MMA
OFFSHORE

ABN 21 083 185 693

# Financial Report and Appendix 4D
# for the Half Year Ended 31 December 2020

# Table of Contents

## Results for Announcement to the Market

**Current Reporting Period:** Half year ended 31 December 2020
**Previous Reporting Period:** Half year ended 31 December 2019

| **Earnings** | **31 Dec 2020 $'000** | **31 Dec 2019 $'000** | **% Change** |
|---|---|---|---|
| Revenue from ordinary activities | 119,883 | 130,941 | ↓8.4% |
| Profit/(loss) before tax | 15,882 | (10,314) | ↑ 254% |
| Profit/(loss) after tax attributable to members | 15,521 | (9,741) | ↑ 259% |
| Net profit/(loss) attributable to members | 15,521 | (9,741) | ↑ 259% |

Information regarding the revenue and loss for the period is set out in the covering announcement accompanying this Report and in the Review of Operations in the Directors' Report on Page 4.

**Dividends**
Given the on-going market conditions, no interim dividend has been declared for the 2021 financial year.

| **Net Tangible Asset Backing** | **31 Dec 2020** | **31 Dec 2019** |
|---|---|---|
| Net tangible asset backing per share | $0.08 | $0.33 |

Subsequent to the end of the half year reporting period, the company completed a consolidation of its issue capital through the conversion of every 10 shares held by a shareholder into 1 share. If this conversion had been completed as at 31 December 2020, the net tangible asset backing per share would have been $0.83.

**Directors' Report**

The Directors of MMA Offshore Limited (MMA) submit herewith the Financial Report of the Company and its subsidiaries (the Group) for the half year ended 31 December 2020. In order to comply with the provisions of the Corporations Act 2001 (Cth), the Directors report as follows:

The names of the Directors of the Company during or since the end of the half year are:

- Mr I Macliver
- Mr A Edwards (resigned 28 January 2021)
- Ms E Howell
- Mr CG Heng
- Mr P Kennan
- Mr D Ross

Review of Operations

**Financial Result**
Reported EBITDA was $38.3 million which included a one-off debt forgiveness benefit of $14.8 million, doubtful debts recovered of $1.3 million, debt restructuring costs of $(0.4) million and excludes profit on the sale of assets of $2.6m. Underlying EBITDA was $22.6 million, including the benefit from $6.2 million of net government subsidies which are non-repeatable in the 2nd half and which were higher than forecast. Revenue was $119.9 million, down 8.4% on the previous corresponding half. Cash at bank increased to $92.9m up $6.3m over the half year.

**Market Conditions**
MMA's activities continue to be impacted by COVID-19 with reduced demand for our assets and services particularly in the oil and gas sector. While uncertainty around COVID-19 remains, oil and gas prices have strengthened significantly in recent months and the pipeline of major projects in MMA's operating regions remains strong, albeit with some delays.

Oil and gas production support activities remain steady, smaller project scopes are beginning to return to market, whilst exploration remains subdued. Previously deferred key oil and gas projects in Australia are now being rescheduled for final investment decision this year.

The reduction in oil and gas activity has been offset to a degree by a ramp up in offshore wind developments in Taiwan which is a major focus of our diversification and growth strategy.

Tendering activity for renewables in Taiwan continues to strengthen with further support building for offshore wind developments in our regions.

**Strategy**
Our strategy is focused on maximising the returns from our core oil and gas business whilst diversifying into new markets such as offshore wind, government services and infrastructure maintenance.

A key strategic focus is to leverage our skills and assets across our vessels, subsea, project logistics and engineering businesses to deliver integrated project scopes for our clients across all markets. We successfully delivered a number of integrated projects in the oil and gas and renewables sectors during the first half of FY2021. We will continue to develop our integrated service model with the aim of further embedding our services with our clients.

As part of our core business strategy we continually review the composition of our fleet and we are currently in the process of divesting a number of the more commoditised AHTS vessels where the returns are suboptimal and where there is limited opportunity to differentiate MMA on the basis of our service quality and delivery. During the first half, we progressed a number of vessel sales with one sales transaction completed in January 2021 and three in advanced negotiations.

Whilst we expect oil and gas will be a fundamental part of the energy mix for some time, the focus on climate change has increased the pace of the transition to renewable energy, including offshore wind. We see renewables as a key future market for MMA with a significant number of new offshore wind farms expected to be developed in the Asia Pacific region over the coming decade. During the first half MMA supported a number of offshore wind development projects in Taiwan utilising our vessels, subsea and project logistics services to deliver a range of work scopes. We are currently establishing an operating platform in Taiwan to drive our growth in offshore renewables.

We are also targeting the Government and Defence sectors as well as select infrastructure maintenance contracts to further diversify our revenue base. We are currently active in delivering hydrographic survey services to the Australian Navy and we are also engaged on a number of infrastructure maintenance contracts around Australia. We will continue building upon both of these areas as part of our strategy.

**Balance Sheet**
MMA increased its Cash at Bank as at 31 December 2020 to $92.9 million.

In November 2020, MMA completed a Balance Sheet restructure by way of an $80 million equity raising, the proceeds of which were used to reduce debt. As part of the debt restructuring, MMA received a $14.8 million debt concession, slightly below the estimated $15.1 million due to the strengthening of the AUD to USD exchange rate. Total debt reduction amounted to approximately $91.9 million.

The restructure has significantly strengthened MMA's Balance Sheet. As at 31 December 2020, MMA's Gross Debt was $165.5m down from $273.4m in June 2020 and Net Debt (Gross Debt less Cash) was $72.6 million down from $186.6 million. MMA's key leverage metrics have significantly improved with Net Debt / EBITDA at 2.2x, down from 3.8x, based on the midpoint of current earnings guidance for FY21 and Net Debt to Property Plant and Equipment at 19.4% down from 45.0%.

As part of the restructure, MMA's debt facilities were extended to January 2025, a significant extension in the current environment and the syndicate reduced from seven to four banks.

Subsequent to the end of the reporting period, in February 2021, MMA undertook a 1 for 10 share consolidation to reduce the number of shares on issue and provide a more appropriate and effective capital structure for the Company going forward.

As part of its capital management strategy, MMA will continue to review and optimise its Balance Sheet. Under the terms of the revised debt facilities, MMA will have the flexibility to pay dividends and undertake share buy backs once the gross leverage ratio (Gross Debt / EBITDA) is below 3.5x (pre-AASB16), with the potential to unlock approximately $47 million in franking credits.

**Operational Update**

***Vessel Services***

Vessel revenue for the year was $88.1 million for the first half and Statutory Vessel EBITDA was $22.7 million.

Average utilisation for the half year was 55%, down from 64% in FY2020. Utilisation for the AHT, PSV and MPSV fleet was relatively strong with each of these vessel segments generating over 70% utilisation for the half. Utilisation of the AHTS fleet which is more commoditised and generally operates in the construction and exploration sectors was significantly lower at 22% bringing down the overall average utilisation. We are continuing to progress our strategy to largely exit the AHTS segment.

As at 31 December 2020, MMA had 17 of its 30 vessels under short and long-term contracts with the remaining vessels being maintained at the Company's Singapore and Indonesian facilities and in Fremantle, Western Australia. The remaining vessels are available for work in the spot market when demand justifies activating them with a number of them also being marketed for sale as part of MMA's strategy to divest non-core assets.

As at 31 December 2020, 30% of available vessel days for the coming 12-month period were contracted, increasing to 36% taking into account highly probable contract awards and extension periods. This compares to 31% and 39% at the same time last year. On a revenue basis, 55% of our forecast revenue is already under contract for the next 12 months or 69% including highly probable contract awards and extensions.

MMA secured a number of new vessel contracts during the first half including:

- A contract extension with Woodside for two vessels, the MMA Strait and MMA Cove through to March 2022
- 2 x back to back accommodation and walk to work scopes totalling 228 days for the MMA Privilege in West Africa and Brunei
- A contract with Benthic for MMA Vigilant to support geotechnical work for Dorado

MMA continued to have a number of vessels on long term contracts, supporting production activities in Australia:

- The MMA Plover and MMA Brewster continued on long-term contract with INPEX supporting the Ichthys LNG Project
- The MMA Inscription continues on contract with Santos supporting the Bayu Undan project.

Other key projects include:

- The Mermaid Searcher continued on contract with UPS providing support services for the Northern Endeavour FPSO decommissioning project
- The MMA Leeuwin continued with Esso in the Bass Strait providing an integrated vessel and subsea services scope
- The MMA Pinnacle continues on its three-year firm contract with iTech 7, Subsea 7's Life of Field business unit, performing a range of work scopes and is currently operating in the North Sea
- The MMA Pride operated as an Accommodation and Walk-to-Work vessel for Shell Brunei and was awarded a number of service awards from the client including "Best Performing Vessel" and one of the Top 3 "Best Performing Maritime Business Partners"
- The MMA Prestige and MMA Leveque and MMA Vigilant operated in Taiwan supporting offshore wind farm developments
- The MWV Falcon completed a number of accommodation and walk to work scopes in India and has recently been redelivered to its owner following completion of the work

### *Subsea Services*

The Subsea business has been significantly impacted by COVID-19. Revenue for the first half was $31.3 million and EBITDA was $(1.2) million.

Whilst suppressed activity levels have impacted demand for oil and gas related subsea services, we were successful in securing a number of work scopes supporting large Engineering Procurement & Construction (EPC) contractors on a range of services including stabilisation, grouting and survey. We continue to work closely with EPC contractors as we look to provide support services for larger projects and grow the volume of work we perform for these clients.

We have also made good progress on our diversification strategy with a number of projects delivered for the offshore wind sector in Taiwan utilising a combination of MMA and third-party vessels.

Responsibility for the Renewables business currently sits within the subsea business unit and significant progress has been made on our Renewables strategy during the half including the establishment of a local Taiwan office, recruitment of a General Manager – Taiwan, and progressing discussions with a potential local joint venture partner. With renewables activity in Taiwan forecast to be strong, we are focused on solidifying our position as a key service provider to offshore wind developments in the Asia Pacific region.

We are also building our Government Services business and successfully delivered our first hydrographic survey scope for the Australian Navy under the Hydroscheme Industry Partnership Program (HIPPs) during the half. We are currently tendering a number of further work scopes under the HIPPs program to build our presence in this sector.

Our primary rationale for acquiring the subsea business was to broaden our service base and enable MMA to deliver an integrated offering to clients capturing a greater proportion of the value chain. With the subsea business now embedded into MMA's overall operations, we are seeing traction in this area with a number of integrated work scopes completed during the half and multiple bids submitted. We will continue to grow our integrated service offering as well as focus on improving the profitability of the subsea business through improved operational processes.

We are also focused on delivering value through innovation and completed our first remote survey scope during the half. Under the project, MMA provided survey and positioning services remotely from our centre of excellence in Perth to our subsea inspection vessel, the MMA Leeuwin, operating in the Bass Strait. We were also awarded a key contract to bring a state of the art hybrid AUV into Australia for the execution of pipeline inspection surveys in the second half.

### *Project Logistics*

Our Project Logistics division was created with the aim of targeting logistics scopes associated with large LNG and offshore wind projects in East Africa, Taiwan and Australia predominantly using third party assets.

The business continues to gain traction in East Africa and secured contracts for an additional two vessels during the first half to bring the total Mozambique fleet to five vessels currently on charter. The vessels are engaged on contracts predominantly supporting Total's Mozambique LNG Project. With the construction of the Mozambique LNG and Coral South FLNG projects moving forward, we are currently bidding a number of logistics scopes to support these projects.

In Australia a number of major projects are due for final investment decision in 2021. We are tendering logistics scopes for the upcoming Gorgon Stage 2, Julimar Stage 2 and Ichthys scopes which we are well positioned for.

The project logistics segment generated revenue of $7.1m for the first half and an EBITDA of $0.7 million.

Auditors' Independence Declaration

The Auditors' Independence Declaration is included on page 8 of the half year report.

Rounding off of Amounts

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 Directors' Report and the Half Year Financial Report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of Directors made pursuant to s306(3) of the Corporations Act 2001 (Cth).

On behalf of the Directors

**IAN MACLIVER**
Chairman

Perth, 19 February 2021

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Tower 2, Brookfield Place
123 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

Tel: +61 8 9365 7000
Fax: +61 8 9365 7001
www.deloitte.com.au

The Board of Directors
MMA Offshore Limited
404 Orrong Road
Welshpool WA 6106

19 February 2021

Dear Directors

MMA Offshore Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of MMA Offshore Limited.

As lead audit partner for the review of the financial statements of MMA Offshore Limited for the half year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

**Vincent Snijders**
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Tower 2, Brookfield Place
123 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

Tel: +61 8 9365 7000
Fax: +61 8 9365 7001
www.deloitte.com.au

# Independent Auditor's Report to the members of MMA Offshore Limited

*Conclusion*

We have reviewed the half-year financial report of MMA Offshore Limited ("Company"), which comprises the condensed consolidated statement of financial position as at 31 December 2020, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 11 to 29.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of MMA Offshore Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

*Basis for Conclusion*

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

*Directors' Responsibilities for the Half-Year Financial Report*

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Deloitte.

*Auditor's Responsibilities for the Review of the Half-year Financial Report*

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

**Vincent Snijders**
Partner
Chartered Accountants
Perth, 19 February 2021

**Directors' Declaration**

The Directors declare that:

a) In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

b) In the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001 (Cth), including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the Directors made pursuant to s303(5) of the Corporations Act 2001 (Cth).

On behalf of the Directors,

**IAN MACLIVER**
Chairman

Perth, 19 February 2021

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
**For the half year ended 31 December 2020**

| | Note | Dec 2020 $'000 | Dec 2019 $'000 |
|---|---|---|---|
| Revenue | 2.1 | 119,883 | 130,941 |
| Investment income | | 69 | 467 |
| Other income/(expenses) | 2.2 | 23,232 | 1,026 |
| Vessel expenses | | (75,454) | (127,364) |
| Subsea expenses | | (32,027) | - |
| Project Logistics expenses | | (5,927) | - |
| Administration expenses | | (5,749) | (5,937) |
| Impairment charge | 3.6 | - | - |
| Finance costs | | (8,145) | (9,447) |
| Profit/ (loss) before tax | | 15,882 | (10,314) |
| Income tax (expense)/benefit | | (361) | 573 |
| Profit / (loss) for the Period | | 15,521 | (9,741) |
| | | | |
| **Other Comprehensive Income, net of tax** | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translation of foreign operations | 2.3 | (37,927) | (372) |
| Gain/(Loss) on hedge of net investment in a foreign operation | 2.3 | 15,567 | 260 |
| Other comprehensive income for the period, net of tax | | (22,360) | (112) |
| Total Comprehensive Loss for the Period | | (6,839) | (9,853) |
| | | | |
| Profit/(Loss) attributable to: | | | |
| Owners of the parent | | 15,505 | (9,740) |
| Non-controlling interests | | 16 | (1) |
| | | 15,521 | (9,741) |
| | | | |
| Total comprehensive income attributable to: | | | |
| Owners of the parent | | (6,875) | (9,852) |
| Non-controlling interests | | 36 | (1) |
| | | (6,839) | (9,853) |

| | | Cents Per Share | Cents Per Share |
|---|---|---|---|
| **Earnings/(Loss) per share** | | | |
| From continuing operations | | | |
| Basic | 2.4 | 0.90 | (1.11) |
| Diluted | 2.4 | 0.88 | (1.11) |

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

## Condensed Consolidated Statement of Financial Position
**As at 31 December 2020**

| | Note | Dec 2020 $'000 | June 2020 $'000 |
|---|---|---|---|
| **Current Assets** | | | |
| Cash and cash equivalents | | 92,911 | 86,637 |
| Trade and other receivables | 3.1 | 52,007 | 52,429 |
| Inventories | 3.2 | 2,781 | 2,216 |
| Prepayments | | 2,373 | 2,822 |
| Assets classified as held for sale | 3.3 | 37,891 | 41,961 |
| Total Current Assets | | 187,963 | 186,065 |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 3.4 | 335,965 | 373,530 |
| Right-of-use assets | 3.5 | 8,260 | 10,117 |
| Intangibles | | 106 | 108 |
| Total Non-Current Assets | | 344,331 | 383,755 |
| Total Assets | | 532,294 | 569,820 |
| **Current Liabilities** | | | |
| Trade and other payables | 3.7 | 40,909 | 41,879 |
| Unearned revenue | | 2,690 | 538 |
| Borrowings | 3.8 | 6,250 | 12,739 |
| Lease liabilities | 3.9 | 3,367 | 3,729 |
| Provisions | 3.10 | 15,502 | 15,815 |
| Current tax liabilities | | 1,891 | 2,684 |
| Total Current Liabilities | | 70,609 | 77,384 |
| **Non-Current Liabilities** | | | |
| Borrowings | 3.8 | 159,283 | 257,838 |
| Lease liabilities | 3.9 | 5,303 | 7,164 |
| Provisions | 3.10 | 84 | 256 |
| Deferred tax liabilities | | 54 | 57 |
| Total Non-Current Liabilities | | 164,724 | 265,315 |
| Total Liabilities | | 235,333 | 342,699 |
| Net Assets | | 296,961 | 227,121 |
| **Equity** | | | |
| Issued capital | 4.1 | 742,846 | 667,251 |
| Reserves | | 118,009 | 139,305 |
| Accumulated losses | | (563,739) | (579,244) |
| Equity attributable to owners of the company | | 297,116 | 227,312 |
| Non-controlling interest | | (155) | (191) |
| Total Equity | | 296,961 | 227,121 |

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

## Condensed Consolidated Statement of Changes in Equity
**For the half year ended 31 December 2020**

| Half Year Ended 31 December 2020 | Issued Capital $'000 | Employee Equity Settled Benefits Reserve $'000 | Hedging Reserve $'000 | Foreign Currency Translation Reserve $'000 | Accumulated Losses $'000 | Equity Holders of parent $'000 | Non Controlling Interest $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|
| Balance at 1 July 2020 | 667,251 | 1,878 | (69,423) | 206,850 | (579,244) | 227,312 | (191) | 227,121 |
| Comprehensive income/(loss) for the period: | | | | | | | | |
| Profit for the period | - | - | - | - | 15,505 | 15,505 | 16 | 15,521 |
| Other comprehensive income/(loss) for the period | - | - | 15,567 | (37,947) | - | (22,380) | 20 | (22,360) |
| Total Comprehensive Income/(Loss) for the Period | - | - | 15,567 | (37,947) | 15,505 | (6,875) | 36 | (6,839) |
| Issue of shares | 80,045 | - | - | - | - | 80,045 | - | 80,045 |
| Share issue costs | (4,450) | - | - | - | - | (4,450) | - | (4,450) |
| Recognition of share based payments | - | 1,084 | - | - | - | 1,084 | - | 1,084 |
| Balance at 31 December 2020 | 742,846 | 2,962 | (53,856) | 168,903 | (563,739) | 297,116 | (155) | 296,961 |

| Half Year Ended 31 December 2019 | Issued Capital $'000 | Employee Equity Settled Benefits Reserve $'000 | Hedging Reserve $'000 | Foreign Currency Translation Reserve $'000 | Accumulated Losses $'000 | Equity Holders of parent $'000 | Non Controlling Interest $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|
| Balance at 1 July 2019 | 654,735 | 621 | (66,176) | 199,332 | (485,267) | 303,245 | - | 303,245 |
| Comprehensive income/(loss) for the period: | | | | | | | | |
| Loss for the period | - | - | - | - | (9,740) | (9,740) | (1) | (9,741) |
| Other comprehensive income/(loss) for the period | - | - | 260 | (372) | - | (112) | - | (112) |
| Total Comprehensive Income/(Loss) for the Period | - | - | 260 | (372) | (9,740) | (9,852) | (1) | (9,853) |
| Recognition of share based payments | - | 749 | - | - | - | 749 | - | 749 |
| Issue of shares | 12,516 | - | - | - | - | 12,516 | - | 12,516 |
| Non-controlling interest arising on acquisition | - | - | - | - | | - | 19 | 19 |
| Balance at 31 December 2019 | 667,251 | 1,370 | (65,916) | 198,960 | (495,007) | 306,658 | 18 | 306,676 |

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

## Condensed Consolidated Statement of Cash Flows
**For the half year ended 31 December 2020**

| | Note | Dec 2020 $'000 | Dec 2019 $'000 |
|---|---|---|---|
| **Cash flows from Operating Activities** | | | |
| Receipts from customers | | 118,859 | 126,379 |
| Interest received | | 69 | 467 |
| Government grants received | | 7,054 | - |
| Payments to suppliers and employees | | (101,271) | (110,462) |
| Income tax received/(paid) | | (1,004) | 143 |
| Interest and other costs of finance paid | | (5,318) | (8,316) |
| Net Cash Provided by Operating Activities | | 18,389 | 8,211 |
| **Cash flows from Investing Activities** | | | |
| Payments for property, plant and equipment | | (3,747) | (3,183) |
| Proceeds from sale of property, plant and equipment | | 2,655 | 1,378 |
| Investment in subsidiary | | - | (75) |
| Net cash inflow on acquisition of business | | - | 1,239 |
| Net Cash Used in Investing Activities | | (1,092) | (641) |
| **Cash flows from Financing Activities** | | | |
| Repayment of borrowings | 3.8 | (77,073) | (580) |
| Financing fees on borrowings | | (383) | - |
| Proceeds from issue of shares | 4.1 | 80,045 | - |
| Payment for share issue costs | | (4,450) | - |
| Payment of lease liabilities | | (3,063) | (2,278) |
| Net Cash Used In Financing Activities | | (4,924) | (2,858) |
| Net increase/(decrease) in cash and cash equivalents | | 12,373 | 4,712 |
| Cash and cash equivalents at the beginning of the half year period | | 86,637 | 70,155 |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | 2.3 | (6,099) | (241) |
| Cash and Cash Equivalents at the End of the Half Year | | 92,911 | 74,626 |

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

## Notes to the Condensed Consolidated Financial Statements

### 1. General Notes

**Statement of compliance**

The half year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

**Basis of preparation**

The condensed consolidated 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 value. Historical cost is 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 Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with this Corporations Instrument, amounts in the half year report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Company's 2020 annual financial report for the financial year ended 30 June 2020**,** These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

## 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. Information regarding the Group's operating segments are presented below.

Information reported to the Board of Directors is focused on the category of services provided through the Group's operating activities.

At 31 December 2019, the group had one reportable segment being Vessel Services. Following the completion of acquisitions during the year ended 30 June 2020, the reportable segments have increased to reflect the expanded operating activities and are:

- Vessel Services – provision of specialised offshore support vessels;
- Subsea Services – services to companies operating in subsea environments including inspection, maintenance and repair; and
- Project Logistics – project management of large marine spreads and complex marine logistics.

**Segment revenues and results**

The following is an analysis of the Group's revenue and results by reportable segment for the period ended 31 December 2020:

| | Vessel Services | Subsea Services | Project Logistics | Eliminations | Consolidated |
|---|---|---|---|---|---|
| | Dec 2020 $'000 | Dec 2020 $'000 | Dec 2020 $'000 | Dec 2020 $'000 | Dec 2020 $'000 |
| Revenue | | | | | |
| External sales | 84,973 | 28,679 | 6,231 | - | 119,883 |
| Inter-segment sales | 3,169 | 2,619 | 901 | (6,689) | - |
| Total revenue | 88,142 | 31,298 | 7,132 | (6,689) | 119,883 |

Inter-segment sales are charged at prevailing market prices

**Result**

| | | | | | |
|---|---|---|---|---|---|
| Segment profit/(loss) before impairment | 9,519 | (3,348) | 304 | - | 6,475 |
| Segment profit/(loss) after impairment | 9,519 | (3,348) | 304 | - | 6,475 |
| Finance income | | | | | 69 |
| Other income | | | | | 23,232 |
| Administration costs | | | | | (5,749) |
| Finance costs | | | | | (8,145) |
| Profit for the period before income tax | | | | | 15,882 |

During the reporting period, cumulative revenue and expenses relating to assets held for sale totalled $12.7 million and $15.2 million respectively.

## 2. Financial Performance (continued)

### 2.1 Segment information (continued)

| | Vessel Services | Subsea Services | Project Logistics | Eliminations | Consolidated |
|---|---|---|---|---|---|
| | Dec 2019 $'000 | Dec 2019 $'000 | Dec 2019 $'000 | Dec 2019 $'000 | Dec 2019 $'000 |
| Revenue | | | | | |
| External sales | 130,941 | - | - | - | 130,941 |
| Inter-segment sales | - | - | - | - | - |
| Total revenue | 130,941 | - | - | - | 130,941 |

Inter-segment sales are charged at prevailing market prices

**Result**

| | | | | | |
|---|---|---|---|---|---|
| Segment profit before impairment | 3,577 | - | - | - | 3,577 |
| Impairment charge | - | - | - | - | - |
| Segment profit after impairment | 3,577 | - | - | - | 3,577 |
| Finance income | | | | | 467 |
| Other income | | | | | 1,026 |
| Administration costs | | | | | (5,937) |
| Finance costs | | | | | (9,447) |
| Loss for the period before income tax | | | | | (10,314) |

Segment profit/(loss) represents the profit/(loss) earned by the Vessels, Subsea Services and Project Logistics segments without allocation of finance income, other income, 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.

**Disaggregation of revenue**

The Group derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time in the following major product lines.

| | Dec 2020 $'000 | Dec 2019 $'000 |
|---|---|---|
| Revenue recognised over time: | | |
| Vessel revenue | 86,370 | 100,985 |
| Equipment Hire | 10,141 | 878 |
| Personnel | 7,834 | 3,294 |
| Mobilisation/Demobilisation | 3,737 | 7,262 |
| Fabrication | 4,433 | 1,850 |
| Materials | 1,090 | 253 |
| Other | 5,086 | 11,265 |
| | 118,691 | 125,787 |
| Revenue recognised at a point in time: | | |
| Fuel sales | 1,192 | 5,154 |
| | 1,192 | 5,154 |
| Total | 119,883 | 130,941 |

## 2. Financial Performance (continued)

### 2.1 Segment information (continued)

**Segment Assets**

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

| | Dec 2020 $'000 | June 2020 $'000 |
|---|---|---|
| Vessel Services assets (i) | 401,802 | 444,646 |
| Subsea Services assets (i) | 27,292 | 30,963 |
| Project Logistics assets | 3,023 | 1,895 |
| Unallocated assets | 100,177 | 92,316 |
| Total[(ii)] | 532,294 | 569,820 |

(i) Vessel and Subsea Services segment assets include assets held for sale (refer note 3.3)

(ii) Segment assets are held in both A$ and US$ denominated currencies. The US$ assets are translated into A$ using exchange rates prevailing at the end of the reporting period. The movement in the exchange rate has resulted in an unrealised negative movement in the asset value of $37,9 million in A$ terms. Offsetting the negative movement in asset value was a reduction in the US$ debt of $15.6 million in A$ terms.

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

### Other segment information

| | Depreciation and amortisation | | Additions to non-current assets | |
|---|---|---|---|---|
| | Dec 2020 $'000 | Dec 2019 $'000 | Dec 2020 $'000 | Dec 2019 $'000 |
| Vessel Services | 13,172 | 20,741 | 4,570 | 3,183 |
| Subsea Services | 2,179 | - | 186 | - |
| Project Logistics | 378 | - | 219 | - |
| Unallocated assets | 1,159 | 721 | 102 | - |
| Total | 16,888 | 21,462 | 5,077 | 3,183 |

### Impairment charges

In addition to the depreciation reported above, impairment charges/(reversals) were recognised in respect of vessels and other assets as set out below:

| | Dec 2020 $'000 | Dec 2019 $'000 |
|---|---|---|
| Vessels held for continuing operations | - | - |
| Vessels held for sale | - | - |
| Subsea Services held for sale | - | - |
| Total | - | - |

## 2. Financial Performance (continued)

### 2.2 Other income and expenses

| | Dec 2020<br>$'000 | Dec 2019<br>$'000 |
|---|---|---|
| Profit/(loss) for the period has been arrived at after recognising the following specific amounts: | | |
| Other income and expenses | | |
| Government grants(i) | 7,132 | - |
| Other gains and losses: | | |
| Net foreign exchange losses | (857) | (234) |
| Profit on disposal of assets held for sale | 2,582 | 1,260 |
| Debt forgiveness on banking facility (note 3.8) | 14,757 | - |
| Debt restructure costs (note 3.8) | (382) | |
| Total | 23,232 | 1,026 |

During the reporting period the group has received Government grants in Australia ($6.5 million) and Singapore ($0.6 million) to assist in dealing with the impact of the COVID pandemic. From 1 January 2021, the company ceases to qualify for Australian government support, except for the Subsea operations, which will result in a significant decrease in support for the remainder of the financial year. Subsea operations will continue to access it until the end of March 2021 at which time eligibility will be reassessed in accordance with the relevant legislation.

| | | |
|---|---|---|
| Depreciation: | | |
| Leasehold buildings and improvements | 135 | 47 |
| Vessels | 12,049 | 18,165 |
| Plant and equipment | 1,569 | 875 |
| Right-of-use assets | 3,135 | 2,375 |
| Total | 16,888 | 21,462 |
| Impairment charges: | | |
| Impairment charges recognised on trade receivables | 110 | 1,748 |
| Allowance for credit loss reversal on trade receivable recovery | (1,289) | |
| Impairment charges recognised on vessel services cash generating unit | - | - |
| Employee benefits: | | |
| Post-employment benefits: | | |
| Defined contribution plans | 4,267 | 4,643 |
| Share based payments: | | |
| Equity settled share based payments | 1,084 | 749 |
| Other employee benefits | 59,103 | 54,189 |
| Total | 64,454 | 59,581 |

### 2.3 Exchange rate movements

The AUD:USD exchange rate increased significantly during the period, from $0.69 to $0.77. This has resulted in the current period having larger exchange movements on items within Other Comprehensive Income and Statement of Cash Flows.

### 2.4 Earnings per Share

The calculation of basic and diluted earnings per share is based on the following:

| | Dec 2020<br>$'000 | Dec 2019<br>$'000 |
|---|---|---|
| Profit/ (loss) for the period | 15,521 | (9,741) |

| | Dec 2020<br>No. '000 | Dec 2019<br>No. '000 |
|---|---|---|
| Weighted average number of ordinary shares used for purpose of basic earnings per share | 1,721,445 | 878,300 |
| Effect of dilutive potential ordinary shares | 35,189 | - |
| Weighted average number of ordinary shares used for purpose of diluted earnings per share | 1,756,634 | 878,300 |

The weighted average number of shares used for the purposes of calculating both basic and diluted earnings per share have been adjusted to reflect the capital raising completed during the period.

## 3. Assets and Liabilities

### 3.1 Trade and Other Receivables

| | Dec 2020 $'000 | Jun 2020 $'000 |
|---|---|---|
| Trade receivables | 66,648 | 73,537 |
| Loss allowance | (18,736) | (22,373) |
| Other receivables | 4,095 | 1,265 |
| Total | 52,007 | 52,429 |

During January 2021, the Group received a payment of US$1.0 million relating to a debtor balance that was fully provisioned for credit loss as at 30 June 2020. This has been treated as an adjusting subsequent event at 31 December 2020 as the receipt provides additional information about the allowance for credit loss amount. The allowance for credit loss has been reversed with a decrease in 'Vessel expenses' in the Consolidated Statement of Profit & Loss. The group continues to hold promisory notes to the value of US$ 5.1 million and is enforcing payment of those in the relevant execution courts however the impact of the COVID-19 pandemic continues to affect our ability to enforce the court orders.

The credit period for customers is negotiated individually on a case by case basis. An allowance has been made for estimated irrecoverable trade receivable amounts arising from the past rendering of services.

The Group writes off a trade receivable when there is information indicating that the debtor is in significant financial difficulty and there is no realistic prospect of recovery. Subsequent recoveries of amounts previously written off are credited against the allowance account.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses ("ECL") in two categories.

1. Where there has been no significant increase in credit risk since initial recognition, ECL's are collectively estimated using a provision matrix based on the Group's historical credit loss experience adjusted for factors that are specific to geographic region, general economic conditions and an assessment of current and forecast conditions at reporting date. This has resulted in ECL's being applied to debtors aged over 60 days in our international business.

2. Where there has been a significant change in credit risk, ECL's are individually estimated. This assessment is adjusted for factors that are specific to the debtor including their financial capacity to make payment, discussions with the debtor on the status of the receivable and any other information relevant to the assessment of the recoverability.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in AASB 9:

| | Collectively Assessed $'000 | Individually Assessed $'000 | Total $'000 |
|---|---|---|---|
| Balance as at 30 June 2020 | 290 | 22,083 | 22,373 |
| Additional credit loss allowance | - | 110 | 110 |
| Amounts recovered | - | (1,289) | (1,289) |
| Foreign exchange gains and losses | (38) | (2,420) | (2,458) |
| Balance as at 31 December 2020 | 252 | 18,484 | 18,736 |

| 3.2 Inventories | Dec 2020 $'000 | Jun 2020 $'000 |
|---|---|---|
| Fuel – at cost | 1,389 | 1,085 |
| Consumables | 901 | 998 |
| Work in progress | 491 | 133 |
| Total | 2,781 | 2,216 |

Inventories are stated at the lower of cost or net realisable value.

## 3. Assets and Liabilities (continued)

### 3.3 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 of disposal. An impairment loss is recognised for any initial write-down of the asset to fair value less costs of disposal. Information regarding the assets held for sale in the Statement of Financial Position is presented below.

At 31 December 2020, the Company holds 12 non-core vessels within the fleet to be disposed of.
The carrying value of assets classified as held for sale is as follows:

| | Dec 2020<br>$'000 | June 2020<br>$'000 |
|---|---|---|
| **Vessels (i)** | 37,871 | 41,685 |
| **Subsea - ROV Equipment (ii)** | 20 | 276 |
| **Total** | 37,891 | 41,961 |

(i) The movement in the carrying value of vessels held for sale is due to the increase in the AUD:USD exchange rate during the period.
(ii) ROV equipment held for sale was disposed of during the period.

### 3.4 Property, Plant & Equipment

| | Buildings and Improvements at cost<br>$'000 | Vessels at cost<br>$'000 | Plant and Equipment at cost<br>$'000 | Total<br>$'000 |
|---|---|---|---|---|
| **Gross carrying amount:** | | | | |
| Balance at 1 July 2020 | 16,739 | 687,527 | 20,324 | 724,590 |
| Additions | - | 3,558 | 241 | 3,799 |
| Disposals | - | (114) | (251) | (365) |
| Net currency exchange differences | (1,409) | (53,507) | (2,464) | (57,380) |
| Balance at 31 December 2020 | 15,330 | 637,464 | 17,850 | 670,644 |
| **Accumulated depreciation and impairment:** | | | | |
| Balance at 1 July 2020 | (14,682) | (326,090) | (10,288) | (351,060) |
| Disposals | - | 109 | 94 | 203 |
| Depreciation expense | (135) | (12,049) | (1,569) | (13,753) |
| Net currency exchange differences | 1,387 | 27,005 | 1,538 | 29,930 |
| Balance at 31 December 2020 | (13,430) | (311,024) | (10,225) | (334,679) |
| Net book value: | | | | |
| As at 30 June 2020 | 2,057 | 361,437 | 10,036 | 373,530 |
| As at 31 December 2020 | 1,900 | 326,440 | 7,625 | 335,965 |

Leasehold buildings and improvements, vessels and plant and equipment 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

## 3. Assets and Liabilities (continued)

### 3.5 Right of use assets

| | Leasehold Building and Improvements $'000 | Vessels $'000 | Plant and Equipment $'000 | Total $'000 |
|---|---|---|---|---|
| Cost: | | | | |
| Balance at 1 July 2020 | 13,359 | 2,031 | 1,142 | 16,532 |
| Additions | 223 | 912 | 143 | 1,278 |
| Balance at 31 December 2020 | 13,582 | 2,943 | 1,285 | 17,810 |
| Accumulated depreciation: | | | | |
| Balance at 1 July 2020 | (4,295) | (1,779) | (341) | (6,415) |
| Depreciation expense | (1,905) | (1,002) | (228) | (3,135) |
| Balance at 31 December 2020 | (6,200) | (2,781) | (569) | (9,550) |
| Carrying amount: | | | | |
| As at 30 June 2020 | 9,064 | 252 | 801 | 10,117 |
| As at 31 December 2020 | 7,382 | 162 | 716 | 8,260 |

### 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.

The Group has identified the following indicators of impairment at 31 December 2020:

- the carrying amount of the net assets of the Group is greater than the Company's market capitalisation; and
- challenging market conditions in both Australia and internationally as the impact of the COVID-19 pandemic and lower oil prices continue to impact across the industry.

As a result, the Group assessed the recoverable amounts of the Vessels, Subsea and Project Logistics Cash-Generating Units ('CGU').

**Impairment testing**

The assessment resulted in nil impairment charges or reversals being included in profit or loss:

| | | | Impairment charge | |
|---|---|---|---|---|
| Segment/CGU | Class of asset | Method | Dec 2020 $'000 | Dec 2019 $'000 |
| Vessels | Property, Plant & Equipment | FVLCOD | - | - |
| Vessels | Assets classified as held for sale | FVLCOD | - | - |
| Subsea | Property, Plant & Equipment | ViU | - | - |
| Subsea | Assets classified as held for sale | FVLCOD | - | - |
| Project Logistics | Property, Plant & Equipment | ViU | - | - |
| Total | | | - | - |

## 3. Assets and Liabilities (continued)

### 3.6 Impairment of non-current assets (continued)

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[i] $'000 | Recoverable Amount $'000 |
|---|---|---|
| Vessels | | |
| Continuing operations | 325,536 | 325,536 |
| Held for sale | 37,872 | 37,872 |
| Subsea | | |
| Continuing operations | 25,551 | 25,551 |
| Held for sale | 19 | 19 |
| Project Logistics | 1,189 | 1,189 |

(i) Level 3 inputs are unobservable inputs used to measure fair value. In our Vessels 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.
In our Subsea and Project Logistics calculations, the inputs are based on unobservable market data and internal estimates and assumptions resulting in the classification as Level 3.

**Industry Conditions**
This financial year has seen a decline in overall market conditions with 2 major factors contributing;
1. COVID-19
2. Oil Price

The impact of the COVID-19 pandemic continues to create uncertainty in the market place globally. While the vaccine roll out is scheduled to start in 2021, there remains significant uncertainty about effectiveness of it and longer term implications of the pandemic. Please refer to the Review of Operations for a more detailed summary of the continued impact during the reporting period.
During the reporting period the brent oil price remained stable around US$42 for the 3 months to September 2020, and fluctuated in an upwards range for the 3 months to 31 December 2020 with an end price of approximately US$51. While this upward trend is positive, there is still some uncertainty as to the levels and timing of the price settling on a longer term basis.

**Vessels**
A group of non-core vessels in the fleet were classified as being held for sale as at 30 June 2020. 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.

**Vessels - 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.

An independent valuation of the fleet was undertaken by a specialist marine valuation consultancy and shipbroking 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 previous reports, the valuer identified a single en bloc discount to apply across the entire fleet. For the first time, the current report separately considers the held for sale fleet and core fleet and provides guidance on respective en bloc discounts. This results in a lower % for the core fleet which is considered appropriate as it acknowledges the underlying differences in the fleets with the held for sale fleet. The Board have decreased this discount to 14.3% for the current period. This specific rate has been used as it falls within the range specified by the independent valuer and is the breakeven point at which there is nil impairment. In the June 2020 impairment assessment, the company used a discount of 19.6%, representing a combined discount for the entire fleet .

Consistent with previous periods, selling costs are also assumed to be 2% of the vessel sales value.

## 3. Assets and Liabilities (continued)

### 3.6 Impairment of non-current assets (continued)

The following factors were taken into account by the board in adopting this value:
- the movement in the oil price during the period
- the continuing impact of the COVID-19 pandemic
- the adopted % being within the range provided by the valuer

**Key assumptions and sensitivity**
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. Estimates have also been made on the discount to the independent vessel valuation to reflect the amount which would be achieved if the fleet was disposed of in one single transaction, plus the selling costs associated with the sale.

The following provides information on the assumptions made in determining the fair value of the vessels, together with a sensitivity analysis showing the potential impact on the vessel carrying value based on the movement (increase or decrease) in the assumption.

| Assumption | Rate used | Sensitivity movement | Change in carrying value $'000 |
|---|---|---|---|
| En bloc discount | 14.3% | 2.5% | 9,496 |
| Selling costs | 2.0% | 0.5% | 1,661 |

**Vessels - 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 the non-core vessels, the Company has taken into consideration the following factors:
- the current market values assessed by the independent specialist marine consultancy and broking company
- the recent market evidence of deemed distressed sales of vessels of similar age and classification
- the forecast costs the Company would incur in holding the respective vessels
- the accelerated timing in which the Company wants to complete the sales

In updating the values at 31 December, the Group also took into account current vessel sales contracts, marketing activities and negotiations.

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.

**Key assumptions and sensitivity**
The FVLCOD method requires an estimate of the current market value of the vessels and costs that would be associated with a disposal of the assets. In estimating the current market value of the vessels and the value to be achieved in an accelerated sale, estimates have been made about the fair value to be realised. If the value to be realised was 5% higher or lower then the impairment on these vessels would decrease or increase by $1.6 million.

**Subsea**
Items of plant & equipment from the Subsea CGU were classified as being held for sale as at 30 June 2020. This classification has resulted in two separate recoverable value assessments, being for the ongoing business and the plant & equipment that is held for sale.

**Subsea - Continuing Operations**
To assess the recoverable amount of the Subsea CGU, a ViU assessment was performed using five year cash flows and a terminal value.

There were no changes in the underlying assumptions used for the assessment as at 30 June 2020, except for expected cashflows for the 6 months to 30 June 2021 being updated to reflect recent forecasts. In determining the forecast revenues and operating expenses, consideration has been given to the following:

- current and potential new contracts for the Subsea business
- current and expected tendering activities
- expected Subsea services activity in the region
- cost of running the business including labour and overheads
- project work has been budgeted by applying estimated gross margins, based on historical results, to the estimated revenues of projects
- in assessing future revenues, potential projects are identified with estimates of their total revenue. A likelihood of success % is then applied to the revenue to reflect a risk weighted likely revenue amount

A discount rate of 10.6% has been used for ViU assessments.

## 3. Assets and Liabilities (continued)

### 3.6 Impairment of non-current assets (continued)

In the budget approved by the board, forecast revenues have been decreased for the FY21 year to reflect the continuing impact of the COVID-19 pandemic and decline in the oil price during the second half of the FY20 year. In FY22 and FY23, revenues are budgeted to increase on the assumption of an increase in activity in these years. Nil revenue growth in FY24 and FY25 has been assumed to adopt a conservative position, with terminal year growth of 2% reflecting a long term inflation rate estimate.

**Key assumptions and sensitivity**

The recoverable value of the Subsea assets in the current year was assessed using a ViU approach.
The estimation of future cashflows has been prepared based on approved group budgets with estimates and assumptions regarding future revenue growth rates, operating margins and discount rates.

The following provides information on the assumptions made in determining the recoverable value of the assets, together with a sensitivity analysis showing the potential impact on the carrying value based on the movement (increase or decrease) in the relevant estimate or assumption.

| Assumption | Rate used | Sensitivity movement | Increase/(Decrease) in recoverable value $'000 |
|---|---|---|---|
| Discount rate | 10.6% | +0.5% | (2,302) |
| | | -0.5% | 2,582 |
| Terminal year growth rate | 2.0% | +0.5% | 1,391 |
| | | -0.5% | (1,239) |

**Subsea - Held for Sale**

The majority of Subsea assets classified as held for sale were disposed of during the reporting period. The remaining items are still held at their expected recoverable value.

**Project Logistics**

To assess the recoverable amount of the Project Logistics CGU, a ViU assessment was performed using five year cash flows and a terminal value.

In determining the forecast revenues and operating expenses, consideration has been given to the following:

- current and potential new contracts for the Project Logistics business
- current and expected tendering activities
- expected Project Logistics services activity in the region
- cost of running the business including labour and overheads
- project work has been budgeted by applying estimated gross margins, based on historical results to the estimated revenues of projects
- in assessing future revenues, potential projects are identified with estimates of their total revenue. A likelihood of success % is then applied to the revenue to reflect a risk weighted likely revenue amount

A discount rate of 10.6% has been used for ViU assessments.

## 3. Assets and Liabilities (continued)

| 3.7 Trade and Other Payables | Dec 2020 $'000 | June 2020 $'000 |
|---|---|---|
| Trade payables | 12,684 | 14,447 |
| Other payables and accruals | 27,370 | 26,416 |
| Goods and services tax payable | 855 | 1,016 |
| Total | 40,909 | 41,879 |

| 3.8 Borrowings | Dec 2020 $'000 | June 2020 $'000 |
|---|---|---|
| Secured – at amortised cost | | |
| Current | | |
| Bank loans (i) | 6,250 | 15,000 |
| Unamortised loan fees (ii) | - | (2,261) |
| Total | 6,250 | 12,739 |
| | | |
| Non-Current | | |
| Bank loans (i) | 159,283 | 258,404 |
| Unamortised loan fees (ii) | - | (566) |
| Total | 159,283 | 257,838 |

(i) During the period and in conjunction with a capital raising, MMA restructured its syndicated debt facility. As part of the restructure, 3 of the banks exited the facility and total debt was reduced by approximately $93.7 million with repayments totalling $67.3 million to the exiting banks and $9.8 million to the remaining banks.
The 3 exiting banks also agreed to debt concessions of approximately $14.8 million. $0.4 million of refinancing costs incurred on the refinancing have been offset against the debt concession amount and are reflected in 'Other income' in the Consolidated Statement of Profit & Loss.

The new terms of the syndicated facility are:

- Extension of the loan facility to January 2025
- The fixed amortisation profile of the facility is now
  - $12.5 million during FY22
  - $15.0 million during FY23
  - $15.0 million during FY24
  - $7.5 million during FY25 and the outstanding balance on 31 January 2025.
- Additional variable amortisation of the facility occurs from
  - proceeds from asset sales
  - cash sweep of amounts above $70.0 million from December 2021 while the gross leverage ratio is above 3.5
- The interest rate payable is a base rate (LIBOR for US$ denominated loans, BBSY for A$ denominated loans plus a margin calculated by reference to the groups leverage ratio as below

| Leverage ratio | Interest margin |
|---|---|
| <3.0 | 3.00% |
| 3.0-5.5 | 3.75% |
| >5.5 | 4.00% |

- The group has the right to pay dividends /conduct share buybacks once the gross leverage is below 3.5x.
- Resetting the loan covenants to align with the outlook of the business in the context of COVID-19

The Facility 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 and real property mortgages.

As at the end of the reporting period, the amounts owing under the facility comprises an A$ amount of $69.3 million and a US$ amount of $74.2 million. The US$ amount qualifies as an accounting hedge of a net investment in a foreign operation and the resulting foreign exchange movements are therefore included in Other Comprehensive Income offsetting the foreign exchange movements in the US$ denominated entities.

(ii) The debt restructure resulted in a substantial change to the terms and cashflows of the facility and as a result the unamortised loan fees from the old facility were fully amortised during the reporting period.

## 3. Assets and Liabilities (continued)

### 3.8 Borrowings

**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 | Bank loans | Unamortised loan fees | Total |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| Balance at 1 July 2020 | - | 273,404 | (2,827) | 270,577 |
| Repayment of loan | - | (77,073) | - | (77,073) |
| Loan forgiveness | - | (14,757) | - | (14,757) |
| Non-cash foreign exchange movement | - | (16,041) | - | (16,041) |
| Loan fee amortisation | - | - | 2,827 | 2,827 |
| Balance at 31 December 2020 | - | 165,533 | - | 165,533 |

### 3.9 Lease liabilities

| | Dec 2020 | June 2020 |
|---|---|---|
| | $'000 | $'000 |
| Maturity analysis | | |
| Year 1 | 3,803 | 4,224 |
| Year 2 | 1,935 | 3,231 |
| Year 3 | 1,576 | 1,610 |
| Year 4 | 1,638 | 1,607 |
| Year 5 | 553 | 1,382 |
| | 9,505 | 12,054 |
| Less: unearned interest | (835) | (1,161) |
| Balance at end of period | 8,670 | 10,893 |

### 3.10 Provisions

| | Dec 2020<br>$'000 | June 2020<br>$'000 |
|---|---|---|
| Current | | |
| Ongoing legal claims | 5,004 | 5,602 |
| Employee benefits – annual leave | 5,359 | 5,112 |
| Employee benefits – long service leave | 5,139 | 5,101 |
| Total | 15,502 | 15,815 |
| | | |
| Non-Current | | |
| Employee benefits – long service leave | 84 | 256 |

## 4 Capital Structure and Other

### 4.1 Issued Capital

| Fully Paid Ordinary Shares | Dec 2020<br>No '000 | Dec 2020<br>$'000 |
|---|---|---|
| Balance at beginning of the half year | 925,732 | 667,251 |
| Issue of shares | 2,667,570 | 80,045 |
| Share issue costs | - | (4,450) |
| Balance at end of the half year | 3,593,302 | 742,846 |

During the current reporting period the company completed a capital raising totalling $80.0 million resulting in the issuing of 2,667,570 additional shares. The proceeds were used for partial repayments of the group's syndicated debt facility and working capital.

### 4.2 Accounting Policies

**New and amended accounting standards and interpretations adopted**

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current half-year.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2019 annual financial report for the financial year ended 30 June 2020. The accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

### 4.3 Events After the Reporting Period

Apart from the events described below, there has not been any matter or circumstance that occurred subsequent to the end of the half year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

At the Company's Annual General Meeting on 28 January 2021, a resolution was passed approving a consolidation of share capital. This resulted in the conversion of every 10 shares held by a shareholder into 1 share. As a result the number of issued shares of the company as at the date of this report is 359,330,216.

During January 2021, the sale of one of the vessels held for sale completed with proceeds of US$1.5m. These proceeds will be used to repay a portion of the outstanding debt in accordance with the terms of the facility.