

## 2018 PRELIMINARY FINANCIAL REPORT

The Directors of MMA Offshore Ltd (“MMA” or “the Company”) (ASX: MRM) submit the Preliminary Financial Report for the Company for the year ended 30 June 2018.

MMA reported a Net Loss after tax of \$(27.9) million for the FY2018 financial year as compared to a reported net loss of \$(378.0) million in FY2017. The Normalised Net Loss for the year was \$(36.3) million a 46% improvement on the FY2017 figure of \$(66.8) million.

EBITDA for the year was \$18.5m which included a \$2.3m loss from the Dampier Slipway which ceased operations in June 2018. Excluding the impact of the Dampier Slipway EBITDA was \$20.8 million, an increase of 15.6% on the prior year.

### Key Financials

Profit and Loss Statement	Reported		Excluding Impairment <sup>1</sup>		
	Year ended Jun-18	Year ended Jun-17	Year ended Jun-18	Year ended Jun-17	Variance
Revenue	\$200.4M	\$221.8M	\$200.4M	\$221.8M	↓ \$21.4M
EBITDA	\$18.5M	\$18.0M	\$18.5M	\$18.0M	↑ \$0.5M
<b>Loss from continuing operations after tax</b>	<b>\$(27.9)M</b>	<b>\$(354.3)M</b>	<b>\$(36.3)M</b>	<b>\$(66.8)M</b>	<b>↑ \$30.5M</b>
Loss / (profit) from discontinued operations after tax	-	\$(23.7)M	-	\$0.9M	↓ \$0.9M
Total Net Loss	\$(27.9)M	\$(378.0)M	\$(36.3)M	\$(65.9)m	↑ \$29.6M

<sup>1</sup> The Company recorded a post-tax impairment reversal of \$8.4 million for the 2018 Financial Year and a post-tax impairment charge for the 2017 Financial Year of \$287.5 million for Continuing Operations and \$24.7 million for Discontinued Operations

<sup>2</sup> The Company's Supply Bases were sold in FY17 and the results reported as Discontinued Operations.

Commenting on the result, MMA Chairman, Mr Andrew Edwards said:

“MMA’s result for the financial year was in line with expectations and although a long way off our historical earnings, it is pleasing to see an improvement in most measures from the prior year.

“Whilst we continue to feel the impact of the prolonged downturn in the offshore vessel market, the broader oil and gas market has improved, which is a positive.

“The outlook for the oil price appears to be more positive with industry experts now predicting a significant tightening in the supply-demand balance with limited spare production capacity in the market. Notwithstanding this, we still expect the oil market to remain volatile and subject to ongoing supply and demand fluctuations. The outlook for LNG has also improved with increased demand expected over the coming years particularly from China.

“The improved oil price in conjunction with significant reductions in operating costs has begun to translate to earnings, with the oil majors recently reporting large profit increases. In addition, project FIDs are expected to increase significantly in 2018 and 2019, as previously deferred projects are sanctioned in an effort to replace depleting reserves. This bodes well for increased offshore vessel activity over time.

“On the supply side, the vessel market remains oversupplied, however there is increasing consensus that a large number of vessels which have been laid up during the downturn may not return to service due prohibitive reactivation costs and a reluctance by oil companies to contract vessels which have been stacked for long periods of time. This should reduce some of the supply overhang.

“MMA’s balance sheet is stronger following the equity raising and debt restructuring completed in Dec-17 and the Company is well positioned to benefit from an improvement in market conditions.”

MMA Managing Director, Mr Jeffrey Weber said:

“Overall vessel utilisation averaged 56% for the year, up slightly from 52% in FY2017. Excluding vessels held for sale, utilisation of our core fleet was higher at 69%.

“Second half performance was stronger particularly for our Australian operations with construction activity on Woodside’s Greater Western Flank 2 and Greater Enfield 2 projects increasing demand for our vessels.

“The international markets remain challenging, however we are seeing an increase in tendering activities and enquires across our vessel types.

“Pleasingly, we secured a number of significant term contracts during the year including a three year contract for the MMA Pinnacle with iTech / Subsea 7, which will secure a baseload of utilisation for one of our key vessels from 2Q FY2019.

“Whilst the improvement in the broader oil and gas market has yet to flow through to the offshore vessels sector, we are seeing positive indicators that vessel demand will increase in the future.

“MMA has focused on maintaining the quality of its vessels and operations during the downturn and is well positioned to benefit from an improvement in market conditions.”

## Review of Operations

### Market Conditions

Market conditions for the offshore vessel market continued to be challenging during FY2018 although signs of a recovery continue to be positive.

The broader oil and gas market has improved with the oil price increasing 60% since the beginning of the financial year and holding above US\$60 per barrel (Brent) since November 2017 and above US\$70 per barrel since April 2018. The International Energy Agency “IEA” recently reported an increased tightening of the oil supply-demand balance with spare capacity “stretched to the limit”. The IEA are also predicting an improvement in the outlook for LNG demand driven predominantly by China and their drive to move to cleaner energy sources.

The improved market conditions have started to translate to earnings with the oil majors recently reporting large increases in earnings as a result of the higher oil prices and substantial reductions in their cost bases.

With the focus on cashflow and balance sheets over the past few years, there has been significant underinvestment by the oil and gas companies in the replacement of depleting reserves. We are starting to see some signs of this changing with Rystad Energy recently predicting that project FIDs will rise significantly in 2018 and 2019 as previously deferred projects are sanctioned. Seismic and subsea companies are also reporting increases in activity, all of which are early indicators of an increase in vessel activity over time. Offshore maintenance expenditure, which has been deferred during the downturn should also increase as conditions improve, increasing demand in the IMR market.

Whilst the broader oil and gas market is improving, this has yet to translate to the offshore vessel sector due to the lag between investment decisions by oil companies and an increase in vessel demand. However, the indicators are positive and we do appear to be at the bottom of the cycle with utilisation, rates and asset values appearing to have stabilised over the past 12 months.

### Operational Highlights

Vessel revenue for the year was \$200.4 million, down 9.6% on FY2017. EBITDA was up 2% at \$25.3m, including a \$2.3m loss from Dampier Slipway which ceased operations in June 2018. Excluding this loss, the vessels business produced an EBITDA of \$27.6 million up 11.3% on the previous year.

Australian operations contributed revenue of \$142.2 million during FY2018, down slightly on the \$148.8 million generated in FY2017. Revenue from international operations was \$58.2 million, down from \$72.9 million in FY2017.

Average utilisation for the year was 56% up from 52% in FY2017. Second half utilisation was stronger at 65% (1H 47%) as a number of our non-core vessels were disposed of. The sale of these vessels reduced the drag on utilisation and also improved our margins as holding costs were eliminated. Excluding vessels held for sale, utilisation for the core fleet was 69%.

The vessel sales programme has been very successful with only two non-core vessels remaining to be sold as at the date of this report.

The remaining core fleet of 28 vessels are high quality, well maintained vessels with a current average age profile of only six years. These vessels are well positioned to compete for work as market activity increases.

MMA continues to actively manage costs on its vessels with all vessels either warm or cold stacked where possible between contracts to minimise operating costs. A comprehensive management programme is in place to maintain the quality and operational capability of the vessels during layup and to ensure that these vessels are available for work, as and when required.

As at 30 June 2018, MMA had 18 of its 28 core vessels under contract with the remaining vessels operating in the spot market. Currently MMA has 41% of total vessel days contracted for FY2019 (58% for the PSV fleet, 51% for the MPSV/IMR fleet and 30% for the AHT/AHTS fleet).

#### *Australia / New Zealand*

MMA's Australian operations performed relatively well with a number of significant contracts boosting activity in the second half. Second half utilisation for the Australian fleet was 81%, a level that we have not seen for some time.

In January 2018, MMA commenced a contract with Technip for the provision of two platform supply vessels ("PSVs"), the MMA Leveque and the MMA Valour, for a pipe haul project at Woodside's Greater Enfield project off Exmouth in Western Australia. The scope of work included the transportation of line pipe from the Exmouth Gulf to the Greater Enfield Field from the Pipe Carrier Vessel 'Global 1201'. MMA also supplied a vessel to carry cargo from Vietnam to Dampier for the project. The project completed successfully in May 2018.

In March 2018, MMA commenced a 10 month contract with ConocoPhillips for a multi-vessel marine spread to support drilling and shutdown operations at the Bayu-Undan gas field in the Timor Sea. Two PSVs, the MMA Leeuwin and MMA Responder (a PSV specifically chartered in for the project) are contracted to provide supply support services for the duration of the drilling campaign. In addition to the PSVs a number of anchor handling tug supply vessels (AHTSs) are supporting shut down, rig moves and additional supply scopes. This is an important project for MMA and will provide utilisation for these vessels through to the second half of FY2019.

During the year, MMA was also contracted by Subsea7 for the provision, management and operation of tug and barge support vessels to transport project materials and equipment for Woodside's Greater Western Flank-2 Subsea Installation Project. The vessel spread includes a combination of owned and sub-contracted vessels including two of MMA's 8,000bhp AHTSs, the MMA Coral and MMA Crystal, in addition to two smaller chartered in tugs and 2 chartered cargo barges. MMA managed and carried out the required mobilisation for the barges at its onshore facility in Batam, Indonesia. The project commenced in June 2018 and is expected to continue through to September 2018.

In addition to the project work described above, MMA's long term production support contracts in Australia continue to provide full utilisation for a number of our vessels. The MMA Brewster, MMA Plover, MMA Inscription, MMA Sound, MMA Strait and MMA Cove all experienced close to full utilisation during the year.

There has also been a slight uptick in the amount of seismic work in the region with the MMA Searcher, which was relocated to New Zealand, completing seismic work for Shell and Schlumberger. The vessel has since returned to Australia to continue operations as a seismic support vessel. The MMA Vantage was also mobilised to support the seismic market and has been active during the year conducting a number of scopes in Australia for Polarcus and other clients.

MMA currently has 15 vessels working in Australia / New Zealand.

### *South East Asia*

We are seeing a reasonable amount of activity in Brunei and Malaysia and our two large AHTS vessels, the Jaya Majestic and Sea Hawk 1, were active in those markets on a number of projects during the year achieving utilisation of over 60%.

The MMA Almighty, a smaller AHTS, completed its long term production support with Ophir in Thailand early in the financial year and spent most of the remainder of the year idle. The contract was retendered and awarded at less than cash breakeven rates, an indication of the competitive nature of the South East Asian market for these more commoditised vessels.

Our IMR vessels, the MMA Pinnacle and Prestige, are building a solid reputation in the IMR and dive support market, completing a number of short term work scopes across all of our operating regions during the first half. The South East Asian monsoon impacted demand towards the end of the calendar year with both vessels idle from the latter half of December and through most of the third quarter. Utilisation for the first half for these two vessels was 75% dropping to 52% in the second half. The lower utilisation in the second half had a significant impact on our financial result as the holding costs on these vessels are relatively high. As mentioned previously, the MMA Pinnacle has secured a three year contract with iTech/Subsea 7, commencing in Oct 2018, which will secure a baseload of utilisation for that vessel over the contract period.

The remainder of the international spot fleet had low utilisation of approximately 30%, excluding vessels held for sale, reflective of the ongoing difficult market conditions.

Tendering activity has increased somewhat in recent months with both volume of tenders and quality of counterparties improving.

We are also starting to see the impact of long term laid up vessels on market availability, with some owners' vessels being disqualified from tender awards due to lack of maintenance and compliance standards. We anticipate that a large proportion of long term laid up vessels will never return to the market due to the significant costs associated with bringing them back to acceptable operating standards. MMA has been diligent in maintaining its vessels throughout the downturn to ensure that they are available for work as and when required.

At this stage it is difficult to say when market conditions will improve, although the region is set for a number of FIDs which should increase activity over time.

MMA currently has 8 vessels working in South East Asia.

### *Middle East*

The MMA Centurion and MMA Chieftain continue their long term contracts for a client in Saudi Arabia achieving full utilisation during the year. A third vessel, the MMA Concordia went back on hire on this contract during the second half following an extended period off hire due to technical difficulties. Pleasingly, these contracts have been extended for a further year and will run through to Jun-19 with a further 1 year option.

The MMA Pride and MMA Cavalier are currently positioned in the Middle East and are working the spot market. These vessels are also mobilised to other regions for specific contracts, for example the Pride has recently been mobilised to Brunei for a 90 day contract.

We are currently seeing strong tendering activity out of the Middle East region although competition remains intense. The Middle East requires a high level of technical and operational expertise and is well suited to MMA's skillset. As such, MMA is focused on growing our presence in this region.

### *Africa*

The MMA Privilege, a large multipurpose maintenance vessel, is currently on a long term maintenance support contract in Côte d'Ivoire in West Africa. The vessel has been operating in Côte d'Ivoire since it was delivered from MMA's Batam shipyard in 2016. MMA secured a further one year contract for the vessel in April 2018.

MMA currently does not have any vessels operating in the West African spot market due to the current market conditions but we will transfer vessels into this market on the back of long term contracts.

Whilst market activity in West Africa remains subdued, the longer term prospects for East Africa remain promising with a number of LNG projects flagged for development. In June 2017, ENI sanctioned its Coral South FLNG project in offshore Mozambique. Key EPC contracts have been awarded and the project is targeting first gas in 2022. A final investment decision is also expected on Anadarko's Mozambique LNG Project in 2019. East Africa is an emerging region with significant gas discoveries and MMA will seek to leverage its experience in frontier LNG developments in Australia to support these projects.

## **Strategic Fleet Repositioning**

MMA's strategic repositioning of its fleet through its non-core vessel sales programme has been very successful, saving cash and reducing MMA's exposure to vessels which are not expected to generate a satisfactory return on assets over time.

Nine vessels were sold during the FY2018 financial year for a total of approximately A\$27 million with a further vessel sold in July 2018 for A\$5.1 million. Since FY2016, MMA has disposed of 36 vessels for a total of \$99 million.

The programme has resulted in the elimination of cumulative cash operating losses on these vessels of approximately \$20 million from date of sale through to 30 June 2018. In addition, there have been substantial savings in interest costs and docking costs.

The majority of vessels sold have been older tonnage not relevant to the future market, or more commoditised vessels which we anticipate will be the slowest market to recover. The sales programme has freed up operational capacity to focus on higher margin and more complex sectors of the industry where MMA can leverage its marine expertise to generate better returns.

Under the amendments to MMA's debt facilities which were agreed in November 2017, the Company committed to \$30 million in amortisation from vessel sales by 31 December 2018. As at the date of this report, the full \$30 million target has been met.

The vessel sales programme is almost complete with two vessels remaining on the sales list with one of these currently under a sales contract.

### **Cost Reduction Programme**

MMA has taken significant steps to sustainably reduce its cost base over the past three years with corporate and vessel overheads down 50% since FY2015.

There has also been a major focus on reducing our direct costs through retendering key expense items and ongoing supplier renegotiations.

MMA continues to review all aspects of its business for improvements and efficiencies.

As mentioned previously the non-core vessel sales programme has been a major initiative to reduce holding costs on underutilised vessels.

The decision to close the Dampier Slipway on 30 June 2018, which posted a loss of \$2.3 m for FY18, will reduce costs in FY2019. Unfortunately the volume of activity in the region made it no longer sustainable to have an in-house vessel maintenance facility in Australia.

MMA continues to focus on reducing costs in all areas of the business whilst maintaining high safety and operating standards which are essential to success in the offshore oil and gas industry.

### **Balance Sheet**

In December 2017, MMA completed a balance sheet recapitalisation, raising \$97m in equity combined with amendments to the Company's debt facilities.

The equity component was fully underwritten and comprised a \$22.4 million institutional placement and a \$74.6 million 1 for 1, pro-rata, accelerated, non-renounceable entitlement offer.

The proceeds of the equity raising have been used to repay, in part, \$30 million of debt and provide an improved cash buffer and stronger capital structure for the Company.

As part of the recapitalisation, MMA's existing lenders agreed to a number of important amendments to the Company's debt facilities including:

- An extension of the term to 30 September 2021;
- A reduction in the interest rate and removal of the payment in kind (PIK) interest;

- Amended covenants including a covenant holiday until 30 June 2019; and
- A revised amortisation profile with scheduled amortisation commencing in June 2020 including a cash sweep above \$70 million.

Full details of the equity raising and debt facility amendments can be found in the Equity Raising Investor Presentation, dated 16 November 2017, which can be found on the Company's website.

Following the equity raising and debt amendments, MMA's cash at bank as at 30 June 2018 was \$69.6 million and Net Debt (Interest Bearing Liabilities less Cash at Bank) was \$199.0 million. Gearing (Net debt / Equity) has reduced from 115.2% as at 30 June 2017 to 60.7% as at 30 June 2018.

MMA reviewed the carrying value of its fleet as at 31 December 2017, in line with accounting standards, which resulted in a small reversal of the previous impairment charge of \$8.4m. No further adjustments to the carrying value of MMA's assets were required on 30 June 2018.

## Health & Safety

MMA's maintained its world class safety performance during the year. MMA's Total Recordable Case Frequency ("TRCF") for FY2018 was 0.28 per million hours worked, the Company's best ever performance, a 70% improvement on 2017 and a 91% improvement over the past five years. This is a world class health and safety performance compared to our industry peers with the International Maritime Contractors Association ("IMCA") average for the calendar year 2017 at 1.8.

MMA continues to strive for 'A Perfect Day Every Day', that is a day free of recordable injuries or illness and material incidents; our "Target 365". MMA also tracks the number of 'Perfect Days' across its global operations with our Target being 365 perfect days each year. In FY2018, MMA achieved 93% Perfect Days across the whole organisation, an 8% improvement on the previous reporting period.

MMA continues to encourage an open reporting culture and is now including measures relating to asset reliability in its Target 365 reporting. We also completed a comprehensive review of our Target 365 Critical Controls during the year, which will be rolled out in FY19 in line with our continuous improvement processes and current business needs.

MMA was active in industry HSEQ forums and is the Asia Pacific representative on the IMCA Global HSSE Committee. MMA is also an active member of Safer Together WA/NT.

Safety is a critical focus area for MMA and we will continue to drive improvements in safety across the organisation.

## Outlook

Market sentiment continues to be positive around a recovery in market conditions for offshore vessels. We are already starting to see improved conditions in the broader oil and gas market and early signs of a recovery in oil and gas investment including increased FIDs, seismic and subsea orders.



Unfortunately there is a lag between investment decisions by oil and gas companies and an increase in vessel demand so we expect market conditions to remain challenging in FY2019.

The oversupply of offshore vessels in the market is still an issue, although the industry consensus is that a large proportion of the global fleet which is currently cold stacked will not return to service which will eliminate some of the supply overhang.

We expect utilisation to increase across the course of FY2019 with only modest improvement in day rates this financial year.

Our goal is to be cash flow neutral in FY2019 while we continue to position ourselves to take advantage of emerging opportunities and improved market conditions.

## Contacts

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**MMA**  
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**Preliminary Financial Report and Appendix 4E**

for the Year Ended 30 June 2018

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## Results for Announcement to the Market

**Current Reporting Period:** Year ended 30 June 2018

**Previous Reporting Period:** Year ended 30 June 2017

<b>Earnings</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	
	<b>\$'000</b>	<b>\$'000</b>	<b>% Change</b>
Revenue from ordinary activities	200,444	221,766	-10%
Loss before tax from continuing operations	(27,376)	(356,060)	+92%
Loss from continuing operations after tax attributable to members	(27,909)	(354,331)	+92%
Loss from discontinued operations after tax	-	(23,701)	n/a
Net loss attributable to members	(27,909)	(378,032)	+93%

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

### Dividends

Given the on-going market conditions, no interim or final dividend has been declared for the 2018 financial year.

<b>Net Tangible Asset Backing</b>	<b>2018</b>	<b>2017</b>
Net tangible asset backing per share	\$0.38	\$0.69

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

N/a

### 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 2018**

	Note	2018 \$'000	2017 \$'000
<b>Continuing Operations</b>			
Revenue	2.1	200,444	221,766
Investment income		463	133
Other gains/(losses)	2.2	87	(14,960)
Vessel expenses		(206,484)	(241,636)
Administration expenses		(7,092)	(7,377)
Impairment reversal/(charge)	2.1	8,407	(287,542)
Finance costs		(23,201)	(26,444)
Loss before tax from continuing operations		(27,376)	(356,060)
Income tax (expense)/benefit	2.4	(533)	1,729
Loss for the Year from continuing operations		(27,909)	(354,331)
<b>Discontinued Operations</b>			
Loss from discontinued operations	2.3	-	(23,701)
Loss for the Year		(27,909)	(378,032)
<b>Other Comprehensive Income, net of tax</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		13,302	(6,906)
Gain/(loss) on hedge of net investment in a foreign operation		(6,087)	7,142
Other comprehensive income for the year, net of tax		7,215	236
Total Comprehensive Loss for the Year		(20,694)	(377,796)
Loss attributable to owners of the Company		(27,909)	(378,032)
Total comprehensive loss attributable to owners of the Company		(20,694)	(377,796)
		<b>Cents Per Share</b>	<b>Cents Per Share</b>
<b>Earnings/(loss) per share</b>			
<b>From continuing operations</b>			
Basic	2.5	(4.11)	(87.97)
Diluted	2.5	(4.11)	(87.97)
<b>From continuing and discontinued operations</b>			
Basic	2.5	(4.11)	(93.86)
Diluted	2.5	(4.11)	(93.86)

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 2018**

	Note	2018 \$'000	2017 \$'000
<b>Current Assets</b>			
Cash and cash equivalents	3.1	69,648	28,757
Trade and other receivables	3.2	61,641	65,317
Inventories	3.3	1,615	3,032
Prepayments		1,062	1,254
Assets classified as held for sale	3.4	9,397	35,944
<b>Total Current Assets</b>		<b>143,363</b>	<b>134,304</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	3.5	496,421	498,386
<b>Total Non-Current Assets</b>		<b>496,421</b>	<b>498,386</b>
<b>Total Assets</b>		<b>639,784</b>	<b>632,690</b>
<b>Current Liabilities</b>			
Trade and other payables	3.7	32,309	37,386
Unearned revenue		375	66
Borrowings	3.8	1,739	5
Provisions	3.9	10,665	10,208
Current tax liabilities		1,186	2,607
Customer deposits		-	2,000
<b>Total Current Liabilities</b>		<b>46,274</b>	<b>52,272</b>
<b>Non-Current Liabilities</b>			
Trade payables		5,020	8,597
Borrowings	3.8	259,933	314,447
Provisions	3.9	262	885
<b>Total Non-Current Liabilities</b>		<b>265,215</b>	<b>323,929</b>
<b>Total Liabilities</b>		<b>311,489</b>	<b>376,201</b>
<b>Net Assets</b>		<b>328,295</b>	<b>256,489</b>
<b>Equity</b>			
Issued capital	4.1	654,735	561,275
Reserves	4.2	121,454	115,199
Accumulated losses		(447,894)	(419,985)
<b>Total Equity</b>		<b>328,295</b>	<b>256,489</b>

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 2018**

	Issued Capital \$'000	Employee Equity Settled Benefits Reserve \$'000	Hedging Reserve \$'000	Foreign Currency Translation Reserve \$'000	Retained Earnings/ (Accumulated Losses) \$'000	Total \$'000
Year Ended 30 June 2018						
Balance at 1 July 2017	561,275	1,114	(51,203)	165,288	(419,985)	256,489
Comprehensive income/(loss) for the year:						
Loss for the year	-	-	-	-	(27,909)	(27,909)
Other comprehensive income/(loss) for the year	-	-	(6,087)	13,302	-	7,215
<b>Total Comprehensive Income/(Loss) for the Year</b>	<b>-</b>	<b>-</b>	<b>(6,087)</b>	<b>13,302</b>	<b>(27,909)</b>	<b>(20,694)</b>
Issue of shares under institutional placement	22,385	-	-	-	-	22,385
Issue of shares under institutional entitlement offer	15,605	-	-	-	-	15,605
Issue of shares under retail entitlement offer	59,010	-	-	-	-	59,010
Share issue costs	(4,558)	-	-	-	-	(4,558)
Transfer to share capital	1,018	(1,018)	-	-	-	-
Recognition of share based payments	-	58	-	-	-	58
<b>Balance at 30 June 2018</b>	<b>654,735</b>	<b>154</b>	<b>(57,290)</b>	<b>178,590</b>	<b>(447,894)</b>	<b>328,295</b>

	Issued Capital \$'000	Employee Equity Settled Benefits Reserve \$'000	Hedging Reserve \$'000	Foreign Currency Translation Reserve \$'000	Retained Earnings/ (Accumulated Losses) \$'000	Total \$'000
Year Ended 30 June 2017						
Balance at 1 July 2016	556,566	5,704	(58,345)	172,194	(41,953)	634,166
Comprehensive income/(loss) for the year:						
Loss for the year	-	-	-	-	(378,032)	(378,032)
Other comprehensive income/(loss) for the year	-	-	7,142	(6,906)	-	236
<b>Total Comprehensive Income/(Loss) for the Year</b>	<b>-</b>	<b>-</b>	<b>7,142</b>	<b>(6,906)</b>	<b>(378,032)</b>	<b>(377,796)</b>
Transfer to share capital	4,709	(4,709)	-	-	-	-
Recognition of share based payments	-	285	-	-	-	285
Related income tax benefit	-	(166)	-	-	-	(166)
<b>Balance at 30 June 2017</b>	<b>561,275</b>	<b>1,114</b>	<b>(51,203)</b>	<b>165,288</b>	<b>(419,985)</b>	<b>256,489</b>

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 2018**

	Note	2018 \$'000	2017 \$'000
<b>Cash Flows from Operating Activities</b>			
Receipts from customers		205,157	244,195
Interest received		463	133
Payments to suppliers and employees		(189,324)	(236,413)
Income tax (paid)/received		(1,754)	6,638
Interest and other costs of finance paid		(16,880)	(20,647)
<b>Net Cash Used In Operating Activities</b>	3.1	<b>(2,338)</b>	<b>(6,094)</b>
<b>Cash Flows from Investing Activities</b>			
Payments for property, plant and equipment		(9,194)	(28,033)
Proceeds from sale of property, plant and equipment		25,288	75,536
Proceeds from sale of investment		-	425
Dividends received		-	9,063
<b>Net Cash Provided by Investing Activities</b>		<b>16,094</b>	<b>56,991</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from issue of shares		97,000	-
Payment of share issue costs		(4,558)	-
Repayment of borrowings		(61,298)	(67,326)
Financing fees on borrowings		(4,003)	(3,723)
<b>Net Cash Provided by/(Used) in Financing Activities</b>		<b>27,141</b>	<b>(71,049)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>40,897</b>	<b>(20,152)</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>28,757</b>	<b>49,725</b>
Effects of exchange rate changes on the balance of cash held in foreign currencies		(6)	(816)
<b>Cash and Cash Equivalents at the End of the Financial Year</b>		<b>69,648</b>	<b>28,757</b>

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 2018**

#### **1. GENERAL NOTES**

MMA Offshore Limited (MMA or the Company) is a listed public company incorporated in Australia. Its shares are traded on the Australian Securities Exchange.

##### **1.1 Basis of Preparation**

The financial statements have been prepared on the basis of historical cost, except for certain assets which have been impaired and 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. Transactions in foreign currencies are recognised at the rates of exchange prevailing at the dates of the transactions. Monetary items denominated in foreign currencies at reporting date are translated at the exchange rate prevailing at that date. Exchange differences are recognised in profit or loss in the period in which they arise except for certain hedging transactions as described in note 4.2.

For the purposes of preparing the financial statements, the Company is a for profit entity.

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with this Corporations Instrument, amounts in the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

##### **1.2 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.

##### **Critical judgements in applying accounting policies**

The following critical judgement has been made by the Directors in the process of applying the Group's accounting policies.

Allowance for doubtful debts – refer note 3.2

##### **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 – refer note 3.5

Impairment of property, plant and equipment – refer note 3.6

## 2. FINANCIAL PERFORMANCE

### 2.1 Segment Information

An operating segment is a component of a group that engages in business activities from which it may earn revenue and incur expenses and whose operating results are regularly reviewed by the chief operating decision maker (The Board of Directors) for the purposes of resource allocation and assessment of segment performance. For the current reporting period the Group had one reportable segment in continuing operations being its Vessel operations.

The Group's previously reportable Supply Base and Slipway segments were sold during the prior reporting period and were classified as discontinued operations (see note 2.3).

Information regarding the Vessel operating segment is presented below. The accounting policies of the reportable segment are the same as the Group's accounting policies.

#### Segment revenues and results

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

	Revenue from external customers		Impairment charge		Profit/(loss) after impairment	
	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Continuing Operations						
Vessels	200,444	221,766	8,407	(287,542)	2,367	(307,412)
Investment income					463	133
Other gains/(losses)					87	(14,960)
Administration expenses					(7,092)	(7,377)
Finance costs					(23,201)	(26,444)
Loss from continuing operations before income tax					(27,376)	(356,060)

Segment profit/(loss) represents the profit/(loss) earned by the Vessel segment without allocation of investment revenue, other gains and losses, administration costs, 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.

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.

#### Segment Assets

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

	2018 \$'000	2017 \$'000
Vessel segment assets <sup>(i)</sup>	566,129	582,002
Unallocated assets	73,655	41,742
Total continuing assets	639,784	623,744
Assets relating to discontinued operations <sup>(ii)</sup>	-	8,946
Total	639,784	632,690

(i) Vessel segment assets include vessels held for sale (see note 3.4)

(ii) Trade receivables outstanding at 30 June 2017 related to Supply Base and Slipway.

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

## 2.1 Segment Information (continued)

### Other Segment Information

	Depreciation and amortisation		Additions to non-current assets	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Vessel assets	31,300	44,708	9,108	31,010
Unallocated assets	603	833	86	49
<b>Total</b>	<b>31,903</b>	<b>45,541</b>	<b>9,194</b>	<b>31,059</b>

### Impairment reversals/(charges) from continuing operations

In addition to the depreciation charges reported above, the Group also recognised impairment reversals/(charges) (see note 3.6) in respect of vessels as set out below:

	2018 \$'000	2017 \$'000
Vessels held for continuing operations	8,236	(158,089)
Vessels held for sale	171	(129,453)
<b>Total</b>	<b>8,407</b>	<b>(287,542)</b>

### Geographical Information

The Group is based in two principal geographical areas – Australia (country of domicile) and Singapore, however the fleet is traded around the world as a single fleet and moves between all geographical areas.

During the year, the Group operated vessels in a number of countries outside 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:

Location	Revenue from external customers		Non-current assets	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Australia	142,155	148,804	183,478	187,018
Other	58,289	72,962	312,943	311,368
<b>Total</b>	<b>200,444</b>	<b>221,766</b>	<b>496,421</b>	<b>498,386</b>

### Information about major customers for continuing operations

Included in revenues arising from vessel services are revenues of approximately \$28.8 million (2017: \$30.5 million) which arose from sales to the Group's largest customer, revenues of approximately \$25.9 million (2017: \$28.7 million) which arose from sales to the Group's second largest customer and revenues of approximately \$22.1 million (2017: \$26.5 million) which arose from sales to the Group's third largest customer.

	2018 \$'000	2017 \$'000
<b>2.2 Other Income and Expenses</b>		
Profit/(loss) for the year has been arrived at after recognising the following specific amounts		
Other gains and losses:		
Net foreign exchange losses	(272)	(271)
Loss on disposal of property, plant and equipment	(160)	(11,423)
Profit/(Loss) on disposal of assets held for sale	519	(3,266)
<b>Total</b>	<b>87</b>	<b>(14,960)</b>
Depreciation:		
Leasehold buildings and improvements	90	261
Vessels at cost	30,910	43,548
Plant and equipment	903	1,678
Plant and equipment – hire purchase	-	54
<b>Total</b>	<b>31,903</b>	<b>45,541</b>
Impairment charges:		
Impairment charge recognised on trade receivables	1,251	8,631
Impairment reversal/(charge) recognised on vessel cash generating unit	8,407	(287,542)
Employee benefits:		
Post-employment benefits:		
Defined contribution plans	7,765	9,675
Share based payments:		
Equity settled share based payments	56	285
Other employee benefits	95,504	99,193
<b>Total</b>	<b>103,325</b>	<b>109,153</b>

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

### 2.3 Discontinued Operations

A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and represents a major segment(s) of the business and is part of a single coordinated plan to dispose of such a line of business. Information regarding the results of the discontinued operations presented separately in the Statement of Profit or Loss and Other Comprehensive Income is presented below.

#### Discontinued operations for the year ended 30 June 2017:

##### Dampier Supply Base and Slipway businesses

On 15 June 2017, the Group disposed of the Dampier Supply Base and Slipway businesses.

##### Investment in Toll Mermaid Logistics Broome Pty Ltd (TMLB)

On 28 April 2017 the Group disposed of its investment in TMLB.

### 2.3 Discontinued Operations (continued)

#### Analysis of profit/(loss) for the year from discontinued operations

The combined results of the discontinued operations included in the profit/(loss) for the year are set out below.

	2018 \$'000	2017 \$'000
<b>Profit/(Loss) for the period of discontinued operations</b>		
Revenue	-	34,630
Share of profit from jointly controlled entity	-	522
Total revenue	-	35,152
Expenses	-	(33,365)
Loss on sale of discontinued operations	-	(842)
Impairment charge on measurement to fair value	-	(24,646)
Loss before tax	-	(23,701)
Attributable income tax expense	-	-
Loss for the period from discontinued operations	-	(23,701)
<b>Cash flows from discontinued operations</b>		
Net cash inflows from operating activities	8,946	92
Net cash inflows from investing activities	-	50,355
Net cash outflows from financing activities	-	(861)
Net cash inflows	8,946	49,586

	2018 \$'000	2017 \$'000
<b>2.4 Income Taxes</b>		
Income tax recognised in profit or loss		
Tax expense/(benefit) comprises:		
Current tax expense in respect of the current year	596	1,063
Deferred tax benefit in respect of the current year	-	(3,160)
Adjustment recognised in the current year in relation to tax provisions of prior years	(63)	368
Total income tax expense/(benefit)	533	(1,729)
The income tax (benefit)/expense for the year can be reconciled to accounting loss as follows:		
Loss from operations	(27,376)	(356,060)
Income tax benefit calculated at 30%	(8,213)	(106,818)
Effect of revenue that is exempt from taxation	(73)	(226)
Effect of expenses that are not deductible in determining taxable profit	3,186	75,842
Effect of tax deductible items not included in accounting profit	(273)	(461)
Effect of foreign income taxable in Australia	-	570
Effect of unused tax losses and temporary differences not recognised as deferred tax assets	5,881	25,230
Effect of different tax rates of subsidiaries operating in other jurisdictions	88	3,766
Adjustment recognised in the current year in relation to tax provisions of prior years	596	(2,097)
Adjustment recognised in the current year in relation to tax provisions of prior years	(63)	368
Total income tax expense/(benefit)	533	(1,729)

## 2.4 Income Taxes (continued)

The tax rate used for the 2018 and 2017 reconciliations above is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

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

The tax currently payable is based on the 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 the reporting date.

## 2.5 Earnings per Share

The earnings used in the calculation of basic and diluted earnings per share are as follows:

	2018 \$'000	2017 \$'000
Loss for the year used in the calculation of basic and diluted earnings per share from continuing operations	(27,909)	(354,331)
Loss from discontinued operations	-	(23,701)
<b>Loss for the year used in the calculation of basic and diluted earnings per share</b>	<b>(27,909)</b>	<b>(378,032)</b>
	2018 No.'000	2017 No.'000
Weighted average number of ordinary shares (basic):		
Weighted average number of ordinary shares used in the calculation of basic earnings per share	678,468	402,771
Weighted average number of ordinary shares (diluted):		
Weighted average number of ordinary shares used in the calculation of basic earnings per share	678,468	402,771
Shares deemed to be issued for no consideration in respect of employee rights	-	-
<b>Weighted average number of ordinary shares used in the calculation of diluted earnings per share</b>	<b>678,468</b>	<b>402,771</b>
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 rights	9,556	10,924

The calculations of the comparative basic and diluted earnings per share have been retrospectively adjusted to reflect the impact of the capital raising during this reporting period.

## 2.6 Dividends Provided for or Paid

No dividends have been provided for or paid during the current year.

	2018 \$'000	2017 \$'000
Adjusted franking account balance	47,589	47,589

### 3. ASSETS AND LIABILITIES

#### 3.1 Cash

##### Reconciliation of cash and cash equivalents

Cash balances include \$nil (2017: \$10.2 million) held in Escrow under the terms of the Group's Syndicated Loan Facility.

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks.

	2018 \$'000	2017 \$'000
Cash and cash equivalents	69,648	28,757
<b>Reconciliation of loss for the year to net cash flows from operating activities</b>		
Loss for the year	(27,909)	(378,032)
Depreciation of non-current assets	31,903	47,933
Impairment (reversal)/charge of non-current assets	(8,407)	312,188
Amortisation of borrowing costs	3,354	3,900
Loss on sale of property, plant and equipment	160	11,423
Loss on sale of assets held for sale	(519)	3,266
Loss on sale of discontinued operation	-	842
Unrealised foreign exchange gain	263	(71)
Allowance for doubtful debts	(15,435)	8,474
Bad debts	16,691	157
Equity settled share based payment	56	285
Share of jointly controlled entity profit	-	(522)
Change in net assets and liabilities:		
(Increase)/decrease in trade and other receivables	4,448	(8,482)
Decrease in prepayments	199	2,085
Decrease in inventories	1,433	1,172
Increase/(decrease) in current tax balances	(1,221)	8,043
Decrease in provisions	(72)	(4,566)
Decrease in trade and other payables	(7,549)	(7,343)
Increase/(decrease) in unearned revenue	267	(3,713)
Decrease in deferred tax liabilities	-	(3,133)
<b>Net cash flows from operating activities</b>	<b>(2,338)</b>	<b>(6,094)</b>

<b>3.2 Trade and Other Receivables</b>	2018 \$'000	2017 \$'000
Trade receivables	57,602	76,834
Allowance for doubtful debts	(2,624)	(21,240)
Other receivables	6,663	9,723
<b>Total</b>	<b>61,641</b>	<b>65,317</b>

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.

Of the trade receivables balance at the end of the year, \$13.8 million (2017: \$16.1 million) is outstanding from the Group's largest debtor and \$7.4 million (2017: \$6.8 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 carrying amount of trade receivables is reduced by the impairment loss through the use of an allowance account when collection is considered at risk. When a trade receivable is subsequently 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.

	2018 \$'000	2017 \$'000
Ageing of receivables past due but not impaired:		
31-60 days	5,548	1,932
61-90 days	2,744	4,680
Over 90 days	15,071	13,744
<b>Total</b>	<b>23,363</b>	<b>20,356</b>

The Group holds valid bank guarantees to the value of \$6.3 million over receivables in the Over 90 days category.

Movement in the allowance for doubtful debts		
Balance at the beginning of the year	21,240	13,456
Impairment losses recognised on receivables	1,251	8,788
Amounts written off as uncollectable	(16,691)	(157)
Impairment losses reversed	(3,735)	-
Foreign exchange translation	559	(847)
<b>Balance at the end of the year</b>	<b>2,624</b>	<b>21,240</b>

### Significant Accounting Judgement

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. In making their judgement on the appropriateness of the allowance for doubtful debts they have considered the outcomes of regular meetings with customers, ongoing contractual arrangements and regularity of receipts from the customers. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

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.



	2018	2017
	\$'000	\$'000
<b>3.3 Inventories</b>		
Fuel – at cost	1,289	2,501
Consumables	326	511
Work in progress	-	20
<b>Total</b>	<b>1,615</b>	<b>3,032</b>

Inventories are stated at the lower of cost or 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.

#### 3.4 Assets Classified as Held for Sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount or fair value less costs to sell. An impairment loss is recognised for any initial write-down of the asset to fair value less costs to sell. Information regarding the assets held for sale in the statement of financial position is presented below.

At 31 December 2016, the Group resolved to dispose of a number of non-core vessels within the fleet.

At 30 June 2018, the carrying value of the vessels not yet sold was \$9.4 million (2017: \$35.9million).

### 3.5 Property, Plant and Equipment

	Leasehold Buildings and Improvements at cost \$'000	Vessels at cost \$'000	Plant and Equipment at cost \$'000	Plant and Equipment – Hire Purchase at cost \$'000	Fixed Assets under Construction at cost \$'000	Total \$'000
Gross carrying amount:						
Balance at 1 July 2016	155,363	1,243,937	32,763	11,195	111,645	1,554,903
Additions	194	12,162	106	569	18,834	31,865
Disposals	(964)	(73,088)	(106)	(690)	-	(74,848)
Transfers	-	134,202	160	(135)	(134,227)	-
Reclassification of assets held for sale	(140,363)	(349,852)	(16,625)	(10,426)	-	(517,266)
Net currency exchange differences	(284)	48,399	(242)	(513)	3,748	51,108
Balance at 1 July 2017	13,946	1,015,760	16,056	-	-	1,045,762
Additions	109	8,977	108	-	-	9,194
Disposals	(46)	(87,981)	(131)	-	-	(88,158)
Net currency exchange differences	(13)	16,001	432	-	-	16,420
Balance at 30 June 2018	13,996	952,757	16,465	-	-	983,218
Accumulated depreciation:						
Balance at 1 July 2016	(93,319)	(462,912)	(18,520)	(6,940)	(17,430)	(599,121)
Disposals	291	45,256	72	431	-	46,050
Impairment charge	(21,457)	(275,126)	(3,494)	(1,256)	(10,855)	(312,188)
Depreciation expense	(1,738)	(43,549)	(2,311)	(335)	-	(47,933)
Transfers	-	(27,616)	(125)	101	27,640	-
Reclassification of assets held for sale	105,683	292,472	12,318	7,913	-	418,386
Net currency exchange differences	(1,981)	(51,468)	148	86	645	(52,570)
Balance at 1 July 2017	(12,521)	(522,943)	(11,912)	-	-	(547,376)
Disposals	44	87,981	3	-	-	88,028
Impairment reversal	-	8,236	-	-	-	8,236
Depreciation expense	(90)	(30,910)	(903)	-	-	(31,903)
Net currency exchange differences	(186)	(3,331)	(265)	-	-	(3,782)
Balance at 30 June 2018	(12,753)	(460,967)	(13,077)	-	-	(486,797)
Net book value:						
As at 30 June 2017	1,425	492,817	4,144	-	-	498,386
As at 30 June 2018	1,243	491,790	3,388	-	-	496,421

Leasehold buildings and improvements, vessels, plant and equipment and equipment under finance lease are stated at cost less, where applicable, accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the item.

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.

### 3.5 Property, Plant and Equipment (continued)

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 estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period. The following rates are used in the calculation of depreciation:

Leasehold buildings and improvements	2% - 39% straight-line
Vessels	4% - 8.33% straight-line
Vessel refits	20% - 40% straight-line
Plant and equipment	5% - 100% straight-line

#### Key Source of estimation uncertainty

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.

### 3.6 Impairment of Non-current Assets

The Group performs a review of non-current asset values at each reporting period and whenever events occur or changes in circumstances indicate that the carrying amount of an asset group may be impaired. Market conditions are monitored for indications of impairment for all of the Group's operating assets and where such indications are identified, a formal impairment assessment is performed.

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.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

#### Key Source of estimation uncertainty

Determining whether assets are impaired requires an estimate of the recoverable value of the assets. In order to determine the recoverable value of the assets in the current year, a Fair Value less Cost of Disposal (FVLCOD) approach was used (2017: FVLCOD approach). The FVLCOD method requires an estimate of the current market value of the assets and the costs that would be associated with a disposal of the assets. In estimating the current market value of the assets, the Group engaged experienced and qualified valuers to perform valuations.

The Group performs its impairment testing annually on 30 June each year. In addition, market conditions are monitored for indications of impairment for all of the Group's operating assets. Where an indication of impairment is identified, a formal impairment assessment is performed. We note an assessment of impairment was performed at 31 December 2017, resulting in an impairment reversal of \$8.4 million.

The Group has identified the following indicators of impairment at 30 June 2018:

- the carrying amount of the net assets of the Group is greater than the Company's market capitalisation; and
- market conditions in both Australia and internationally have continued to be challenging as the impact of lower oil prices is felt across the offshore support industry.

As a result, the Group assessed the recoverable amounts of the Vessels Cash-Generating Unit ('CGU').

The Supply Base and Slipway CGU's were classified as Held for Sale as at 31 December 2016 resulting in the recognition of an impairment at that date as disclosed below. These assets were subsequently disposed of on 15 June 2017.

### 3.6 Impairment of Non-current Assets (continued)

#### Impairment testing

The Group has evaluated whether the recoverable amount of each CGU exceeds its carrying amount. The recoverable amount is determined to be the higher of its fair value less costs of disposal ("FVL COD") or its value in use. In all instances, the FVL COD method was used for the purpose of impairment testing on 30 June 2018.

#### Impairment reversals/(charges) recognised

The following information relates to impairment reversals/(charges) included in profit or loss:

Segment/CGU	Class of asset	Method	Impairment charge	
			2018 \$'000	2017 \$'000
Vessels	Property, Plant & Equipment	FVL COD	8,407	(287,542)
Supply Base	Property, Plant & Equipment	FVL COD	-	(22,315)
Slipway	Property, Plant & Equipment	FVL COD	-	(2,331)
<b>Total</b>			<b>8,407</b>	<b>(312,188)</b>

The impairment reversal/(charge) recognised for Vessels is reflected as part of the Group's continuing operations (note 2.2) while the impairment charge for Supply Base and Slipway CGUs are reflected in discontinued operations (note 2.3).

The inputs used in deriving the recoverable amount of each CGU is categorised in accordance within the following levels of the fair value hierarchy:

CGU	Level 3 <sup>(i)</sup> \$'000	Recoverable
		Amount \$'000
Vessels		
Continuing operations	496,421	496,421
Held for sale	9,397	9,397

- (i) Level 3 inputs are unobservable inputs used to measure fair value. In our calculations the inputs used are based on both observable and unobservable market data prepared by an independent valuation consultant together with internally determined valuations. Due to the unobservable market data and internal valuation components of the valuations, the inputs are considered Level 3.

#### Vessels

The oil and gas sector has been through one of its worst periods in history over the past three and a half years. However, sector sentiment has improved significantly around a recovery in oil and gas markets with key industry commentators indicating that the market may have bottomed. We expect the recovery to be volatile and the timing is still uncertain. The oil markets are rebalancing and demand remains strong whilst supply is tighter as a result of production cuts. Sentiment around the offshore support vessel markets has become more positive with increasing tendering activity in a number of regions and work scopes. In addition, a proportion of the global cold stacked vessels are not expected to return to service eliminating some of the supply overhang.

As disclosed in note 3.4, a group of non-core vessels in the fleet were classified as being held for sale as at 31 December 2016. This classification has resulted in two separate fair value assessments for the fleet, being those core vessels used for continuing operations and those non-core vessels that are held for sale.

#### Continuing Operations

The recoverable amount of the core vessels was determined using a market based approach, reflecting the value which could be expected to be realised through the disposal of the vessels, in an orderly market, on an "as is where is" basis between a willing buyer and willing seller.

### 3.6 Impairment of Non-Current Assets (continued)

An independent valuation of the fleet was undertaken by a specialist marine valuation consultancy and ship broking company. In preparing their valuation report, some of the factors they considered include the current market conditions in which the vessels operate, a review of recent market sales of similar vessels, consideration of the specification and earnings potential of each vessel and the inherent value and replacement cost of each vessel.

A key input into the recoverable amount of the CGU was the application of a discount to the independent vessel valuation to reflect the amount which would be achieved if the fleet was disposed of in one single transaction. In the June 2017 impairment assessment, the company used a discount of 20%. Given the stabilisation of the market, where we are in the cycle and taking into account the independent valuers assessment of the fleet, the Board have applied a discount of 17.5% to the value for the fleet which reflects recoverable value.

The following factors were taken into account in determining this value:

- The stable rising trend in oil prices during the 2018 financial year
- An increase in project and development commitments by the oil and gas majors
- Increasing tender opportunities in the market
- Increasing activity in the vessel sales market
- Acknowledging the increased activity in the industry is still at an early stage in the market cycle and there is uncertainty about the extent and timing of recovery
- Acknowledging the impact of the significant vessel tonnage in the industry. A 2.5% increase or decrease in the 'en bloc discount rate would result in a corresponding \$15 million increase or decrease in the impairment reversal or charge.

Another key input was the estimated costs of disposal. The Company has adopted a selling cost equal to 2% of the sale value of each vessel based on actual selling costs of between 1.5% and 2.5% for previous vessel sales.

Inputs in determining the classification level within the fair value hierarchy are reassessed at each reporting period as part of the impairment process. The inputs used within calculations are assessed and discussed internally to determine the extent to which they can be compared to observable market information and classified accordingly.

#### **Held for Sale**

The recoverable amount of the non-core vessels was determined using a market based approach, reflecting the value which could be expected to be realised through an accelerated sale program.

In assessing the fair value of these non-core vessels the Company has taken into consideration the following factors:

- actual sales of the non-core vessels that have been completed to date
- current sale contracts and negotiations on the remaining non-core vessels
- market sales evidence for similar vessels over the past 6 months

The price that would be expected to be received in these circumstances for these non-core vessels would be less than if sold in an orderly transaction with no time restrictions to complete the sale.

A 5% increase or decrease of expected sale proceeds would result in corresponding \$0.5 million decrease or increase in the impairment amount for these non-core vessels.

<b>3.7 Trade and Other Payables</b>	2018 \$'000	2017 \$'000
Trade payables	5,017	7,826
Other payables and accruals	26,379	24,390
Goods and services tax payable	913	5,170
<b>Total</b>	<b>32,309</b>	<b>37,386</b>

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.

<b>3.8 Borrowings</b>	2018 \$'000	2017 \$'000
<b>Secured – at amortised cost</b>		
Current		
Hire purchase liability <sup>(i)</sup>	6	5
Bank loans <sup>(ii)</sup>	3,992	-
Unamortised loan fees <sup>(iii)</sup>	(2,259)	-
<b>Total</b>	<b>1,739</b>	<b>5</b>
<b>Non-Current</b>		
Hire purchase liability <sup>(i)</sup>	4	8
Bank loans <sup>(ii)</sup>	265,009	324,209
Unamortised loan fees <sup>(iii)</sup>	(5,080)	(9,770)
<b>Total</b>	<b>259,933</b>	<b>314,447</b>

**Summary of borrowing arrangements:**

- (i) The hire purchase liabilities are fixed interest rate debt with repayment periods not exceeding 3 years. The current weighted average interest rate on the hire purchase liabilities is 2.9% (2017: 2.9%).
- (ii) In conjunction with the capital raising that occurred during this reporting period, the Group was able to renegotiate the terms of its Syndicated Debt Facility with its existing lenders. The key amendments to the Facility included:
  - Extending the term for a further 2 years from maturity on 30 September 2019 to 30 September 2021
  - Reducing the interest rate
  - Agreeing certain amendments and holidays to specified covenants
  - Cash sweep of excess cash above \$70.0 million from 30 June 2020, 31 December 2020 and 30 June 2021
  - Agreeing to a revised amortisation profile

The revised amortisation profile includes:

- A payment of \$30.0 million by 31 December 2017 which was linked with the capital raising and was paid
- \$5.0 million by 30 June 2020
- \$7.5 million by 31 December 2020
- \$7.5 million by 30 June 2021
- The balance is to be repaid on maturity at 30 September 2021

In addition, proceeds from the sale of non-core vessels will continue to be applied against the outstanding amount with \$30.0 million to be repaid by 31 December 2018. Any shortfall is to be funded from the Group's cash reserves. This obligation has now been met as a result of the successful completion of vessel sales, with \$26.0 million repaid prior to 30 June 2018 and a further \$5.1 million repaid in July 2018.

The facility is fully secured by fixed and floating charges given by controlled entities within the Group, registered ship mortgages over a number of vessels owned by certain entities and real property managers.

### 3.8 Borrowings (continued)

The current weighted average interest rate on the bank loans is 6.08% (2017: 7.6%).

(iii) The unamortised loan fees are in relation to the Syndicated Facility Agreement.

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.

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 or payable is recognised in the profit and loss.

	2018 \$'000	2017 \$'000
Available borrowing facilities		
Secured loan facilities with various maturity dates through to 2021 and which may be extended by mutual agreement:		
Amount used	269,001	324,209
Amount unused	-	-
<b>Total</b>	<b>269,001</b>	<b>324,209</b>
Secured bank overdraft:		
Amount used	-	-
Amount unused	-	4,000
<b>Total</b>	<b>-</b>	<b>4,000</b>

#### Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non cash changes.

	Hire purchase liability \$'000	Bank loans \$'000	Unamortised loan fees \$'000	Total \$'000
<b>2018</b>				
Balance at 1 July 2017	13	324,209	(9,770)	314,452
Financing cashflows	(3)	(61,295)	(4,003)	(65,301)
Non-cash foreign exchange movement	-	6,087	-	6,087
Other changes	-	-	6,434	6,434
<b>Balance at 30 June 2018</b>	<b>10</b>	<b>269,001</b>	<b>(7,339)</b>	<b>261,672</b>

<b>2017</b>				
Balance at 1 July 2016	923	397,755	(6,853)	391,825
Financing cashflows	(921)	(66,405)	(3,723)	(71,049)
Non-cash foreign exchange movement	-	(7,141)	-	(7,141)
Other changes	11	-	806	817
<b>Balance at 30 June 2017</b>	<b>13</b>	<b>324,209</b>	<b>(9,770)</b>	<b>314,452</b>

	2018 \$'000	2017 \$'000
<b>3.9 Provisions</b>		
Current		
Employee benefits – annual leave	6,352	6,553
Employee benefits – long service leave	4,313	3,507
Restructuring costs – shipbuilding operations	-	148
<b>Total</b>	<b>10,665</b>	<b>10,208</b>
Non-current		
Employee benefits – long service leave	262	885

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave in the period the related service is performed.

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.

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.

A restructuring provision is recognised when the Group has developed a detailed formal plan for restructuring and has raised a valid expectation with 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 a 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.

### 3.10 Tax Losses and Unrecognised Deferred Tax Assets

	2018 \$'000	2017 \$'000
Unrecognised deferred tax assets		
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)	64,603	39,371
Tax losses (capital in nature)	19,320	19,313
Deductible temporary differences	5,668	10,116

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.



## 4. CAPITAL STRUCTURE

### 4.1 Issued Capital

Fully Paid Ordinary Shares	2018 No.'000	2018 \$'000	2017 No.'000	2017 \$'000
Balance at beginning of financial year	373,077	561,275	373,077	556,566
Issue of shares under institutional placement	111,923	22,385	-	-
Issue of shares under institutional entitlement offer	78,027	15,605	-	-
Issue of shares under retail entitlement offer	295,050	59,010	-	-
Share issue costs	-	(4,558)	-	-
Transfer employee equity settled benefits reserve	-	1,018	-	4,709
Balance at end of financial year	858,077	654,735	373,077	561,275

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

### Share Rights

As at 30 June 2018, executives and employees held rights over 9,555,660 ordinary shares (2017: 10,923,881) in aggregate. These have all lapsed in July 2018.

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

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 costs.

4.2 Reserves	2018 \$'000	2017 \$'000
Employee equity settled benefits	154	1,114
Hedging	(57,290)	(51,203)
Foreign currency translation	178,590	165,288
Balance at end of financial year	121,454	115,199

The employee equity settled benefits reserve arises on the grant of share rights to executives and employees under the Company's share rights plans. Amounts are transferred out of the reserve and into issued capital when the rights vest or expire.

The hedging reserve is used to record gains and losses on hedges designated as cash flow hedges including hedges of net investments in a foreign operation. Gains and losses accumulated in the hedge reserve are taken to the 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. For a net investment in a foreign operation any gains and losses are taken to profit and loss on disposal of the foreign operation.

The foreign currency translation reserve represents exchange differences relating to the translation from the functional currencies of the Group's foreign controlled entities into Australian Dollars.

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. 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.