MERMAID MARINE AUSTRALIA LIMITED

2014 PRELIMINARY FINANCIAL REPORT

A STRONG SECOND HALF PERFORMANCE AND JAYA ACQUISITION DELIVERS ON INTERNATIONAL STRATEGY

The Directors of Mermaid Marine Australia Ltd ("MMA" or "the Company") (ASX: MRM) are pleased to announce the Company's financial results for the year ended 30 June 2014.

The Company 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 18.8c after taking into account costs associated with the Jaya acquisition and a small contribution to earnings following the settlement on 4 June 2014.

Excluding the Jaya costs and earnings contribution, 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% from the previous year.

The Directors are pleased to announce a final dividend of 7c per share, maintaining a full year dividend of 12.5c per share, consistent with the previous financial year.

Key Financials

Key Financials	FY14 Reported	FY14 Standalone	FY13 Reported	Variance[1]
Revenue	$594.6M	$584.6M	$449.5M	⬆ 30.1%
EBIT	$80.2M	$85.0M	$88.4M	⬇ 3.8%
NPAT	$53.9M	$58.3M	$60.3M	⬇ 3.3%
EPS	18.8c	25.1c[2]	26.9c[3]	⬇ 6.7%
Full year dividends	12.5c		12.5c	-

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

"The Australian offshore oil and gas market 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 within the region.

"During the year MMA positioned itself for future growth through the acquisition of the Jaya Holdings business delivering immediate scale in key international markets and significantly enhancing the fleet.

"This is an exciting opportunity for MMA to build on its successes in Australia and to continue to deliver value for our shareholders."

MMA Managing Director, Mr Jeffrey Weber said:

"MMA delivered a strong second half result offsetting a weak first half which was impacted by project delays and lower drilling activity.

"Our vessels business performed particularly well, driven by strong offshore construction activity in the region and a number of key contracts.

"The Dampier Supply Base was impacted by lower Gorgon related activity as the Project's land based requirements transition from construction to ongoing production.

"We secured a number of significant new contracts during the year including a major long term production support contract with INPEX which will contribute to earnings from FY2016.

"The Jaya acquisition significantly transforms our business and delivers on our strategy to expand internationally.

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

[1] Variances are between MMA's Reported FY13 Result and MMA's FY14 Standalone result which excludes the impact of the Jaya acquisition.
[2] Standalone EPS is based on MMA Standalone NPAT and MMA's shares on issue excluding shares issued to fund the Jaya acquisition. MMA Standalone NPAT excludes Jaya profit contribution from 4 June 2014, transaction costs and net interest income on the Jaya debt facility.
[3] Unadjusted FY13 EPS is shown for comparative purposes. MMA's FY14 Preliminary Financial Statements report a TERP adjusted FY13 EPS of 25.1c per share as per AASB133

Dividend

The MMA Board has declared a final fully franked dividend of 7.0 cents per share, taking the full year dividend to 12.5 cents per share consistent with the previous financial year.

Dividend	
Final dividend	7.0c per share
Dividend record date	5 September 2014
Dividend payment date	26 September 2014

MMA's Dividend Reinvestment Plan (DRP), which allows shareholders to elect to have all or part of their dividends reinvested in additional shares in the Company, will remain in place. However, no discount will apply to shares issued in relation to this dividend. Elections to participate in the DRP for the dividend to be paid on 26 September 2014 must be received by the Company's share registry, Computershare Investor Services Pty Ltd, by the Record Date of 5 September 2014.

Operational Highlights

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.

Strategic acquisition

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

The acquisition added 26 modern offshore vessels to MMA's fleet. The Jaya fleet operates in key offshore oil and gas regions across South East Asia (SEA), 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 shipyards in Singapore and Batam, Indonesia. The Batam and Singapore shipyards 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, these facilities can also 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 SEA, 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 shipyards 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.

Vessel Operations

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 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 81.0% as compared to 76.2% in FY2013.

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. 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 and sourcing a towing vessel capable of achieving average speeds of over 10 knots, 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 FY2015.

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 PSV's 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 PSV's for the INPEX operated Ichthys LNG Project with a fixed term of 5 years plus two 5 year options. The PSV's 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 Asia markets. Additionally, the award highlights the ability of MMA's Project Department 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

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 production support operations

The current Enterprise agreement 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 client's 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 MMAs earnings.

Dampier Slipway

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 FY2015.

Shell Prelude operations continue under a long term (5 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.

Safety

Pleasingly our safety performance improved during the year with MMA's Total Recordable Case Frequency 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 across the organisation 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.

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 FY2015 and beyond. While levels of activity on some projects in 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 FY2015 and FY2016. 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.

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 Northwest Shelf production operations and currently supports 7 out of the 10 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 FEED for their Browse FLNG Project later this calendar year with a final investment decision targeted for the second half of calendar 2015. 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 to develop 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 FY2014 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.

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MERMAID MARINE
AUSTRALIA LTD

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**Preliminary Financial Report and Appendix 4E
for the Year Ended 30 June 2014**

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Results for Announcement to the Market

Current Reporting Period : Year ended 30 June 2014
Previous Reporting Period : Year ended 30 June 2013

Earnings	% Change	Amount $'000
Revenue from ordinary activities	+32.3%	594,597
Profit from ordinary activities after tax attributable to members	-10.6%	53,884
Net profit attributable to members	-10.6%	53,884

Information regarding financial results for the year is set out in the covering announcement accompanying this report.

Dividends	Amount per share	Franked Amount per Share
Interim dividend for 2014	5.5 cents	5.5 cents
Final dividend for 2014	7.0 cents	7.0 cents

The Company paid an interim fully franked dividend for the 2014 financial year of 5.5 cents per share on 1 April 2014.

The Company has declared a fully franked final dividend with respect to the year ended 30 June 2014 of 7.0 cents per share.

The record date for entitlement to the final dividend is 5 September 2014.

The payment date for the final dividend is 26 September 2014.

Dividend reinvestment plan

The Company has in place a dividend reinvestment plan (DRP) in which shareholders can elect to participate.

The subscription price for shares issued under the DRP will be the average of the daily volume weighted average sale price of the Company's shares sold on the ASX during the 5 trading days immediately after the record date for the dividend. The Directors have resolved that no discount will apply to the price of the shares to be issued under the DRP for this dividend.

Elections to participate in the DRP for the dividend to be paid on 26 September 2014 must be received by the Company's share registry, Computershare Investor Services Pty Ltd, by the record date of 5 September 2014.

Net Tangible Asset Backing	2014	2013
Net tangible asset backing per share	$1.95	$1.66

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

On 4 June 2014, all of the subsidiaries of Jaya Holdings Ltd, a company listed on the Singapore Stock Exchange, were acquired. Please refer to note 26 in the attached financial statements for full details.

Audit Report

The Preliminary Financial Report is based on financial statements which are in the process of being audited.

There are no likely disputes or qualifications to the accounts.

Consolidated Statement of Profit or Loss and Other Comprehensive Income For The Year Ended 30 June 2014

	Note	2014 $'000	2013 $'000
Revenue	4(a)	594,597	449,490
Investment Income		3,341	1,261
Other losses	4(b)	(927)	(163)
Share of profits of jointly controlled entity	11	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	4(c)	(9,999)	(9,788)
Profit before tax		77,112	83,755
Income tax expense	6	(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 and loss:			
Exchange differences on translation of foreign operations	22	(11,754)	14,166
Gain on hedge of net investment in a foreign operation		3,794	-
Gain/(loss) on cashflow hedges	22	(11,504)	1,822
Transfer of cashflow hedge loss to initial carrying amount of hedged items	22	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)	5	18.78	25.17
- Diluted (cents per share)	5	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	24(a)	174,768	58,824
Trade and other receivables	8	201,335	122,231
Inventories	9	6,101	2,454
Other financial assets	12	-	2,030
Other	10	36,092	9,118
Total Current Assets		**418,296**	**194,657**
Non-Current Assets			
Investments accounted for using the equity method	11	10,970	8,915
Other financial assets	12	-	2,000
Property, plant and equipment	13	896,441	448,195
Goodwill	14	20,710	20,710
Other	10	17,573	-
Total Non-Current Assets		**945,694**	**479,820**
Total Assets		**1,363,990**	**674,477**
Current Liabilities			
Trade and other payables	15	83,601	48,329
Unearned revenue	16	17,454	11,274
Borrowings	17	47,218	29,196
Provisions	19	21,979	9,613
Current tax liabilities	6(c)	41,605	8,912
Other	20	4,820	-
Total Current Liabilities		**216,677**	**107,324**
Non-Current Liabilities			
Unearned revenue	16	2,278	-
Borrowings	17	393,625	150,443
Other financial liabilities	18	1,806	-
Provisions	19	1,067	666
Deferred tax liabilities	6(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	21	549,813	226,382
Reserves	22	(12,260)	2,280
Retained earnings	23	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	24(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	26.5	(174,957)	-
Dividends received		1,500	-
Amounts repaid from jointly controlled entity		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 shares 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 Preliminary Financial Report

1. Significant Accounting Policies

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.

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. 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.

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 accounting policies adopted are consistent with those of the previous financial year.

2. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, 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.

2.1 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

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.

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 14.

3. Segment Information

3.1 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 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.

3.2 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.

3. Segment Information (continued)

	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.

3.3 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.

3.4 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	53,261	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**	**68,047**	**95,638**	**10,970**	**8,915**

3. Segment Information (continued)

3.5 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**

3.6 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.

3.7 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: $5.4 million) which arose from sales to the Group's second largest customer.

4. 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 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**

5. 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	5,367	-

Restatement of earnings per share

As a result of the capital raising during the year, the earnings per share for the comparative period has been reinstated to include the effect of the new number of shares on issue.

6. 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

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)**

6. Income Taxes (continued)

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

	Opening balance	Recognised in profit or loss	Recognised in equity	Acquisitions	Closing balance
	$'000	$'000	$'000	$'000	$'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	**-**

6. Income Taxes (continued)

(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.

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.

7. 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.

8. 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.

Ageing of past due but not impaired

	2014 $'000	2013 $'000
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

	2014	2013
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 a 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.

9. 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**

10. Other Assets

Current

Prepayments	36,092	9,118

Non-current

Prepayments	17,573	-

11. Investments Accounted For Using The Equity Method

Name of Entity	Principal Activity	Country of Incorporation	Ownership Interest		Consolidated Carrying Amount	
			2014 %	2013 %	2014 $'000	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:		
Total assets	28,093	27,625
Total liabilities	(6,153)	(9,795)
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).

12. 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.

13. Property, Plant and Equipment

	Leasehold Buildings and improvements at cost $'000	Vessels at cost $'000	Vessels – Hire purchase at cost $'000	Plant and Equipment at cost $'000	Plant and Equipment – hire purchase at cost $'000	Fixed Assets under Construction $'000	Total $'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 30 June 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 17 to the financial statements, all non-current assets of the Group have been pledged as security, except deferred tax assets.

14. Goodwill

	2014 $'000	2013 $'000
Cost	20,710	20,710
Accumulated impairment losses	-	-
	20,710	**20,710**

	2014 $'000	2013 $'000
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.

15. 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**

16. Unearned Revenue

	2014 $'000	2013 $'000
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.

17. Borrowings

Secured – at amortised cost

Current	2014 $'000	2013 $'000
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**

17. Borrowings (continued)

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%).

(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%).

18. Other Financial Liabilities

	2014 $'000	2013 $'000
Derivatives		
Foreign currency forward contracts	1,806	-
	1,806	**-**

19. 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) Provision for employee redundancy costs in respect of the restructure of the Singapore ship yard.

19. Provisions (continued)

(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 in prior years. 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.

20. 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 contracts.

21. Issued Capital

	2014 $'000	2013 $'000
366,766,098 fully paid ordinary shares (2013: 229,962,314)	549,813	226,382

Changes to the then 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.

Fully Paid Ordinary Shares	**2014 No.'000**	**2014 $'000**	**2013 No.'000**	**2013 $'000**
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.

Share options and rights granted under the employee share option and rights plans carry no right to dividends and no voting rights.

22. 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**

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.

23. 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**

24. 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 $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.

In addition, the Company issued shares to the value of $10.6 million (2013: $10.0 million) under the Dividend Reinvestment Plan.

24. Notes to the Statement of Cash flow (continued)

(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:		
Current trade and other receivables	(36,883)	(38,569)
Prepayments	(7,234)	(8)
Inventories	(3,077)	(894)
Provisions	3,615	3,106
Trade and other payables	7,238	4,875
Unearned revenue	(3,775)	4,503
Increase in deferred tax liabilities	172	493
Increase/(decrease) in current tax liability	(925)	1,399
Net cash flows from operating activities	**54,413**	**70,835**

(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**

25. Commitments for Expenditure

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**

26. Business Combinations

26.1 Subsidiaries acquired

Subsidiary	Principal activity	Date of acquisition	Proportion of shares acquired %	Consideration transferred $'000
Jaya Marine Pte Ltd	Ship owning, ship chartering	4/06/14	100	7,982
Java Marine Lines Pte Ltd	Ship owning, ship chartering	4/06/14	100	185,879
Jaya Offshore Pte Ltd	Ship chartering and ship management	4/06/14	100	68,127
Jaya Offshore Support Services Pte Ltd	Ship owning, ship chartering and ship management	4/06/14	100	89,502
Jaya Shipbuilding and Engineering Pte Ltd	Ownership of shipyard and the building and repairing of ships	4/06/14	100	67,869
Jay Century Pte Ltd	Investment holding	4/06/14	100	-
Xinet Pte Ltd	Investment holding	4/06/14	100	-
Jaya Offshore (H.K.) Limited	Investment holding	4/06/14	100	-
Airia Jaya Marine (S) Pte Ltd	Ship owning, ship chartering and ship management	4/06/14	100	n/a
AJM Shipping Pte Ltd	Ship owning, ship chartering and ship management	4/06/14	100	n/a
Venus Marine Services Sdn Bhd	Ship owning, ship chartering and ship management	4/06/14	100	n/a
JSE Shipping Pte Ltd	Ship owning, ship chartering and ship management	4/06/14	100	n/a
JSE Offshore Shipping Pte Ltd	Ship owning, ship chartering and ship management	4/06/14	100	n/a
Jaya Offshore Services Pte Ltd	Ship owning, ship chartering and ship management	4/06/14	100	n/a
JSE Offshore (Labuan) Pte Ltd	Ship owning, ship chartering and ship management	4/06/14	100	n/a
Concord Offshore (Labuan) Ltd	Ship management	4/06/14	100	n/a
PT Jaya Asiatic Shipyard	Ownership of shipyard and the building and repairing of ships	4/06/14	100	n/a

The subsidiaries of Jaya Holdings Ltd, as listed in the above table, were acquired to provide immediate scale to Mermaid Marine's international operations and represents a strategic platform for further growth as well as expanding the scope of the integrated offshore service offering.

26. Business Combinations (continued)

26.2 Consideration transferred

The consideration transferred for the acquisition totalled A$546 million dollars ($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.

26.3 Assets acquired and liabilities assumed at the date of acquisition

	2014 $'000
Current Assets	
Cash and cash equivalents	126,263
Trade and other receivables	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 require 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.

26.4 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.

26. Business Combinations (continued)

26.5 Net cash outflow on acquisition of subsidiaries

	2014 **$'000**
Consideration paid in cash	301,220
Less: cash and cash equivalent balances acquired	(126,263)
Total	**174,957**

Refer note 24(b) for details of non cash consideration component of acquisition totalling $244.8 million.

26.6 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.