MMA OFFSHORE

ABN 21 083 185 693

Financial Report and Appendix 4D
for the Half Year Ended 31 December 2023

Table of Contents

Results for Announcement to the Market

Current Reporting Period: Half year ended 31 December 2023
Previous Reporting Period: Half year ended 31 December 2022

Earnings	31 Dec 2023 $'000	31 Dec 2022 $'000	% Change
Revenue from ordinary activities	204,288	159,997	↑27.7%
Profit before tax	61,806	82,665	↓25.2%
Profit from ordinary activities after tax attributable to members	62,412	81,631	↓23.5%
Net profit attributable to members	62,412	81,631	↓23.5%

Information regarding the revenue and profit 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
No dividend has been declared for the December 2023 half year reporting period.

Net Tangible Asset Backing	31 Dec 2023	31 Dec 2022
Net tangible asset backing per share	$1.44	$1.15

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 2023. 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 CG Heng
- Mr D Ross
- Ms S Murphy
- Ms S Langer

Review of Operations

Financial Result
Revenue for the half was $204.3 million, up 27.7% on the previous corresponding period. Earnings before interest, tax, depreciation and amortisation ("EBITDA") were $63.3 million up 97% on the first half of FY2023. The Company reported Net Profit after Tax ("NPAT") of $62.5 million which included an impairment reversal of $23.0 million. Underlying NPAT was $39.5 million up 339% on the previous corresponding period excluding the impacts of impairment reversals and asset sales[1].

Operating cash flow for the half year was $64.5 million up 186% on the previous corresponding period. Cash at bank at 31 December 2023 was $65.8 million with nil drawn down on the Company's debt facilities, putting the company in a net cash position of $65.8 million up from $25.0 million at 30 June 2023 (excluding lease liabilities[2]). Property, plant and equipment increased to $445.4 million after the $23.0 million reversal of prior years' fleet impairments due to improved market conditions.

Market Conditions
Market conditions continue to be buoyant with strong demand for offshore vessels and services from both the oil and gas and offshore wind sectors.

Global vessel utilisation and rates have continued to increase with the Clarkson's OSV rate index (which tracks global AHTS and PSV rates) rising by a further 30% over the course of the 2023 calendar year, reaching a 15-year high. We have also seen strong increases in rates in the MPSV sector with limited vessel availability in this market and competing demand from offshore wind and the oil and gas sector driving demand. Newbuild contracting activity is at historic lows with limited additional vessel supply expected to enter the market in the coming two to three years.

The medium-term outlook for oil and gas activity is strong with over US$500 billion in greenfield projects forecast to be sanctioned globally in the next five years, with over US$180 billion in MMA's key operating regions[3]. This increased investment in oil and gas projects will generate high demand for vessels and services over the coming years.

The offshore wind sector is also seeing unprecedented growth with more than 5,000 turbines to be installed in the Asia Pacific region alone between 2024 and 2031[3]. As a vessel intensive activity, offshore wind is expected to drive significant demand over that period.

Decommissioning activity has also started to increase with several major projects due to be decommissioned in the Asia Pacific region over the next seven years. MMA is ideally positioned to support the decommissioning of oil and gas infrastructure, with its combination of vessels, subsea, project logistics and environmental expertise.

The Government and Defence sector in Australia continues to be positive with increased government spending, a trend towards the outsourcing of marine skills and a strong focus on sovereign security.

Strategy
MMA has a clear strategy which is focused on maximising the returns from our core business whilst simultaneously building an integrated marine services business with exposure to diversified markets.

Our core business strategy is delivering results with EBITDA Return on Assets ("ROA") increasing from 7% in FY2022 to 22% (annualised) for H1 FY2024. This is primarily the result of improved rates and utilisation on our fleet and increased margins from integrating subsea services on board our vessels. We have also seen improved contributions from our subsea and project logistics businesses which are asset light services-based businesses.

Our diversification strategy is focused on growing our revenue from offshore wind, government and defence and decommissioning services. For the first half of FY2024 more than 50% of our revenue came from these new markets with approximately 25% from offshore wind, 14% from decommissioning and 10% from government and defence.

---

1 Reported NPAT for the half year ended 31 December 2023 of $62.5M excluding $23.0M impairment reversal was $39.5M; Reported NPAT for the half year ended 31 December 2022 of $81.7M excluding $47.6M impairment reversal and $25.1M profit on sale of assets / shipyard was $9.0M

2 Lease liabilities at 31 December 2023 were $17.3 million (30 June 2023: $10.1 million)

3 Rystad, Jan 2024

We will continue to focus on growing our diversified revenue base, transforming our business along with the energy transition.

Balance Sheet

During the first half MMA repaid its syndicated bank debt facility replacing it with a $120 million revolving debt facility which was undrawn at 31 December 2023. The new debt facility has a four-year tenor to August 2027. Including $65.8 million cash at bank, MMA had $185.8 million in available liquidity at the end of the half to fund operations and providing capacity for a discretionary fully franked dividend to shareholders in respect of the FY2024 financial year (subject to growth opportunities).

Operational Update

Vessel Services

Vessel revenue was $156.4 million for the first half, up 41% on the first half of FY2023 and Vessel EBITDA was $57.0 million, up 74%.

Average utilisation for the half year was 83%, up slightly from 81% for the previous corresponding period with improved day rates combined with strong utilisation of 90% from the larger MPSV vessels driving significantly increased earnings.

As at 31 December 2023, 50% of available vessel days for the coming 12-month period were contracted, increasing to 57% including highly probable contract awards and extension periods. This is comparable to the position at 31 December 2022 of 51% and 56% and is consistent with our strategy of balancing our contract portfolio.

During the first half, MMA announced a number of material new vessel contracts including:

- Two back-to-back contracts for the platform supply vessel, MMA Inscription for a 220-day firm period with 87 days of additional option periods;
- A four-year ship management contract with CSIRO for the research vessel (RV) Investigator; and
- An integrated decommissioning services contract utilising the MMA Prestige.

MMA continued to have a number of vessels on longer-term contracts during the half including:

- MMA Plover and Brewster on contract with INPEX;
- Mermaid Cove supporting Woodside's North West Shelf operations;
- MMA Privilege continues on an accommodation and walk to work contract in Côte d'Ivoire; and
- MMA Vision continues its three-year contract with OMV New Zealand.

Other key activities during the first half included:

- The MMA Pinnacle, MMA Prestige and MMA Crystal supported offshore wind developments in Taiwan for the entirely of the first half;
- The MMA Leeuwin commenced its 392-day contract supporting Woodside's Scarborough drilling operations;
- The MMA Valour supported Benthic on geotechnical projects in Hawaii and PNG;
- The MMA Majestic operated for the entire first half on a contract in Malaysia;
- The MMA Pride operated in Thailand on decommissioning activities for the entire first half with a scheduled dry docking completed in November 2023;
- Three vessels, the MMA Monarch, MMA Coral and Mermaid Strait supported decommissioning activities on the Woodside Enfield field;
- The MMA Inscription commenced with INPEX for a six-month contract with options to extend;
- The MMA Coral was extended with Beach Energy in the Bass Strait for a further 12 months; and
- The reactivation of the bareboat charter MMA Harmony progressed with the vessel commencing its first charter in the second half.

The outlook for the vessel business is positive with the tight vessel market expected to continue through 2024 and beyond.

Subsea Services

The subsea business had a strong first half generating significantly increased profitability.

Subsea revenue was $64.4 million for the first half up 6% on the previous corresponding period and EBITDA was $10.3 million, up 91% on the first half of FY2023.

The subsea division was active across oil and gas, offshore wind and government and defence with several integrated projects delivered onboard MMA vessels.

Key highlights for the period included:

- Delivered extensive survey and ROV services onboard the MMA Pinnacle in Taiwan;
- MMA Crystal completed cable trenching, ROV and survey scopes in Taiwan;
- Completed our 5th hydrographic survey for the Australian Department of Defence HIPP Program in the Kimberley region of Western Australia;
- Commenced $30 million robotics and autonomous technology familiarisation project with the Australian Navy utilising MMA's newly acquired vessel, Offshore Solution; and
- Ongoing rig positioning work under our long-term agreements.

Strategically, we continued to focus on expanding our integrated service offering delivering our subsea services onboard MMA's vessels to enhance margins and returns on our assets. We are also focused on expanding our geosolutions and engineering capability and expanded our UK survey capability during the first half.

We are also leveraging our environmental and stabilisation business into new growth areas with our engineered reefs and pipe clamping mattress technology providing innovative solutions in the subsea stabilisation and coastal erosion markets. A major focus is growing our share of revenue from offshore wind and we continue to solidify our market position in Taiwan. We are also engaging with developers for the Australian market, which given our track record, we will be ideally positioned to support.

Our government and defence business continues to grow with our position on the Australian Navy's hydrographic survey panel ("HIPP") extended for a further five years. We are also actively supporting the Australian Navy with its robotics and autonomous technology strategy.

The macro-outlook for the subsea business continues to look positive with strong activity levels in all of our key markets and our track record of providing high-quality subsea solutions to our clients.

Project Logistics

The Project Logistics division had a busy first half supporting decommissioning activities in Australia.
Revenue for the half year was $13.6 million up from $3.6 million in the first half of FY2023 and EBITDA was $3.0 million up from $0.7 million.

The key highlight for the half was the provision of a four-vessel spread to support the decommissioning and removal of the Nganhurra riser turret mooring, part of the broader Enfield field decommissioning project by Woodside. This complex project utilised three of MMA's own vessels with a third-party barge and was completed successfully without incident.

The outlook for the remainder of the financial year for the project logistics division is relatively quiet with the next phase of projects expected towards the back end of calendar year 2024. Whilst the revenue streams for this business division are uneven and dependent on major project scheduling, the medium-term outlook for project logistics requirements in Australia and South East Asia remains strong, with a number of large oil and gas and decommissioning projects flagged for development between FY2024 to FY2026. Lack of available marine assets is anticipated to continue to be a challenge.

Outlook

We expect market conditions into the second half to continue to be positive, driven by ongoing demand growth from both the oil and gas and offshore wind sectors. Vessel supply is expected to remain constrained for some time with limited newbuild activity currently in the pipeline.

Both the vessels and subsea businesses have contracted well through the traditional monsoon period and into the second half, with earnings currently anticipated to be in line with the first half.

<u>Auditor's Independence Declaration</u>

The Auditor's Independence Declaration is included on page 7 of the half year report.

<u>Rounding off of Amounts</u>

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, 21 February 2024

Grant Thornton Audit Pty Ltd
Level 43 Central Park
152-158 St Georges Terrace
Perth WA 6000
PO Box 7757
Cloisters Square
Perth WA 6850

T +61 8 9480 2000

Auditor's Independence Declaration

To the Directors of MMA Offshore Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of MMA Offshore Limited for the half-year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b no contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

B P Steedman
Partner – Audit & Assurance

Perth, 21 February 2024

Grant Thornton Audit Pty Ltd
Level 43 Central Park
152-158 St Georges Terrace
Perth WA 6000
PO Box 7757
Cloisters Square
Perth WA 6850

T +61 8 9480 2000

Independent Auditor's Review Report

To the Members of MMA Offshore Limited

Report on the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of MMA Offshore Limited (the Company) and its subsidiaries (the Group), which comprises the condensed consolidated statement of financial position as at 31 December 2023, and the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

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

a giving a true and fair view of the Group's financial position as at 31 December 2023 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 Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and 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.

Directors' responsibility 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, 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 2023 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.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

B P Steedman
Partner – Audit & Assurance

Perth, 21 February 2024

Directors' Declaration

In accordance with a resolution of the directors of MMA Offshore Limited, I state that in the opinion of the directors:

(a) the interim financial statements and notes of the Company and its subsidiaries (collectively the Group) are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and

(ii) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Directors,

IAN MACLIVER
Chairman

Perth, 21 February 2024

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half year ended 31 December 2023

	Note	Dec 2023 $'000	Dec 2022 $'000
Revenue	2.1	204,288	159,997
Finance income		783	517
Gain on disposal of shipyard		-	22,919
Other income	2.3	100	1,932
Share of results of associate	3.6	(472)	195
Vessel expenses		(108,754)	(84,531)
Subsea expenses		(35,589)	(51,627)
Project Logistics expenses		(10,553)	(2,400)
Administration expenses		(8,867)	(8,237)
Impairment reversal	3.5	23,034	47,595
Finance costs		(2,164)	(3,695)
Profit before tax		61,806	82,665
Income tax benefit/(expense)	3.7	649	(1,004)
Profit for the period		62,455	81,661
Other Comprehensive Income, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(4,967)	3,644
Loss on hedge of net investment in a foreign operation		(1,492)	(635)
Foreign exchange differences reclassified to profit or loss		-	(1,305)
Other comprehensive (loss)/income for the period, net of tax		(6,459)	1,704
Total comprehensive income for the period		55,996	83,365
Profit attributable to:			
Equity holders of the parent		62,412	81,631
Non-controlling interests		43	30
		62,455	81,661
Total comprehensive income attributable to:			
Equity holders of the parent		55,968	83,342
Non-controlling interests		28	23
		55,996	83,365

		Cents Per Share	Cents Per Share
Earnings per share			
Basic, profit for the period attributable to ordinary equity holders of the parent	2.4	16.69	22.27
Diluted, profit for the period attributable to ordinary equity holders of the parent	2.4	16.01	21.31

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
For the half year ended 31 December 2023

	Note	Dec 2023 $'000	Jun 2023 $'000
Current Assets			
Cash and cash equivalents		65,835	106,346
Trade and other receivables	3.1	94,281	84,190
Inventories		2,692	2,170
Prepayments		4,158	4,538
Assets held for sale	3.2	2,642	-
Other assets		336	-
Total Current Assets		169,944	197,244
Non-Current Assets			
Property, plant and equipment	3.3	445,376	431,442
Right-of-use assets	3.4	16,399	9,722
Investment in associate	3.6	-	480
Loan to associate		4,980	5,687
Intangible assets		6,194	6,302
Deferred tax assets	3.7	3,362	-
Other assets		896	-
Total Non-Current Assets		477,207	453,633
Total Assets		647,151	650,877
Current Liabilities			
Trade and other payables	3.8	56,436	53,408
Contract liabilities	3.9	12,793	5,175
Borrowings	3.10	-	5,500
Lease liabilities	3.11	9,111	4,842
Provisions	3.12	12,820	12,191
Current tax liabilities		3,853	2,628
Total Current Liabilities		95,013	83,744
Non-Current Liabilities			
Borrowings	3.10	-	75,818
Lease liabilities	3.11	8,147	5,263
Provisions	3.12	103	63
Deferred tax liabilities		91	144
Total Non-Current Liabilities		8,341	81,288
Total Liabilities		103,354	165,032
Net Assets		543,797	485,845
Equity			
Issued capital	4.1	746,615	746,615
Reserves		149,395	154,270
Accumulated losses		(352,519)	(415,317)
Equity attributable to equity holders of the parent		543,491	485,568
Non-controlling interest		306	277
Total Equity		543,797	485,845

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 2023

Half Year Ended 31 December 2023	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 2023	746,615	8,533	(63,110)	208,847	(415,317)	485,568	277	485,845
Profit for the period	-	-	-	-	62,412	62,412	43	62,455
Other comprehensive income/(loss) for the period	-	-	(1,492)	(5,339)	386	(6,445)	(14)	(6,459)
Total Comprehensive Income/(Loss) for the Period	-	-	(1,492)	(5,339)	62,798	55,967	29	55,996
Recognition of share-based payments	-	1,956	-	-	-	1,956	-	1,956
Balance at 31 December 2023	746,615	10,489	(64,602)	203,508	(352,519)	543,491	306	543,797

Half Year Ended 31 December 2022	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 2022	742,265	4,787	(61,431)	198,128	(543,377)	340,372	377	340,749
Profit for the period	-	-	-	-	81,631	81,631	30	81,661
Other comprehensive income/(loss) for the period	-	-	(635)	2,103	243	1,711	(7)	1,704
Total Comprehensive Income/(Loss) for the Period	-	-	(635)	2,103	81,874	83,342	23	83,365
Subcon acquisition – share issue	4,350	-	-	-	-	4,350	-	4,350
Recognition of share-based payments	-	1,468	-	-	-	1,468	-	1,468
Balance at 31 December 2022	746,615	6,255	(62,066)	200,231	(461,503)	429,532	400	429,932

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 2023

	Note	Dec 2023 $'000	Dec 2022 $'000
Cash Flows from Operating Activities			
Receipts from customers		218,740	148,501
Interest received		783	517
Payments to suppliers and employees		(151,790)	(122,867)
Income tax paid		(1,172)	(151)
Interest and other costs of finance paid		(2,059)	(3,411)
Net Cash Provided by Operating Activities		64,502	22,589
Cash Flows from Investing Activities			
Payments for property, plant and equipment		(20,277)	(4,638)
Proceeds from sale of property, plant and equipment		-	14,807
Cash acquired in business combination		-	1,600
Proceeds from disposal of shipyard, net of cash disposed		-	20,252
Loan repayments from associates		606	484
Net Cash (Used in)/ Provided by Investing Activities		(19,671)	32,505
Cash Flows from Financing Activities			
Repayment of borrowings		(83,025)	(35,566)
New facility borrowing costs paid		(1,123)	-
Repayment of lease liabilities		(2,445)	(3,155)
Net Cash Used in Financing Activities		(86,593)	(38,721)
Net (decrease)/ increase in cash and cash equivalents		(41,762)	16,373
Cash and cash equivalents at the beginning of the financial year		106,346	73,864
Effects of exchange rate changes on the balance of cash held in foreign currencies		1,251	1,660
Cash and Cash Equivalents at the End of the Half Year		65,835	91,897

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 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 2023 annual financial report. The accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

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.

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.

The group's three reportable segments 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:

	Vessel Services	Subsea Services	Project Logistics	Eliminations	Consolidated
Half year ended 31 December 2023	2023 $'000	2023 $'000	2023 $'000	2023 $'000	2023 $'000
Revenue					
External sales	145,836	44,878	13,574	-	204,288
Inter-segment sales	10,612	19,519	-	(30,131)	-
Total revenue	156,448	64,397	13,574	(30,131)	204,288

Inter-segment sales are charged at prevailing market prices

Result

	Vessel Services	Subsea Services	Project Logistics	Eliminations	Consolidated
Segment profit	37,081	9,289	3,022	-	49,392
Share of results of associate	-	(472)	-	-	(472)
Impairment reversal	23,034	-	-	-	23,034
Segment profit after impairment	60,115	8,817	3,022	-	71,954
Finance income					783
Other income					100
Administration costs					(8,867)
Finance costs					(2,164)
Profit for the period before income tax					61,806

2. Financial Performance (continued)

2.1 Segment information (continued)

Half year ended 31 December 2022	Vessel Services 2022 $'000	Subsea Services 2022 $'000	Project Logistics 2022 $'000	Eliminations 2022 $'000	Consolidated 2022 $'000
Revenue					
External sales	101,444	55,456	3,097	-	159,997
Inter-segment sales	9,823	5,561	472	(15,856)	-
Total revenue	111,267	61,017	3,569	(15,856)	159,997

Inter-segment sales are charged at prevailing market prices

Result

Segment profit	16,912	3,830	697	-	21,439
Share of results of associate	-	195	-	-	195
Impairment reversal	47,595	-	-	-	47,595
Segment profit after impairment	64,507	4,025	697	-	69,229
Finance income					517
Other income					24,851
Administration costs					(8,237)
Finance costs					(3,695)
Profit for the period before income tax					82,665

Segment profit represents the profit 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.

Segment Assets

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

	Dec 2023 $'000	June 2023 $'000
Vessel Services	495,997	479,562
Subsea Services	63,901	52,718
Project Logistics	3,132	106
Unallocated	84,121	118,491
Total	647,151	650,877

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 2023 $'000	Dec 2022 $'000	Dec 2023 $'000	Dec 2022 $'000
Vessel Services	19,886	15,738	5,275	4,075
Subsea Services	1,517	1,412	14,822	526
Project Logistics	-	34	-	-
Unallocated assets	1,681	1,735	179	37
Total	23,084	18,919	20,276	4,638

2. Financial Performance (continued)

2.2 Revenue from contracts with customers

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 markets.

	Vessel Services	Subsea Services	Project Logistics	Consolidated
	Dec 2023 $'000	Dec 2023 $'000	Dec 2023 $'000	Dec 2023 $'000
Recognised over time:				
Oil and Gas	68,271	22,885	62	91,218
Renewables	40,825	10,711	-	51,536
Government and Defence	9,897	10,523	-	20,420
Decommissioning	15,731	241	13,511	29,483
Other	8,471	518	1	8,990
	143,195	44,878	13,574	201,647
Recognised at a point in time:				
Fuel sales	2,641	-	-	2,641
Total revenue	145,836	44,878	13,574	204,288

Included within the vessel services revenue recognised over time, is an amount of $25.4 million (2022: $27.0 million) being the vessel operating lease revenue component.

	Vessel Services	Subsea Services	Project Logistics	Consolidated
	Dec 2022 $'000	Dec 2022 $'000	Dec 2022 $'000	Dec 2022 $'000
Recognised over time:				
Oil and Gas	68,283	40,156	2,010	110,449
Renewables	25,993	8,246	-	34,239
Government and Defence	167	5,743	-	5,910
Decommissioning	-	320	-	320
Other	4,174	991	1,087	6,252
	98,617	55,456	3,097	157,170
Recognised at a point in time:				
Fuel sales	2,827	-	-	2,827
Total revenue	101,444	55,456	3,097	159,997

The disaggregation of revenue categories have been amended this reporting period to now reflect the major markets where the group is focussing its service offering.

Each of the markets is subject to different economic factors and the shift in the global energy sector from fossil fuels to renewables represents an important distinction for the Group. In addition, the provision of services to Government and Defence departments is a growing part of the business.

2. Financial Performance (continued)

2.3 Other income and expenses

	Dec 2023 $'000	Dec 2022 $'000
Profit for the period has been arrived at after recognising the following specific amounts:		
Other gains and losses:		
Net foreign exchange losses	(179)	(628)
(Loss)/Profit on disposal of property, plant & equipment	(54)	2,185
Other income	333	375
Total	100	1,932
Depreciation:		
Leasehold buildings and improvements	95	135
Vessels	18,846	15,000
Plant and equipment	1,375	1,221
Computer software	106	105
Right-of-use assets	2,662	2,458
Total	23,084	18,919
Impairment charges:		
Impairment charge/(reversal) recognised on trade receivables	10	(161)
Impairment reversal on vessel assets	(23,034)	(47,595)
Employee benefits:		
Post-employment benefits		
Defined contribution plans	4,383	3,886
Share based payments		
Equity settled share-based payments	1,957	1,468
Other employee benefits	80,985	65,687
Total	87,325	71,041

2.4 Earnings per Share

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

	Dec 2023 $'000	Dec 2022 $'000
Profit for the period	62,455	81,661

	Dec 2023 No. '000	Dec 2022 No. '000
Weighted average number of ordinary shares used for purpose of basic earnings per share	374,053	366,505
Effect of dilutive potential ordinary shares	15,830	16,560
Weighted average number of ordinary shares used for purpose of diluted earnings per share	389,883	383,065

Earnings per share	Cents per share	Cents per share
Basic, profit for the period attributable to ordinary equity holders of the parent	16.69	22.27
Diluted, profit for the period attributable to ordinary equity holders of the parent	16.01	21.31

3. Assets and Liabilities

3.1 Trade and Other Receivables

	Dec 2023 $'000	June 2023 $'000
Trade receivables	88,916	82,582
Allowance for expected credit loss	(2,413)	(2,436)
Other receivables	7,778	4,044
Total	94,281	84,190

The following table shows the movement in expected credit loss that has been recognised for trade receivables:

	Collectively Assessed $'000	Individually Assessed $'000	Total $'000
Balance at 1 July 2023	42	2,394	2,436
Amounts transferred to credit impaired	-	10	10
Foreign exchange gains and losses	-	(33)	(33)
Balance at 31 December 2023	42	2,371	2,413

3.2 Assets classified as held for sale

During the year, the Company resolved to actively market for sale a vessel from its vessel fleet. The sale process for the vessel is currently in progress at 31 December 2023, with an expectation of completing during the 12 months to 31 December 2024. Accordingly, the Company has classified the vessel as held for sale at its carrying value of A$2.64 million.

3.3 Property, Plant & Equipment

	Buildings and Improvements at cost $'000	Vessels at cost $'000	Plant and Equipment at cost $'000	Total $'000
Period ended 31 December 2023				
At 1 July 2023				
Gross carrying amount	1,883	716,540	21,916	740,339
Accumulated depreciation and impairment loss	(1,755)	(293,444)	(13,698)	(308,897)
Carrying amount	128	423,096	8,218	431,442
Additions	-	19,294	983	20,277
Depreciation	(95)	(18,846)	(1,374)	(20,315)
Impairment reversals	-	23,034	-	23,034
Reclassification to held for sale	-	(2,642)	-	(2,642)
Effect of foreign currency exchange differences	343	(6,590)	(173)	(6,420)
Total	248	14,250	(564)	13,934
Balance at 31 December 2023				
Gross carrying amount	1,884	709,156	22,694	733,734
Accumulated depreciation	(1,508)	(271,810)	(15,040)	(288,358)
Carrying amount	376	437,346	7,654	445,376

All vessels are owned by the Group. Vessels at cost are vessels chartered to customers as operating leases – Refer to Note 2.2 disaggregation of revenue.

3. Assets and Liabilities (continued)

3.4 Right of use assets

	Leasehold Building and Improvements $'000	Vessels $'000	Plant and Equipment $'000	Total $'000
At 1 July 2023				
Gross carrying amount	13,402	4,521	54	17,977
Accumulated depreciation	(6,758)	(1,471)	(26)	(8,255)
Carrying Amount	6,644	3,050	28	9,722
Additions(i)	200	9,023	-	9,223
Depreciation	(1,521)	(1,133)	(8)	(2,662)
Others	196	(81)	1	116
Total	(1,125)	7,809	(7)	6,677
Balance at 31 December 2023				
Gross carrying amount	14,030	13,416	55	27,501
Accumulated depreciation	(8,511)	(2,557)	(34)	(11,102)
Carrying Amount	5,519	10,859	21	16,399

(i) The Company recognised a right-of-use asset relating to charter of a vessel from a third party up to 31 December 2025, with an option to extend on a 1-year basis.

3.5 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 of the Group's operating assets and where such indications are identified, a formal impairment assessment is performed.

In a change from the prior period, the Company has assessed the Vessel Cash Generating Unit (CGU) for impairment under AASB 136 at 30 November 2023, using the Value in Use Method (ViU) instead of the Fair Value Less Cost of Disposal Method (FVLCOD), by comparing the present value of future cashflows of the assets within the CGU to their book written down value. This was driven by improvements in industry conditions and a general increase in the level of returns forecasted, resulting in a higher recoverable value from the ViU method compared to the FVLCOD method.

The assessment identified improving market conditions and increasing vessel asset values resulting in a $23.0 million (December 2022: $47.6 million) impairment reversal on the vessel CGU which unwinds all remaining impairments recorded in previous financial years.

The Company has not assessed the Subsea CGU and Project Logistics CGU for impairment under AASB 136, as there are no indicators of impairment for these CGU's.

Industry Conditions
This financial year has seen an improvement in overall market conditions with two major factors at play.

1. Oil Prices
2. Improving market conditions

During the six months to 31 December 2023 the brent oil price has traded from USD 72/bbl in June 2023 to USD 94/bbl in September 2023 as expectations of tighter supply outweighed worries about weaker economic growth on the back of increasing confidence.

The overall market conditions in which the Group operates have continued to improve during the period. Offshore vessel activity and rates have further improved throughout the Group's markets. In addition, the redeployment of vessels by our competitors to the Middle East market and other operating regions has tightened supply in Southeast Asia. This is projected to continue into 2025 due to elevated levels of tendering activity. The offshore renewables market also continues to gather pace with significant projects committed requiring offshore support services.

Assets and Liabilities (continued)

3.5 Impairment of non-current assets (continued)

Vessels

The Company has adopted the ViU method to assess the recoverable amount of the Vessels CGU. The Discounted Cashflow analysis (DCF) was performed using 5 year forecast cashflows and a terminal value to determine the recoverable value of the CGU. The DCF analysis performed on 30 November 2023 resulted in an increase in the recoverable values on the vessel fleet, leading to the full reversal of prior years impairments.

There were no material changes in the underlying assumptions used from the ViU assessment in June 2023, except for expected future cashflows being updated to reflect recent budget reforecasts for calendar years (CY) 2024 to 2026. In determining the forecast revenues and expenditures, consideration was given to the following:

- offshore market indexes indicating increases of rates to the highest levels for ten years.
- current and expected tendering activities with a focus on more profitable short to medium term contracts.
- expected vessel OSV utilisation is expected to increase driven by activity globally.
- increasing global utilisation rates projected to continue into 2025.
- persistent limitations in the vessel supply side owing to multiple factors.
- capital expenditure for the first 3 years based on the June 2023 budget, with capex equal to depreciation by terminal year.

In determining the headroom on recoverable values, the Group has assessed the vessel assets, including working capital and right of use assets to form part of the Vessel cash generating unit.

We have applied a discount rate of 11.6% for the ViU assessment, and applied tax rates of 15% taking into consideration carry forward tax losses within the group and profits earned in foreign jurisdictions.

Forecasted revenues were increased for the CY24 to CY26 based on budget forecasts to reflect improving market conditions. 2% revenue growth in CY27 and CY28 has been assumed, with terminal year growth of 2% reflecting a long-term inflation rate assumption. This rate is also applied to operating expenditures.

Key assumptions and sensitivity

The recoverable value of the Vessel 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 recoverable value based on the movement (increase or decrease) in the relevant estimate or assumption.

Assumption	Rate used	Sensitivity movement	Increase/(Decrease) in recoverable value $'m
Discount rate	11.6%	+0.5%	(26.9)
		-0.5%	30.2
Terminal year growth rate	2.0%	+0.5%	21.7
		-0.5%	(19.6)

The application of any of these sensitivity movements would not result in any further impairment reversal/ loss.

3.6 Investment in associate

As a result of challenging trading conditions and losses on projects, the carrying value of the Global Aqua Services investment was written down to nil in the current period.

3.7 Deferred Tax asset

At 31 December 2023, the group had two material carry forward tax loss positions. Firstly, in Australia for a gross carry forward tax loss amount of A$86.1 million, and secondly in Malaysia for USD$100.4 million.

As a result of the group reforecast performed for the 2024 financial year, the group determined it probable that the unrecognised deferred tax assets in relation to prior year capital loss allowances in Malaysia would be utilised. Therefore, a deferred tax asset of $3.4 million was recognised at 31 December 2023.

3. Assets and Liabilities (continued)

3.8 Trade and Other Payables	Dec 2023 $'000	June 2023 $'000
Trade payables	6,977	10,967
Other payables and accruals	48,159	41,358
Goods and services tax payable	1,300	1,083
Total	56,436	53,408

3.9 Contract liabilities	Dec 2023 $'000	June 2023 $'000
Vessel mobilisation	5,301	3,434
Services contracts	7,492	1,741
Total	12,793	5,175

3.10 Borrowings	Dec 2023 $'000	June 2023 $'000
Current		
Bank Loans(i)	-	5,500
Non-Current		
Bank Loans(i)	-	75,818
Total	-	81,318

(ii) During the period the Company entered a new A$130 million revolver finance facility. The new facility will consist of a A$120 million revolving loan facility and A$10 million letter of credit facility. The facility has a 4-year tenure with expiry in August 2027. All bank loans at 30 June 2023 have been repaid and the associated financing facilities terminated during the period.

3.11 Lease Liabilities	Dec 2023 $'000	June 2023 $'000
Opening Balance	10,105	9,510
Additions	9,224	5,498
Repayments	(2,726)	(5,255)
Interest expense	281	527
Net currency exchange differences	374	(175)
Total	17,258	10,105

3.12 Provisions	Dec 2023 $'000	June 2023 $'000
Current		
Ongoing legal claims	-	1,956
Employee benefits – annual leave	6,666	4,954
Employee benefits – long service leave	6,154	5,281
Total	12,820	12,191
Non-Current		
Employee benefits – long service leave	103	63

4. Capital Structure and Other

4.1 Issued Capital

	Dec 23	Dec 23	June 23	June 23
Fully Paid Ordinary Shares	No.'000	$'000	No.'000	$'000
Balance at beginning of financial year	368,115	746,615	359,328	742,265
Issue of shares	6,279	-	8,787	4,350
Balance at end of reporting period	374,394	746,615	368,115	746,615

4.2 Accounting Policies

New Accounting Standards and Interpretations not yet mandatory or early adopted

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2023, except for the adoption of new standards effective as of 1 July 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments and interpretations apply for the first time in the year ending 1 July 2023, but do not have an impact on the interim condensed consolidated financial statements of the Group.

4.3 Events After the Reporting Period

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.