ASX Small Ordinaries index over a minimum period of three years commencing on 18 September 2009 and ending on 18 September 2012 and a maximum period of five years commencing on 18 September 2009 and ending on 18 September 2014. This performance hurdle has been met.

(g) In accordance with the terms of the Managing Director's Share Option Plan – 2009, 1,488,356 share options vested on 18 September 2012 subject to the performance hurdle that the Company's Total Shareholder Return must exceed the performance of the ASX Small Ordinaries index over a minimum period of three years commencing on 18 September 2009 and ending on 18 September 2012 and a maximum period of five years commencing on 18 September 2009 and ending on 18 September 2014. These options were all exercised on 1 March 2013.

(h) In accordance with the terms of the Mermaid Marine Australia Limited Performance Rights Plan – 2010 and the Mermaid Marine Australia Limited Managing Director's Performance Rights Plan – 2010 (as approved by the shareholders at the Company's AGM on 25 November 2010), the number of performance rights which vest following the end of the Performance Period will depend on the growth in the Earnings per Share of the Company and the Total Shareholder Return relative to a selected peer group of companies in accordance with the table below. All of the relevant performance criteria over the specified performance period have been satisfied.

Notes to the Financial Statements for the year ended 30 June 2014

29. SHARE BASED PAYMENTS (CONT)

Performance Criteria	Performance period	Percentage of LTI subject to performance criteria	Performance criteria targets	Percentage of Performance Rights which vest if target met
Normalised Earnings Per Share (EPS) growth	Beginning 1 July 2010 and ending 30 June 2013	20%	Below 6%	Nil
			Between 6% and 10%	50% to 100% (on a straight line basis)
			Above 10%	100%
Company's Total Shareholder Return (TSR) percentile ranking over the Performance Period relative to a selected Peer Group	Beginning 1 July 2010 and ending 30 June 2013	80%	Below the 50th percentile	Nil
			Between the 50th percentile and the 75th percentile	50% to 100% (on a straight line basis)
			Above the 75th percentile	100%

(i) In accordance with the terms of the Mermaid Marine Australia Limited Performance Rights Plan – 2011 and the Mermaid Marine Australia Limited Managing Director's Performance Rights Plan – 2011 (as approved by the shareholders at the Company's AGM on 24 November 2011), the number of performance rights which vest to the Managing Director, Chief Operating Officer and Chief Financial Officer following the end of the Performance Period will depend on the growth in the Earning per Share of the Company and the Total Shareholder Return relative to a selected peer group of companies in accordance with the table below:

Performance criteria	Performance Period	Percentage of LTI subject to performance criteria	Performance criteria targets	Percentage of Performance Rights which vest if target met
Normalised Earnings per Share (EPS) growth	Beginning 1 July 2011 and ending 30 June 2014	25%	Less than 6%	Nil
			Equal to 6%	50%
			Between 6% and 12.5%	50% to 100% (pro-rata)
			Equal to 12.5%	100%
Company's Total Shareholder Return (TSR) percentile ranking over the Performance Period relative to a selected Peer Group	Beginning 1 July 2011 and ending 30 June 2014	75%	Below the 50th percentile	Nil
			At the 50th percentile	50%
			Between the 50th percentile and the 90th percentile	50% to 100% (pro-rata)
			At the 90th percentile	100%

The performance period for this series finished at the end of the current reporting period.The actual performance and resulting vesting of rights is:

Performance Criteria	Actual Performance %	Vesting %
EPS	6.2	52
TSR	(23.6)	Nil

29. SHARE BASED PAYMENTS (CONT)

The table below sets out the relevant Performance Criteria for the performance rights granted to other senior management (ie. excluding the Managing Director, Chief Operating Officer and Chief Financial Officer):

Performance criteria	Performance Period	Percentage of LTI subject to performance criteria	Performance criteria targets	Percentage of Performance Rights which vest if target met
Normalised Earnings per Share (EPS) growth	Beginning 1 July 2011 and ending 30 June 2014	25%	Below 6%	Nil
			Between 6% and 10%	50% to 100% (on a straight line basis)
			Above 10%	100%
Company's Total Shareholder Return (TSR) percentile ranking over the Performance Period relative to a selected Peer Group	Beginning 1 July 2011 and ending 30 June 2014	75%	Below the 50th percentile	Nil
			Between the 50th percentile and the 75th percentile	50% to 100% (on a straight line basis)
			Above the 75th percentile	100%

The performance period for this series finished at the end of the current reporting period.The actual performance and resulting vesting of rights is:

Performance Criteria	Actual Performance %	Vesting %
EPS	6.2	53
TSR	(23.6)	Nil

(j) In accordance with the terms of the Mermaid Marine Australia Limited Performance Rights Plan – 2012 and the Mermaid Marine Australia Limited Managing Director's Performance Rights Plan – 2012 (as approved by the shareholders at the Company's AGM on 22 November 2012), the number of performance rights which vest to the Managing Director, Chief Operating Officer and Chief Financial Officer following the end of the Performance Period will depend on the growth in the Earning per Share of the Company and the Total Shareholder Return relative to a selected peer group of companies in accordance with the table below:

Performance criteria	Performance Period	Percentage of LTI subject to performance criteria	Performance criteria targets	Percentage of Performance Rights which vest if target met
Normalised Earnings per Share (EPS) growth	Beginning 1 July 2012 and ending 30 June 2015	25%	Less than 6%	Nil
			Equal to 6%	50%
			Between 6% and 12.5%	50% to 100% (pro-rata)
			Equal to 12.5%	100%
Company's Total Shareholder Return (TSR) percentile ranking over the Performance Period relative to a selected Peer Group	Beginning 1 July 2012 and ending 30 June 2015	75%	Below the 50th percentile	Nil
			At the 50th percentile	50%
			Between the 50th percentile and the 90th percentile	50% to 100% (pro-rata)
			At the 90th percentile	100%

29. SHARE BASED PAYMENTS (CONT)

The table below sets out the relevant Performance Criteria for the performance rights granted to other senior management (ie. excluding the Managing Director, Chief Operating Officer and Chief Financial Officer):

Performance criteria	Performance Period	Percentage of LTI subject to performance criteria	Performance criteria targets	Percentage of Performance Rights which vest if target met
Normalised Earnings per Share (EPS) growth	Beginning 1 July 2012 and ending 30 June 2015	25%	Below 6%	Nil
			Between 6% and 10%	50% to 100% (on a straight line basis)
			Above 10%	100%
Company's Total Shareholder Return (TSR) percentile ranking over the Performance Period relative to a selected Peer Group	Beginning 1 July 2012 and ending 30 June 2015	75%	Below the 50th percentile	Nil
			Between the 50th percentile and the 75th percentile	50% to 100% (on a straight line basis)
			Above the 75th percentile	100%

(k) In accordance with the terms of the Mermaid Marine Australia Limited Performance Rights Plan – 2013 and the Mermaid Marine Australia Limited Managing Director's Performance Rights Plan – 2013 (as approved by the shareholders at the Company's AGM on 21 November 2013), the number of performance rights which vest to the Managing Director, Chief Operating Officer and Chief Financial Officer following the end of the Performance Period will depend on the growth in the Earning per Share of the Company and the Total Shareholder Return relative to a selected peer group of companies in accordance with the table below:

Performance criteria	Performance Period	Percentage of LTI subject to performance criteria	Performance criteria targets	Percentage of Performance Rights which vest if target met
Normalised Earnings per Share (EPS) growth	Beginning 1 July 2013 and ending 30 June 2016	25%	Less than 6%	Nil
			Equal to 6%	50%
			Between 6% and 12.5%	50% to 100% (pro-rata)
			Equal to 12.5%	100%
Company's Total Shareholder Return (TSR) percentile ranking over the Performance Period relative to a selected Peer Group	Beginning 1 July 2013 and ending 30 June 2016	75%	Below the 50th percentile	Nil
			At the 50th percentile	50%
			Between the 50th percentile and the 90th percentile	50% to 100% (pro-rata)
			At the 90th percentile	100%

29. SHARE BASED PAYMENTS (CONT)

The table below sets out the relevant Performance Criteria for the performance rights granted to other employees (ie. excluding the Managing Director, Chief Operating Officer and Chief Financial Officer) during the financial year:

Performance criteria	Performance Period	Percentage of LTI subject to performance criteria	Performance criteria targets	Percentage of Performance Rights which vest if target met
Normalised Earnings per Share (EPS) growth	Beginning 1 July 2013 and ending 30 June 2016	25%	Below 6%	Nil
			Between 6% and 10%	50% to 100% (on a straight line basis)
			Above 10%	100%
Company's Total Shareholder Return (TSR) percentile ranking over the Performance Period relative to a selected Peer Group	Beginning 1 July 2013 and ending 30 June 2016	75%	Below the 50th percentile	Nil
			Between the 50th percentile and the 75th percentile	50% to 100% (on a straight line basis)
			Above the 75th percentile	100%

29.2 Fair value of share rights granted in the year

The weighted average fair value of the rights granted during the year was $2.03 (2013: $2.39). The rights were priced using a binomial option pricing model. Where relevant, the fair value of the rights has been adjusted for any market related vesting conditions.

	2014		2013		
Inputs into the model	Series (18) and (19)	Series (20)	Series (14) and (15)	Series (16)	Series (17)
Grant date share price	$3.69	$3.33	$3.21	$3.29	$3.42
Exercise price	$0.00	$0.00	$0.00	$0.00	$0.00
Expected volatility	30%	30%	30%	30%	30%
Life of rights	2.7 years	2.6 years	2.7 years	2.6 years	2.5 years
Dividend yield	3.80%	3.90%	3.80%	3.71%	3.57%
Risk free rate	2.95%	3.11%	2.66%	2.68%	2.70%

Notes to the Financial Statements for the year ended 30 June 2014

29. SHARE BASED PAYMENTS (CONT)

29.3 Movement in share options and rights during the period

The following reconciles the outstanding share options and rights granted under the Managing Director, Senior Executives and Employee Share Option and Rights Plans at the beginning and end of the financial year:

	2014		2013	
Employee Share Option and Right Plans	Number of options/rights	Weighted average exercise price $	Number of options/ rights	Weighted average exercise price $
Balance at the beginning of the financial year	4,775,681	0.91	11,622,754	1.78
Granted during the financial year	1,777,645	0.00	933,734	0.00
Exercised during the financial year	(981,092)	0.08	(7,505,525)	2.15
Forfeited during the financial year	(32,977)	0.00	(205,292)	1.24
Expired during the financial year	–	–	(69,990)	1.83
Balance at the end of the financial year	5,539,257	0.77	4,775,681	0.91
Exercisable at end of the financial year	1,400,002	3.05	1,424,801	3.05

29.4 Share options and rights exercised during the year

The following share options were exercised during the financial year:

2014 – Options – Series	Number exercised	Exercise date	Weighted average share price at exercise date $
(7) Issued 22 Sep 2009	24,799	9 May 2014	2.18
(9) Issued 20 Oct 2010	689,942	Various	3.87
(10) Issued 25 Nov 2010	266,351	15 Aug 2013	3.87

2013 – Options – Series	Number exercised	Exercise date	Weighted average share price at exercise date $
(1) Issued 22 Nov 2007	970,040	4 Sep 2012	3.10
(2) Issued 23 Oct 2007	639,699	Various	3.10
(3) Issued 24 Jan 2008	213,619	Various	3.21
(4) Issued 23 Sep 2008	1,151,216	Various	3.38
(5) Issued 27 Nov 2008	1,277,584	28 Jun 2013	3.52
(6) Issued 22 Sep 2009	342,102	Various	3.23
(7) Issued 22 Sep 2009	1,422,909	Various	4.04
(8) Issued 1 Dec 2009	1,488,356	1 Mar 2013	4.06

29. SHARE BASED PAYMENTS (CONT)

29.5 Share options and rights outstanding at the end of the year

The following share options and rights were outstanding at the end of the financial year:

2014 – Options/Rights – Series	Number	Exercise price $	Expiry Date
(7) Issued 22 Sep 2009	1,400,002	3.05	18 Sep 2014
(11) Issued 18 Oct 2011	772,084	0.00	1 Jul 2014
(12) Issued 18 Oct 2011	324,650	0.00	1 Jul 2014
(13) Issued 24 Nov 2011	331,142	0.00	1 Jul 2014
(14) Issued 25 Oct 2012	311,634	0.00	1 Jul 2015
(15) Issued 25 Oct 2012	283,254	0.00	1 Jul 2015
(16) Issued 22 Nov 2012	317,865	0.00	1 Jul 2015
(17) Issued 20 Dec 2012	20,981	0.00	1 Jul 2015
(18) Issued 03 Dec 2013	1,092,384	0.00	1 Jul 2016
(19) Issued 03 Dec 2013	339,238	0.00	1 Jul 2016
(20) Issued 03 Dec 2013	346,023	0.00	1 Jul 2016
Total	**5,539,257**		

2013 – Options/Rights – Series	Number	Exercise price $	Expiry Date
(7) Issued 22 Sep 2009	1,424,801	3.05	18 Sep 2014
(9) Issued 20 Oct 2010	722,919	0.00	1 Jul 2013
(10) Issued 25 Nov 2010	266,351	0.00	1 Jul 2013
(11) Issued 18 Oct 2011	772,084	0.00	1 Jul 2014
(12) Issued 18 Oct 2011	324,650	0.00	1 Jul 2014
(13) Issued 24 Nov 2011	331,142	0.00	1 Jul 2014
(14) Issued 25 Oct 2012	311,634	0.00	1 Jul 2015
(15) Issued 25 Oct 2012	283,254	0.00	1 Jul 2015
(16) Issued 22 Nov 2012	317,865	0.00	1 Jul 2015
(17) Issued 20 Dec 2012	20,981	0.00	1 Jul 2015
Total	**4,775,681**		

30. KEY MANAGEMENT PERSONNEL COMPENSATION

Please refer to the Remuneration Report for details of key management personnel.

Key management personnel compensation

The aggregate compensation made to the Directors and other key management personnel of the Company and the Group is set out below:

	2014 $	2013 $
Short term employee benefits	5,955,487	5,995,904
Post employment benefits	271,030	254,010
Share based payments	1,129,014	1,445,345
	7,355,531	**7,695,259**

Notes to the Financial Statements for the year ended 30 June 2014

31. RELATED PARTY TRANSACTIONS

The immediate parent and ultimate controlling party of the Group is Mermaid Marine Australia Ltd.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

31.1 Trading transactions

During the year Group entities entered into the following trading transactions with related parties that are not members of the Group:

	Sale of Goods		Purchase of Goods	
	2014 $	2013 $	2014 $	2013 $
Jointly controlled entity	**47,948**	**103,444**	**123,123**	**5,790,396**

The following balances were outstanding at the end of the reporting period:

	Amounts owed by related party		Amounts owed to related party	
	2014 $	2013 $	2014 $	2013 $
Jointly controlled entity	**–**	**15,458**	**–**	**–**

Sales and purchases of services to and from related parties were made at normal commercial rates.

Amounts outstanding in the prior period were unsecured and were settled in cash. No guarantees have been given or received. No expense has been recognised in the current or prior periods for bad or doubtful debts in respect of amounts owed by related parties.

31.2 Loans to related parties

	2014 $	2013 $
Loan to jointly controlled entity	**–**	**2,000,000**

The parent entity had provided a loan at rates comparable to the average commercial rate of interest. The loan was unsecured and repayable on demand. The loan was repaid during the financial year.

31.3 Other related party transactions

(a) Equity interests in related parties

Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 33.

Equity interests in jointly controlled entities

Details of interests in jointly controlled entities are disclosed in note 12.

Equity interests in other related parties

There are no equity interests in other related parties.

(b) Transaction with key management personnel

Key management personnel compensation

Details of key management personnel compensation are disclosed in note 30.

31. RELATED PARTY TRANSACTIONS (CONT)

Other transactions with key management personnel of the Group

Consultancy Services

During the year, Sawtell Pty Ltd, an entity of which Mr J Carver is a Director and shareholder, provided consultancy services to the Company upon negotiated commercial terms. Consultancy services charged until his resignation as a Director amounted to $8,827 (2013: $220,000), based upon an agreed market day rate.

Equipment Hire

During the financial year, the Group recognised equipment hire expenditure of $53,900 (2013: $137,900) for equipment hired from a related company of Mr S Lee. This equipment was hired under commercial terms and rates.

(c) Transactions with other related parties

Other transactions that occurred during the financial year between entities in the wholly owned Group were the charter of vessels and the provision of supply base and slipway services. These are all provided at commercial rates.

32. REMUNERATION OF AUDITORS

	2014 $	2013 $
Auditor of the Parent Entity		
Audit or review of the financial report	346,525	298,725
Taxation compliance services	72,450	72,450
Taxation consultancy services	141,747	8,794
	560,722	**379,969**
Network firms of the Parent Entity auditor		
Audit or review of the financial report	423,843	–
Taxation compliance services	73,567	94,874
Taxation consultancy services	197,292	85,667
	694,702	**180,541**

The auditor of Mermaid Marine Australia Ltd is Deloitte Touche Tohmatsu ("Deloitte").

During the year, the Company conducted vessel operations in various countries and also acquired all of the subsidaries of Jaya Holdings Limited, whose subsidaries are located in various jurisdictions throughout South East Asia.

Following a detailed review by the Audit and Risk Committee of the nature of the non-audit services provided by the external auditor during the year, the Board has determined that the services provided, and the amount paid for those services, are compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 (Cth) and that the auditor's independence has not been compromised.

Notes to the Financial Statements for the year ended 30 June 2014

33. SUBSIDIARIES

Details of the Group's subsidiaries at the end of the reporting period are as follows:

	Note	Country of Incorporation	Ownership Interest 2014 %	Ownership Interest 2013 %
Parent Entity				
Mermaid Marine Australia Limited	(i)	Australia		
Subsidiaries				
Mermaid Marine Vessel Operations Pty Ltd	(ii) (iii)	Australia	100	100
Mermaid Marine Charters Pty Ltd	(ii) (iii)	Australia	100	100
Mermaid Supply Base Pty Ltd	(ii) (iii)	Australia	100	100
Mermaid Marine Asia Pte Ltd		Singapore	100	100
M Logistics Pty Ltd	(ii) (iii)	Australia	100	100
Mermaid Marine Employee Share Trust		Australia	100	100
Mermaid Marine Vessel Holdings Pte Ltd	(ii)	Singapore	100	100
Mermaid Marine Asia Sdn Bhd	(iv)	Malaysia	100	–
Jaya Marine Pte Ltd	(v)	Singapore	100	–
Java Marine Lines Pte Ltd	(v)	Singapore	100	–
Jaya Offshore Pte Ltd	(v)	Singapore	100	–
Jaya Offshore Support Services Pte Ltd	(v)	Singapore	100	–
Jaya Shipbuilding and Engineering Pte Ltd	(v)	Singapore	100	–
Jaya Century Pte Ltd	(v)	Singapore	100	–
Xinet Pte Ltd	(v)	Singapore	100	–
Jaya Offshore (H.K.) Limited	(v)	Hong Kong	100	–
Airia Jaya Marine (S) Pte Ltd	(v)	Singapore	100	–
AJM Shipping Pte Ltd	(v)	Singapore	100	–
Venus Marine Services Sdn Bhd	(v)	Malaysia	100	–
JSE Shipping Pte Ltd	(v)	Singapore	100	–
JSE Offshore Shipping Pte Ltd	(v)	Singapore	100	–
Jaya Offshore Services Pte Ltd	(v)	Singapore	100	–
JSE Offshore (Labuan) Pte Ltd	(v)	Malaysia	100	–
Concord Offshore (Labuan) Ltd	(v)	Malaysia	100	–
PT Jaya Asiatic Shipyard	(v)	Indonesia	100	–

(i) Mermaid Marine Australia Limited is the head entity within the tax consolidated group.
(ii) These companies are members of the tax consolidated group.
(iii) Pursuant to ASIC Class Order 98/1418, relief has been granted to these wholly owned controlled entities from the Corporations Law requirements for preparation, audit and lodgement of the financial report. As a condition of the Class Order, Mermaid Marine Australia Limited and the controlled entities entered into a Deed of Cross Guarantee on 15 February 2012.
(iv) The company was incorporated on 26 September 2013.
(v) These subsidiaries of Jaya Holdings Ltd were acquired on 4 June 2014.

33. SUBSIDIARIES (CONT)

The consolidated statements of comprehensive income and financial position of entities which are party to the deed of cross guarantee are:

	2014 $'000	2013 $'000
Statement of Comprehensive Income		
Revenue	570,319	437,683
Dividend revenue	3,298	15,715
Other gains/(losses)	4,159	(472)
Share of profits of jointly controlled entity	3,555	3,893
Vessel expenses	(383,204)	(238,444)
Supply Base expenses	(93,964)	(96,066)
Slipway expenses	(15,606)	(14,196)
Administrative expenses	(17,562)	(11,427)
Finance costs	(9,999)	(9,788)
Profit before income tax expense	60,996	86,898
Income tax expense	(17,144)	(19,472)
Profit for the year	**43,852**	**67,426**
Other Comprehensive Income		
Gain/(Loss) on cashflow hedges	(11,504)	1,822
Transfer of cashflow hedge loss to initial carrying amount of hedged items	7,668	973
Other comprehensive income for the year, net of tax	(3,836)	2,795
Total Comprehensive Income for the year	**40,017**	**70,221**

33. SUBSIDIARIES (CONT)

	2014 $'000	2013 $'000
Statement of Financial Position		
Current Assets		
Cash and cash equivalents	32,001	46,695
Trade and other receivables	164,498	119,318
Inventories	3,258	2,454
Other financial assets	–	2,030
Other	8,910	1,992
Total Current Assets	**208,667**	**172,489**
Non-Current Assets		
Investments accounted for using the equity method	10,970	8,915
Other financial assets	750,442	184,643
Property, plant and equipment	272,932	277,735
Goodwill	20,710	20,710
Other	17,573	–
Total Non-Current Assets	**1,072,627**	**492,003**
Total Assets	**1,281,294**	**664,492**
Current Liabilities		
Trade and other payables	63,903	48,425
Unearned revenue	14,927	11,274
Borrowings	47,218	29,196
Provisions	12,320	8,227
Current tax liabilities	9,170	7,236
Total Current Liabilities	**147,538**	**104,358**
Non-Current Liabilities		
Unearned revenue	1,791	–
Borrowings	393,625	150,443
Other financial liabilities	1,806	–
Provisions	1,067	1,965
Deferred tax liabilities	4,428	8,090
Total Non-Current Liabilities	**402,717**	**160,498**
Total Liabilities	**550,255**	**264,856**
Net Assets	**731,039**	**399,636**
Equity		
Issued capital	549,813	226,382
Reserves	506	7,427
Retained earnings	180,720	165,827
Total Equity	**731,039**	**399,636**
Retained earnings		
Retained earnings at beginning of the financial year	165,827	124,165
Net profit	43,852	67,426
Dividend provided for or paid	(28,959)	(25,764)
Retained earnings at end of the financial year	**180,720**	**165,827**

34. PARENT COMPANY INFORMATION

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to note 2 for a summary of the significant accounting policies relating to the Group.

	2014 $'000	2013 $'000
Financial Position		
Assets		
Current assets	30,316	41,640
Non-current assets	1,151,828	583,466
Total assets	**1,182,144**	**625,106**
Liabilities		
Current liabilities	61,670	28,759
Non-current liabilities	391,202	160,588
Total liabilities	**452,872**	**189,347**
Net Assets	**729,272**	**435,759**
Equity		
Issued capital	549,826	226,395
Retained earnings	177,951	205,632
Reserves		
Hedging reserve	–	(121)
Employee equity settled benefits	1,495	3,853
Total Equity	**729,272**	**435,759**
Financial Performance		
Profit for the year	1,279	183,620
Other comprehensive gain	121	571
Total comprehensive income	**1,400**	**184,191**
Guarantees provided under the deed of cross guarantee	97,383	75,509
Contingent liabilities of the parent entity	–	–
Commitments for the acquisition of property, plant and equipment by the parent entity	67,901	–

Notes to the Financial Statements for the year ended 30 June 2014

35. FINANCIAL INSTRUMENTS

35.1 Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns, while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2013.

The capital structure of the Group consists of net debt (borrowings as detailed in note 18 offset by cash at bank balances) and equity of the Group (comprising issued capital, reserves and retained earnings as detailed in notes 22, 23 and 24).

The Group is not subject to any externally imposed capital requirements.

Based on recommendations of management and the Board, the Group will balance its overall capital structure through payment of dividends, new share issues as well as the establishment of new borrowing facilities or repayment of existing facilities.
The Group uses its gearing ratio to manage its capital. The ratio is monitored on a monthly basis by the Board and management and is measured as net debt to equity.

35.1.1 Gearing Ratio

The gearing ratio at the end of the reporting period was as follows:

	2014 $'000	2013 $'000
Debt (i)	440,843	179,639
Cash and cash equivalents	(174,768)	(58,824)
Net debt	266,075	120,815
Equity (ii)	736,842	403,026
Net debt to equity ratio	36%	30%

(i) Debt is defined as long and short-term borrowings, as detailed in note 18.
(ii) Equity includes all capital and reserves of the Group that are managed as capital.

35.2 Categories of financial instruments

	2014 $'000	2013 $'000
Financial assets		
Cash and cash equivalents	174,768	58,824
Derivative instrument in designated hedge accounting relationship	–	2,030
Loans and receivables	201,335	124,231
Financial liabilities		
Derivative instrument in designated hedge accounting relationship	1,806	–
Payables and borrowings at amortised cost	524,444	227,968

35.3 Financial risk management objectives

The Group's treasury function includes the management of the Group's financial assets and commitments including ensuring adequate procedures and controls are in place to manage financial risks. These risks include market risk (including currency and interest rate risk) credit risk and liquidity risk.

A Treasury Policy has been approved by the Board and provides guidelines for conducting treasury activities. Compliance with this Policy is monitored through internal audit procedures and subsequent reporting to the Audit and Risk Committee.

The Group seeks to minimise the effects of these risks, by using, where considered appropriate, derivative financial instruments to hedge these risk exposures. The allowable financial derivatives and conditions for their use are documented in the Treasury Policy. The Group does not enter into or trade financial instruments including derivative financial instruments for speculative purposes.

35. FINANCIAL INSTRUMENTS (CONT)

35.4 Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group enters into a range of derivative financial instruments to manage its exposure to foreign currency and interest rate risk; including:

- forward foreign exchange contracts to hedge the exchange rate risk arising from the purchase or construction of vessels denominated by USD contracts; and
- interest rate swaps to mitigate the risk of rising interest rates.

At a Group level, market risks are managed through sensitivity analysis.

35.5 Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies. Consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the financial year are as follows:

	Liabilities		Assets	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
US Dollars	31,740	4,357	235,126	14,734
Singapore Dollars	21,762	1,045	10,777	279
Norwegian Kroner	109	–	4,459	–

35.5.1 Foreign currency sensitivity analysis

The Group is mainly exposed to US Dollars (USD) and Singapore Dollars (SGD).

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian Dollar against the relevant foreign currencies. The 10% sensitivity represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit or equity where the Australian Dollar strengthens 10% against the relevant currency. For a 10% weakening of the Australian Dollar against the relevant currency, there would be an equal and opposite impact on the profit or equity.

	Profit or Loss		Equity (i)	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
US Dollar Impact	(1,635)	284	(23,000)	(3,829)
Singapore Dollar Impact	3	70	996	–
Norwegian Kroner Impact	–	–	(395)	–

(i) This USD impact is attributable to changes in fair value of derivative instruments designated as hedging instruments in cash flow hedges of $6.1 million (2013: $2.6 million) and the translation from the functional currencies of the Groups foreign entities into Australian Dollars of $16.9 million (2013: $1.2 million). The rest of the currency impacts on equity are attributable to translation of currency exposures in the Group foreign entities into Australian Dollars.

The Group's profit and loss and equity sensitivity to foreign currency has increased at the end of the current period following the acquisition of the Jaya subsidiaries and their foreign currency assets and liabilities. The Group's equity sensitivity to foreign currency has increased at the end of the current period mainly due to the increased value of foreign currency exchange contracts.

35. FINANCIAL INSTRUMENTS (CONT)

35.5.2 Forward foreign exchange contracts

The Group entered into forward foreign exchange contracts to cover specific foreign currency payments required under vessel construction contracts denominated in US Dollars.

The following table details the forward foreign exchange contracts outstanding at the end of the financial year:

Outstanding Contracts	Average exchange rate		Foreign currency		Contract value		Fair value	
	2014 $	2013 $	2014 FC'000	2013 FC'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Buy US Dollars								
3 to 6 months	–	0.988	–	26,360	–	26,676	–	2,151
12 to 24 months	0.886	–	63,963	–	72,218	–	(1,806)	–
							(1,806)	**2,151**

At reporting date the aggregate amount of unrealised losses under forward foreign exchange contracts relating to the construction cost of new vessels is $1,805,977 (2013: profit of $2,151,000). In the 2014 financial year, these unrealised losses were deferred in the hedging reserve. At the time that these payments relating to the construction of new vessels are made, the amount deferred in equity will be included in the carrying value of the new vessels.

35.6 Interest rate risk management

The Group is exposed to interest rate risk because it borrows funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, and by the use of interest rate swap contracts when considered appropriate. Hedging activities are evaluated regularly to align with interest rate views ensuring the most cost-effective hedging strategies are applied.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

35.6.1 Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

At reporting date, if interest rates had been 100 basis points higher / lower and all other variables were held constant, the impact on the net profit of the Group would be as follows:

- Net profit would decrease / increase by $4,409,766 (2013: decrease / increase by $1,164,000). This is attributable to the Group's exposure to interest rates on its variable borrowings.

The Group's sensitivity to interest rates has increased during the current year due to the increase in variable rate debt instruments and the decrease in interest rate swaps to swap floating rate debt to fixed.

35. FINANCIAL INSTRUMENTS (CONT)

35.6.2 Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between floating and fixed rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the cash flow exposures on the issued variable rate debt. The fair value of the interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the yield curves at the end of the reporting period and the credit risk inherent in the contract, and is discussed below. The average interest rate is based on the outstanding balances at the end of the reporting period.

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding at the end of the reporting period:

Cash flow hedges

Outstanding receive floating pay fixed contracts	Average contracted fixed interest rate		Notional principal value		Fair value	
	2014 %	2013 %	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Less than 1 year	–	4.24	–	50,000	–	(121)
			–	**50,000**	**–**	**(121)**

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount accumulated in equity is reclassified to profit or loss over the period that the floating rate interest payments on debt affect profit or loss.

35.7 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with credit worthy counterparties. The Group's exposures to its counterparties are continuously monitored by management. Where appropriate, the Group obtains guarantees from customers. Cash terms, advance payments or letters of credit are required from customers of lower credit standing.

Trade receivables consist of a large number of customers spread across the offshore oil and gas exploration, development and production industries and across diverse geographical areas. Ongoing credit evaluation is performed on the financial condition of trade receivable.

Apart from the largest and second largest trade receivables (refer note 9), the Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. The credit risk on the largest and second largest receivables is limited due to the customers being large multinational corporations who are making regular payments to the Group.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The carrying amount of financial assets recognised in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

35.8 Liquidity risk management

The Group manages liquidity risk by maintaining adequate cash reserves, overdraft facilities and borrowing facilities, by continuously monitoring forecast and actual cash flows, and managing credit terms with customers and suppliers. Note 25(d) sets out details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

35. FINANCIAL INSTRUMENTS (CONT)

35.8.1 Liquidity and interest risk tables

The following table details the Group's remaining contractual maturity for its non–derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amount is derived from current interest rates at the end of the reporting period. The contractual maturity is based on the earliest date on which the Group may be required to pay.

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total
	%	$'000	$'000	$'000	$'000	$'000
30 June 2014						
Non-interest bearing	–	83,601	–	–	–	83,601
Finance lease liability	7.57	247	508	4,254	2,615	7,624
Variable interest rate instruments	3.67	1,373	13,727	44,564	443,012	502,676
		85,221	**14,235**	**48,818**	**445,627**	**593,901**
30 June 2013						
Non-interest bearing	–	48,329	–	–	–	48,329
Finance lease liability	7.10	312	623	7,579	5,857	14,371
Variable interest rate instruments	5.48	4,367	3,194	21,864	159,501	188,926
		53,008	**3,817**	**29,443**	**165,358**	**251,626**

The following table details the Group's expected maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets.

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total
	%	$'000	$'000	$'000	$'000	$'000
30 June 2014						
Non-interest bearing	–	97,549	46,522	57,264	–	201,335
Variable interest rate instruments	1.50	93,035	–	–	–	93,035
		190,584	**46,522**	**57,264**	**–**	**294,370**
30 June 2013						
Non-interest bearing	–	65,737	35,465	21,029	–	122,231
Variable interest rate instruments	1.98	33,883	18	83	2,000	35,984
Fixed interest rate instruments	4.01	–	25,253	–	–	25,253
		99,620	**60,736**	**21,112**	**2,000**	**183,468**

The Group has access to financing facilities as described in note 25(d), of which $4.0 million were unused at the end of the reporting period (2013: $20.0 million). The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

35. FINANCIAL INSTRUMENTS (CONT)

The following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows on the derivative instruments that settle on a net basis.

	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years
	$'000	$'000	$'000	$'000	$'000
30 June 2014					
Net settled:					
– Interest rate swaps	–	–	–	–	–
– Foreign exchange contracts	–	–	–	(4,317)	–
	–	**–**	**–**	**(4,317)**	**–**
30 June 2013					
Net settled:					
– Interest rate swaps	(58)	(58)	–	–	–
– Foreign exchange contracts	–	–	1,745	–	–
	(58)	**(58)**	**1,745**	**–**	**–**

35.9 Fair value of financial instruments

35.9.1 Fair value of financial instruments carried at amortised cost

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

35.9.2 Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair values of derivative instruments are calculated using quoted prices. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

35. FINANCIAL INSTRUMENTS (CONT)

35.9.3 Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
30 June 2014				
Financial liabilities at fair value				
Derivative (cashflow hedge)	–	1,806	–	1,806
	–	**1,806**	**–**	**1,806**
30 June 2013				
Financial assets at fair value				
Derivative (cashflow hedge)	–	2,030	–	2,030
	–	**2,030**	**–**	**2,030**

There were no transfers between Level 1 and 2 in the period.

36. EVENTS AFTER THE REPORTING PERIOD

There has not been any matter or circumstance that occurred subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Additional Securities Exchange Information

for the year ended 30 June 2014

ORDINARY SHARE CAPITAL (AS AT 15 SEPTEMBER 2014)

366,766,098 fully paid ordinary shares are held by 8,472 individual shareholders. All issued ordinary shares carry one vote per share.

Substantial shareholders	Number of Shares	% of Issued Capital
National Australia Bank	24,904,420	6.79
Commonwealth Bank of Australia	24,030,593	6.55
Invesco Australia Limited	20,307,690	5.54

DISTRIBUTION OF HOLDERS OF ORDINARY SHARES (AS AT 31 AUGUST 2014)

Size of Holding	Number of ordinary shareholders
1 to 1,000	2,000
1,001 to 5,000	3,263
5,001 to 10,000	1,380
10,001 to 100,000	1,692
100,001 and over	120
Total	**8,455**

Twenty Largest Shareholders (as at 15 September 2014)	Number of Shares	% of Issued Capital
J P Morgan Nominees Australia Limited	71,045,971	19.37
National Nominees Limited	51,310,539	13.99
HSBC Custody Nominees (Australia) Limited	45,250,841	12.34
Citicorp Nominees Pty Limited	35,713,906	9.74
Argo Investments Limited	13,862,997	3.78
BNP Paribas Nominees Pty Ltd <DRP>	13,357,798	3.64
RBC Investor Services Australia Nominees Pty Ltd <PI Pooled A/C>	10,249,611	2.79
ABN AMRO Clearing Sydney Nominees Pty Ltd <Custodian A/C>	8,177,253	2.23
HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	5,630,826	1.54
Evelin Investments Pty Limited	4,580,000	1.25
Sandhurst Trustees Ltd <DMP Asset Management A/C>	3,991,817	1.09
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	3,437,547	0.94
UBS Nominees Pty Ltd	2,019,262	0.55
National Nominees Limited <DB A/C>	1,588,151	0.43
The Australian National University	1,570,798	0.43
Mr Jeffrey Andrew Weber	1,459,484	0.40
Zero Nominees Pty Ltd	1,400,000	0.38
HSBC Custody Nominees (Australia) Limited - A/C 2	1,384,341	0.38
Sawtell Pty Ltd <Jim Carvers A/C>	1,036,768	0.28
AKIR Pty Ltd	1,025,924	0.28
Total	**278,093,834**	**75.82**

UNMARKETABLE PARCELS (AS AT 31 AUGUST 2014)

The number of holders holding less than a marketable parcel of the Company's shares is as follows:

Minimum Parcel Size	Number of ordinary shareholders	Units
217	763	28,888

VOTING RIGHTS

All ordinary shares carry one vote per share without restriction.

UNQUOTED OPTIONS (AS AT 15 SEPTEMBER 2014)

5,539,257 unlisted options are held by 190 individual option holders.

SHAREHOLDER ENQUIRIES

Shareholders can obtain information about their shareholding by contacting the Company's share registry:

Computershare Investor Services Pty Ltd
GPO Box 2975
Melbourne
Victoria 3000 Australia

Enquiries:
(within Australia) 1300 727 014
(outside Australia) 61 3 9415 4000

Facsimile: 61 3 9473 2500
web.queries@computershare.com.au
www.computershare.com.au

CHANGE OF ADDRESS

Shareholders should notify the share registry in writing immediately there is a change to their registered address.

STOCK EXCHANGE LISTING

Shares in Mermaid Marine Australia Limited are listed on the Australian Securities Exchange.

PUBLICATIONS

The Annual Report is the main source of information for shareholders.

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Corporate Directory

Directors

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Chairman

Jeffrey Weber
Managing Director

Mark Bradley
Non-Executive Director

Andrew Edwards
Non-Executive Director

Eve Howell
Non-Executive Director

Chiang Gnee Heng
Non-Executive Director

Company Secretary

Dylan Darbyshire-Roberts

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