

## MMA OFFSHORE LIMITED

### HALF YEAR FINANCIAL REPORT – 31 DECEMBER 2017

The Directors of MMA Offshore Limited (“MMA” or “Company”) (ASX: MRM) present the Financial Report of the Company for the six months ended 31 December 2017.

#### Financial Summary

	Half year ended 31 Dec 2017	Half year ended 31 Dec 2016	Variance PCP
<b>Continuing Operations:</b>			
Revenue	\$92.5M	\$119.7M	↓ \$27.2M
EBITDA	\$7.6M	\$4.4M	↑ \$3.2M
(Impairment of Assets) / reversal	\$8.4M	\$(253.7)M	↓ \$262.1M
Net loss from continuing operations	\$(14.3)M	\$(299.9)M	↓ \$285.6M
Net loss from discontinued operations	-	\$(23.8)M	↓ \$23.8M
Reported Net Loss after Tax	\$(14.3)M	\$(323.7)M	↓ \$309.4M
Net Loss from continuing operations (Normalised) <sup>1</sup>	\$(22.7)M	\$(46.2)M	↓ \$23.5M

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

*“The financial result for the half year ended 31 December 2017 was in line with expectations.*

*“Industry conditions continue to be challenging, however market sentiment continues to be positive around a recovery in the oil and gas markets which should flow through to increased vessel demand over time.*

*“Asset values have stabilised and the Company recorded a small impairment reversal based on an independent valuation of the fleet as at 31 December 2017.*

*“Having proactively streamlined the business over the past 3 years by divesting non-core assets, reducing our cost base and strengthening our balance sheet through the recent equity raising and debt restructuring, MMA is well positioned to take advantage of any improvement in market conditions”.*

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<sup>1</sup> Excluding impairment

MMA's Managing Director, Mr Jeffrey Weber, commented:

*"MMA's vessel business performed better than the previous corresponding period with new vessels MMA Pinnacle, MMA Prestige and MMA Plover all contributing to earnings.*

*"Longer term contracts in Australia and internationally continued to provide full utilisation for a number of our vessels, offset by lower spot utilisation for the remainder of the fleet, reflective of the current market conditions.*

*"Our non-core vessel sales programme has been successful with only 3 vessels remaining to be sold. The strategy has focused on vessels of limited future strategic value to the Company and has enabled us to reduce holding costs, interest and overhead costs and reduce our debt. MMA is now highly focused with a core fleet of 28 high quality, specialised vessels where MMA can leverage its marine expertise to extract the most value from its assets.*

*"Whilst we have yet to see an improvement in utilisation or rates across the industry, the early signs of a recovery are encouraging. Global utilisation appears to have stabilised and there is an expectation that exploration and production investment will increase to replace depleting reserves. It will, however, take some time for the vessel market to come back into balance and we expect market conditions to remain challenging in the short to medium term.*

*"We expect the second half of FY2018 to be stronger than the first half and we confirm our previous guidance of a modest improvement in EBITDA from continuing operations from the previous year, with full year operating EBITDA expected to be in the vicinity \$18-20 million."*

For further information contact:

**Mr Jeffrey Weber**  
Managing Director  
+61 8 9431 7431

**Mr David Cavanagh**  
Chief Financial Officer  
+61 8 9431 7431



ABN 21 083 185 693

**Financial Report and Appendix 4D  
for the Half Year Ended 31 December 2017**

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## Table of Contents

Results for Announcement to the Market.....	3
Directors' Report .....	4
Auditor's Independence Declaration .....	8
Audit Review Report .....	9
Directors' Declaration.....	11
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income .....	12
Condensed Consolidated Statement of Financial Position .....	13
Condensed Consolidated Statement of Changes in Equity .....	14
Condensed Consolidated Statement of Cash Flows .....	15
Notes to the Condensed Consolidated Financial Statements .....	16

## Results for Announcement to the Market

**Current Reporting Period:** Half year ended 31 December 2017

**Previous Reporting Period:** Half year ended 31 December 2016

<b>Earnings</b>	<b>31 Dec 2017 \$'000</b>	<b>31 Dec 2016 \$'000</b>	<b>% Change</b>
Revenue from ordinary activities	92,495	119,668	-23%
Loss before tax from continuing operations	(13,850)	(300,386)	95%
Loss from continuing operations after tax attributable to members	(14,286)	(299,911)	95%
Loss from discontinued operations after tax	-	(23,753)	100%
Net loss attributable to members	(14,286)	(323,664)	96%

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 2018 financial year.

<b>Net Tangible Asset Backing</b>	<b>31 Dec 2017</b>	<b>31 Dec 2016</b>
Net tangible asset backing per share	\$0.38	\$0.87

### Details of Entities Where Control Has Been Gained or Lost During the Period to the date of this Report

MMA has not gained or lost control of any entities during the period up to the release of this Report.

## 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 2017. 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 A Edwards
- Mr J Weber
- Ms E Howell
- Mr CG Heng
- Mr P Kennan (appointed 22 September 2017)
- Mr A Howarth AO (retired 30 November 2017)

## Review of Operations

### *Market Conditions*

Market conditions for the offshore vessel market continued to be challenging during the first half of FY2018 although market sentiment has become significantly more positive since the previous corresponding period with key industry commentators indicating that the offshore vessel market may now have bottomed.

Fundamental to the improvement in sentiment has been the stability in the oil price which has held above US\$50 per barrel (Brent) for most of the past 12 months and above US\$60 for the past 3 months and is currently up 140% from its low of US\$27 in February 2016. The majority of oil and gas companies are now profitable at the current oil price, as a result of lowering their cost bases, and the expectation is that exploration and production (E&P) investment, which has been drastically cut in recent years, should resume in order to replace depleting reserves. Increased investment will flow through to increased demand for oil and gas services over time and translate to a gradual recovery in the offshore vessel market.

Offshore maintenance expenditure, which has been deferred during the downturn is also expected to increase as conditions improve, which should create additional demand in the inspection, maintenance and repair (IMR) market.

Notwithstanding the improvement in market sentiment, the offshore vessel market remains challenging with utilisation and rates still at historic lows. We expect market conditions to remain tough for at least the next 12-18 months as there is typically a 1-2 year lag between spending decisions by oil companies and an increase in vessel demand. Notwithstanding that, the change in market sentiment is positive and indicates that we may be at the bottom of the cycle.

Having streamlined our fleet, disposed of non-core assets, reduced costs and strengthened our balance sheet, MMA is well positioned to take advantage of a return to more normal market conditions.

### *Financial Performance*

MMA reported a net loss after tax of \$(14.3) million for the first half of FY2018 as compared to a reported net loss of \$(323.7) million in the previous corresponding period.

A number of factors should be considered in undertaking a meaningful comparison to the previous corresponding period including:

- the impact of a \$8.4 million impairment reversal in the first half of FY2018 and a \$(253.7) million impairment charge in the first half of FY2017; and
- the sale of the Company's Supply Base and Slipway business in June 2017, which are treated as "discontinued operations" in the financial statements.

Excluding the impact of the impairment charge and reversal and the impact of discontinued operations the loss for the half year ended 31 December 2017 was \$(22.7) million as compared to \$(46.2) million for the previous corresponding period.

### *Balance Sheet*

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

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

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

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

- An extension of the term to 30 September 2021;
- A reduction in the interest rate and removal of the payment in kind (PIK) interest;
- Amended covenants including a covenant holiday until 30 June 2019; and
- A revised amortisation profile with scheduled amortisation commencing in June 2020 including a cash sweep above \$70 million.

In addition, MMA committed to making a prepayment of at least \$30 million from the proceeds of non-core asset sales, with any shortfall below \$30 million to be funded from MMA's cash reserves by 31 December 2018. As noted further in this review of operations, MMA is well positioned to meet the \$30 million target with \$26m in asset sales already completed.

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

Following the equity raising and debt amendments, MMA's cash at bank as at 31 December 2017 was \$86.4 million and Net Debt (Interest Bearing Liabilities less Cash at Bank) was \$189.6 million. Gearing (Net debt / Equity) has reduced from 115.2% as at 30 June 2017 to 57.4% as at 31 December 2017.

#### *Impairment reversal*

MMA reviewed the carrying value of its fleet as at 31 December 2017, in line with accounting standards, which resulted in a small reversal of the previous impairment charge of \$8.4m. This is consistent with industry commentary around asset values having stabilised.

#### *Vessel Operations*

Following the sale of the Supply Base and Slipway businesses in June 2017, MMA now operates a single business segment comprising the Company's vessel operations.

The Vessel division reported revenue of \$92.5 million for the half year, 22.7% lower than the previous corresponding period. Vessel EBITDA, however was up 51.8% at \$11.4m and in line with expectations for the half. The improvement in EBITDA is largely the result of a full year contribution from the INPEX contract (2 vessels), the contribution from newbuild vessels the MMA Pinnacle and Prestige, a reduction in overheads and the impact of the non-core vessel sales programme which has resulted in fewer loss making vessels impacting the overall result.

Average utilisation across the fleet globally for the first half was approximately 50%, consistent with first half of FY2017. Australian utilisation was stronger at 68% with long term contracts underpinning utilisation for a portion of the fleet. The international markets that MMA operates in, being South East Asia, the Middle East and Africa remain highly competitive with an ongoing oversupply of vessels keeping utilisation at historic lows and rates at close to breakeven. Utilisation for the international fleet was 35% (including vessels held for sale) for the half reflecting the challenging market conditions. It should also be noted that MMA has a policy of relocating underutilised Australian vessels to South East Asia to reduce costs, which impacts the international utilisation numbers.

MMA's Australian operations performed relatively well, with long term production support contracts providing full utilisation for a number of our vessels. The MMA Brewster, MMA Plover, MMA Inscription, MMA Sound, MMA Strait and MMA Cove all experienced close to full utilisation during the first half. Utilisation was also strong for two of our PSVs, the MMA Leveque and MMA Leeuwin which supported a number of shorter term projects for Tier 1 clients in the region during the half. The remaining fleet operated in the spot market gaining ongoing work and achieving utilisation of approximately 35% overall.

There has been a slight increase in seismic work in the region with the MMA Searcher completing a 60 day seismic scope in Australia and recently mobilising to New Zealand for another seismic campaign. The MMA Vantage also picked up some seismic work during the first half.

Internationally, the MMA Centurion and MMA Chieftain continue their long term contracts for a client in the Middle East. A third vessel the MMA Concordia is expected to recommence work on this contract during the second half following a long period off hire due to technical difficulties.

The MMA Privilege continued full time operations as a maintenance support vessel in Côte d'Ivoire with the contract extending beyond the original firm period.

MMA's newbuild IMR vessels, the MMA Pinnacle and Prestige are building a solid reputation in the IMR and dive support market, completing a number of short term work scopes across all of our operating regions during the first half. The MMA Pinnacle successfully completed its first project in Australia, a short term inspection and maintenance project. The South East Asian monsoon impacted demand towards the end of the calendar year with both vessels idle since the latter half of December. Overall utilisation for the first half for these two vessels was 75%.

The Jaya Majestic was active on a project in Brunei during the half which boosted utilisation for the vessel to 84%.

With market conditions remaining soft, the remainder of the international spot fleet had low utilisation of 32% excluding vessels held for sale.

As at 31 December 2017, MMA had 15 of its 28 core vessels under contract with the remaining vessels operating in the spot market.

MMA continues to actively manage costs on its vessels with all vessels either warm or cold stacked where possible between contracts to minimise operating costs. MMA utilises its land based facilities in Singapore, Batam and Australia to lay up vessels at low cost, supplemented by third party facilities in Africa and the Middle East, where required. A comprehensive management programme is in place to maintain the quality and operational capability of the vessels during layup and to ensure that these vessels are available for work as and when required.

At this stage, MMA expects activity in Australia to be stronger during the second half with work commencing on a number of key projects including Greater Enfield and Greater Western Flank 2. Internationally, we are seeing some signs of an increase in tender activity and an increase in the rig count, however the market remains intensely competitive due to the current oversupply of vessels in the market.

#### *Non-core Vessel Sales Programme*

MMA's non-core vessel sales programme is close to completion with only 3 vessels remaining to be sold (1 of which is currently under a sales contracts).

Nine vessels were sold during the first half for a total of approximately \$27 million.

Since FY2016, MMA has disposed of 35 vessels for a total of \$94 million.

The sales programme has been successful and has had a positive impact on cash flow, reducing holding costs, interest and overhead costs. The proceeds from vessel sales have been used for debt amortisation and liquidity.

Under the amendments to MMA's debt facilities which were agreed in November 2017, the Company committed to \$30 million in amortisation from vessel sales by 31 December 2018. As at the date of this report, \$26 million in sales towards the \$30 million target, have been completed with \$4 million remaining. Under the terms of the agreement, any shortfall from asset sales is to be paid in cash by 31 December 2018, however MMA expects that the full \$30 million will be achieved from asset sales.

#### *Cost Reduction Programme*

MMA has taken significant steps to sustainably reduce its cost base over the past three years.

MMA is on track to reduce corporate and operating overhead by 40% from FY15 levels. Headcount has reduced by over 50% and salary packages have been materially reduced.

With the reduction in head count MMA has recently reduced its office space in Singapore generating a significant saving and improving the overall layout and working environment of the office.

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

#### *Outlook*

Market sentiment has improved significantly around a recovery in the oil and gas markets with key industry commentators indicating that the market may have bottomed. However, we expect the recovery to be volatile and the timing is still uncertain.

Given the lag between investment decisions by oil and gas companies and an increase in vessel demand, we expect market conditions to remain challenging for the remainder of FY2018 and into FY2019.

We expect the second half of FY2018 to be stronger than the first half and we confirm our previous guidance of a modest improvement in EBITDA from continuing operations from the previous year, with full year operating EBITDA expected to be in the vicinity \$18-20 million.



#### Auditors' Independence Declaration

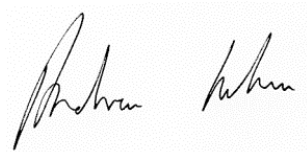
The Auditors' Independence Declaration is included on page 8 of the half year report.

#### 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

A handwritten signature in black ink, appearing to read 'Andrew Edwards', is written over a light grey rectangular background.

**ANDREW EDWARDS**  
Chairman

Perth, 22 February 2018

The Board of Directors  
MMA Offshore Limited  
Endeavour Shed  
1 Mews Road  
Fremantle WA 6160

22 February 2018

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.

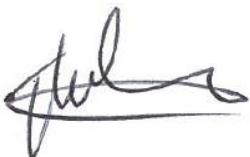
As lead audit partner for the review of the financial statements of MMA Offshore Limited for the half year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (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



**John Sibenaler**  
Partner  
Chartered Accountants

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

We have reviewed the accompanying half-year financial report of MMA Offshore Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2017, 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, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year.

## *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 MMA Offshore Limited's financial position as at 31 December 2017 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*. As the auditor of MMA Offshore Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

## *Auditor's Independence Declaration*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of MMA Offshore Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

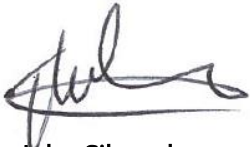
## *Conclusion*

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 2017 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*.

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU



**John Sibenaler**

Partner

Chartered Accountants

Perth, 22 February 2018

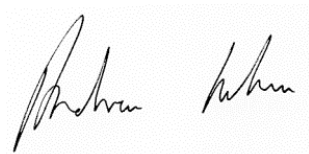
## Directors' Declaration

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,

A handwritten signature in black ink, appearing to read 'Andrew Edwards', is written over a light grey grid background.

**ANDREW EDWARDS**  
Chairman

Perth, 22 February 2018

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 31 December 2017

	Note	Dec 2017 \$'000	Dec 2016 \$'000
<b>Continuing Operations</b>			
Revenue	2.1	92,495	119,668
Investment income		67	6
Other gains/(losses)	2.2	(250)	(10,453)
Vessel expenses		(96,555)	(139,859)
Administration expenses		(3,785)	(4,188)
Impairment reversal/(charge)	2.1	8,407	(253,665)
Finance costs		(14,229)	(11,895)
Loss before tax from continuing operations		(13,850)	(300,386)
Income tax (expense)/benefit		(436)	475
Loss for the period from continuing operations		(14,286)	(299,911)
<b>Discontinued Operations</b>			
Loss from discontinued operations	2.3	-	(23,753)
Loss for the Period		(14,286)	(323,664)
<b>Other Comprehensive Income, net of tax</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(7,154)	22,630
Gain/(Loss) on hedge of net investment in a foreign operation		2,655	(7,963)
Other comprehensive income for the period, net of tax		(4,499)	14,667
Total Comprehensive Loss for the Period		(18,785)	(308,997)
Loss attributable to owners of the Company		(14,286)	(323,664)
Total comprehensive loss attributable to owners of the Company		(18,785)	(308,997)
		<b>Cents Per Share</b>	<b>Cents Per Share</b>
<b>Earnings/(Loss) per share</b>			
From continuing operations			
Basic	2.4	(3.02)	(74.46)
Diluted	2.4	(3.02)	(74.46)
From continuing and discontinued operations			
Basic	2.4	(3.02)	(80.36)
Diluted	2.4	(3.02)	(80.36)

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 2017

	Note	Dec 2017 \$'000	June 2017 \$'000
<b>Current Assets</b>			
Cash and cash equivalents		86,385	28,757
Trade and other receivables	3.1	51,313	65,317
Inventories	3.2	2,964	3,032
Prepayments		1,149	1,254
Assets classified as held for sale		24,619	35,944
<b>Total Current Assets</b>		<b>166,430</b>	<b>134,304</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	3.3	487,483	498,386
<b>Total Non-Current Assets</b>		<b>487,483</b>	<b>498,386</b>
<b>Total Assets</b>		<b>653,913</b>	<b>632,690</b>
<b>Current Liabilities</b>			
Trade and other payables	3.5	36,057	37,386
Unearned revenue		94	66
Borrowings	3.6	17,513	5
Provisions	3.7	9,478	10,208
Current tax liabilities		1,686	2,607
Customer security deposits		3,199	2,000
<b>Total Current Liabilities</b>		<b>68,027</b>	<b>52,272</b>
<b>Non-Current Liabilities</b>			
Trade payables		4,842	8,597
Borrowings	3.6	250,119	314,447
Provisions	3.7	578	885
<b>Total Non-Current Liabilities</b>		<b>255,539</b>	<b>323,929</b>
<b>Total Liabilities</b>		<b>323,566</b>	<b>376,201</b>
<b>Net Assets</b>		<b>330,347</b>	<b>256,489</b>
<b>Equity</b>			
Issued capital	4.1	653,890	561,275
Reserves		110,728	115,199
Accumulated losses		(434,271)	(419,985)
<b>Total Equity</b>		<b>330,347</b>	<b>256,489</b>

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 2017

Half Year Ended 31 December 2017	Issued Capital \$'000	Employee Equity Settled Benefits Reserve \$'000	Hedging Reserve \$'000	Foreign Currency Translation Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 July 2017	561,275	1,114	(51,203)	165,288	(419,985)	256,489
Comprehensive income/(loss) for the period:						
Loss for the period	-	-	-	-	(14,286)	(14,286)
Other comprehensive income/(loss) for the period	-	-	2,655	(7,154)	-	(4,499)
Total Comprehensive Income/(Loss) for the Period	-	-	2,655	(7,154)	(14,286)	(18,785)
Issue of shares under institutional placement	22,385	-	-	-	-	22,385
Issue of shares under institutional entitlement offer	15,605	-	-	-	-	15,605
Issue of shares under retail entitlement offer	59,010	-	-	-	-	59,010
Share issue costs	(4,385)	-	-	-	-	(4,385)
Recognition of share based payments	-	28	-	-	-	28
Balance at 31 December 2017	653,890	1,142	(48,548)	158,134	(434,271)	330,347

Half Year Ended 31 December 2016	Issued Capital \$'000	Employee Equity Settled Benefits Reserve \$'000	Hedging Reserve \$'000	Foreign Currency Translation Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 July 2016	556,566	5,704	(58,345)	172,194	(41,953)	634,166
Comprehensive income/(loss) for the period:						
Loss for the period	-	-	-	-	(323,664)	(323,664)
Other comprehensive income/(loss) for the period	-	-	(7,963)	22,630	-	14,667
Total Comprehensive Income/(Loss) for the Period	-	-	(7,963)	22,630	(323,664)	(308,997)
Transfer to share capital	4,709	(4,709)	-	-	-	-
Recognition of share based payments	-	328	-	-	-	328
Related income tax expense	-	(166)	-	-	-	(166)
Balance at 31 December 2016	561,275	1,157	(66,308)	194,824	(365,617)	325,331

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 2017

	Dec 2017 \$'000	Dec 2016 \$'000
<b>Cash flows from Operating Activities</b>		
Receipts from customers	104,909	122,992
Interest received	68	6
Payments to suppliers and employees	(89,149)	(128,256)
Income tax received/(paid)	(1,140)	7,033
Interest and other costs of finance paid	(9,038)	(10,352)
Net Cash Provided by/(Used in) Operating Activities	5,650	(8,577)
<b>Cash flows from Investing Activities</b>		
Payments for property, plant and equipment	(3,181)	(16,022)
Proceeds from sale of property, plant and equipment	12,501	12,425
Dividends received	-	750
Net Cash Provided by/(Used in) Investing Activities	9,320	(2,847)
<b>Cash flows from Financing Activities</b>		
Proceeds from issue of shares	97,000	-
Payment of share issue costs	(4,385)	-
Repayment of borrowings	(45,564)	(5,625)
Financing fees on borrowings	(3,911)	(202)
Net Cash Provided by/(Used In) Financing Activities	43,140	(5,827)
Net increase/(decrease) in cash and cash equivalents	58,110	(17,251)
Cash and cash equivalents at the beginning of the half year period	28,757	49,725
Effects of exchange rate changes on the balance of cash held in foreign currencies	(482)	566
Cash and Cash Equivalents at the End of the Half Year	86,385	33,040

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 the revaluation of certain non-current assets and financial instruments. 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, 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 2017 annual financial report for the financial year ended 30 June 2017, except for the impact of the Standards and Interpretations outlined in the New or Revised Standards section below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

#### **Amendments to Accounting Standards and new Interpretations that are mandatorily effective for the current reporting period**

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.

## Notes to the Condensed Consolidated Financial Statements

### 2. Financial Performance

#### 2.1 Segment information

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

The Group's previous reportable Supply Base and Slipway segments have been classified as discontinued operations (see note 2.3).

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

#### Segment revenues and results

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

	Revenue from external customers		Profit/(loss) after impairment	
	Dec 2017 \$'000	Dec 2016 \$'000	Dec 2017 \$'000	Dec 2016 \$'000
Continuing Operations				
Vessels	92,495	119,668	4,347	(273,856)
Investment Revenue			67	6
Other gains/(losses)			(250)	(10,453)
Administration expenses			(3,785)	(4,188)
Finance costs			(14,229)	(11,895)
Loss from Continuing Operations			(13,850)	(300,386)

Segment profit/(loss) represents the profit/(loss) earned by the Vessel segment without allocation of investment revenue, other gains and losses, administration costs, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

#### Segment Assets

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

	Dec 2017 \$'000	June 2017 \$'000
Vessel segment assets <sup>(i)</sup>	562,756	582,002
Unallocated assets	91,157	41,742
Total continuing assets	653,913	623,744
Assets relating to discontinuing operations	-	8,946
Total	653,913	632,690

(i) Vessel segment assets include vessels held for sale.

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.

## 2. Financial Performance (continued)

### 2.1 Segment information (continued)

#### Other segment information

	Depreciation and amortisation		Additions to non-current assets	
	Dec 2017 \$'000	Dec 2016 \$'000	Dec 2017 \$'000	Dec 2016 \$'000
Vessel assets	15,498	27,726	3,158	25,841
Unallocated assets	315	466	22	42
<b>Total</b>	<b>15,813</b>	<b>28,192</b>	<b>3,180</b>	<b>25,883</b>

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

In addition to the depreciation reported above, impairment reversals/(charges) were recognised in respect of vessels as follows:

	Dec 2017 \$'000	Dec 2016 \$'000
Vessels held for continuing operations	8,236	(124,212)
Vessels held for sale	171	(129,453)
<b>Total</b>	<b>8,407</b>	<b>(253,665)</b>

### 2.2 Other income and expenses

	Dec 2017 \$'000	Dec 2016 \$'000
(a) Other gains and losses:		
Net foreign exchange gains/(losses)	(389)	632
Gain/(loss) on disposal of property, plant and equipment	139	(11,085)
<b>Total</b>	<b>(250)</b>	<b>(10,453)</b>
(b) Profit/(loss) for the period:		
Profit/(loss) for the period before income tax has been arrived at after charging the following:		
(i) Depreciation:		
Leasehold buildings and improvements	46	213
Vessels at cost	15,302	26,850
Plant and equipment	465	1,103
Plant and equipment – hire purchase	-	26
<b>Total</b>	<b>15,813</b>	<b>28,192</b>
(ii) Impairment charges:		
Impairment charges recognised on trade receivables	802	7,338
Impairment reversal/(charge) recognised on vessel assets	8,407	(253,665)
(iii) Employee benefits:		
Post-employment benefits:		
Defined contribution plans	3,972	4,911
Share based payments:		
Equity settled share based payments	28	328
Other employee benefits	44,340	53,842
<b>Total</b>	<b>48,340</b>	<b>59,081</b>

## 2. Financial Performance (continued)

### 2.3 Discontinued Operations

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

- (b) Discontinued operations for the period ended 31 December 2016:

**Dampier Supply Base and Slipway businesses**

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

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

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

- (c) Analysis of loss for the period from discontinued operations:  
The combined results of the discontinued operations included in the loss for the period are set out below.

	Dec 2017 \$'000	Dec 2016 \$'000
<b>Profit/(Loss) for the period of discontinued operations</b>		
Revenue	-	16,609
Share of profit from jointly controlled entity	-	447
Total revenue	-	17,056
Expenses	-	(16,163)
Impairment charge on measurement to fair value	-	(24,646)
Loss before tax	-	(23,753)
Attributable income tax expense	-	-
Loss for the period from discontinued operations	-	(23,753)

**Cash flows from discontinued operations:**

Net cash inflows from operating activities	8,946	3,724
Net cash inflows from investing activities	-	956
Net cash outflows from financing activities	-	(283)
Net cash inflows	8,946	4,397

Net cash inflows from discontinued operations represent receipts from supply base and slipway trade debtors outstanding at 30 June 2017.

## 2. Financial Performance (continued)

### 2.4 Earnings per Share

(a) Earnings per Share:

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

	Dec 2017 \$'000	Dec 2016 \$'000
Loss for the year used in the calculation of basic and diluted earnings per share from continuing operations	(14,286)	(299,911)
Loss from discontinued operations	-	(23,753)
<b>Loss for the year used in the calculation of basic and diluted earnings per share</b>	<b>(14,286)</b>	<b>(323,664)</b>

	No.'000	No.'000
(b) Weighted average number of ordinary shares (basic):		
Weighted average number of ordinary shares used in the calculation of basic earnings per share	472,577	402,771
(c) Weighted average number of ordinary shares (diluted):		
Weighted average number of ordinary shares used in the calculation of basic earnings per share	472,577	402,771
Shares deemed to be issued for no consideration in respect of employee rights	-	-
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	472,577	402,771
The following potential ordinary shares are non-dilutive and are therefore excluded from the weighted average number of ordinary shares used in the calculation of diluted earnings per share:		
Employee rights	9,556	10,924

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

### 3. Assets and Liabilities

	Dec 2017 \$'000	Jun 2017 \$'000
<b>3.1 Trade and Other Receivables</b>		
Trade receivables	65,119	76,834
Allowance for doubtful debts	(21,647)	(21,240)
Other receivables	7,841	9,723
<b>Total</b>	<b>51,313</b>	<b>65,317</b>

The average credit period on rendering of services is 30 days. An allowance has been made for estimated irrecoverable trade receivable amounts arising from the past rendering of services.

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

The carrying amount of trade receivables is reduced by the impairment loss through the use of an allowance account when collection is considered at risk. When a trade receivable is subsequently considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

	Dec 2017 \$'000	Jun 2017 \$'000
Ageing of receivables past due but not impaired:		
31-60 days	9,591	1,932
61-90 days	1,926	4,680
Over 90 days	13,639	13,744
<b>Total</b>	<b>25,156</b>	<b>20,356</b>

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

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. In making their judgement on the appropriateness of the allowance for doubtful debts they have considered the outcomes of regular meetings with customers, ongoing contractual arrangements and regularity of receipts from the customers. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

	Dec 2017 \$'000	Jun 2017 \$'000
<b>3.2 Inventories</b>		
Fuel – at cost	2,509	2,501
Consumables	455	511
Work in progress	-	20
<b>Total</b>	<b>2,964</b>	<b>3,032</b>

### 3. Assets and Liabilities (continued)

#### 3.3 Property, Plant & Equipment

	Leasehold Buildings and Improvements at cost \$'000	Vessels at cost \$'000	Plant and Equipment at cost \$'000	Total \$'000
Gross carrying amount:				
Balance at 1 July 2017	13,946	1,015,760	16,056	1,045,762
Additions	127	3,014	39	3,180
Disposals	(22)	(87,981)	(62)	(88,065)
Net currency exchange differences	(317)	(12,289)	(250)	(12,856)
Balance at 31 December 2017	13,734	918,504	15,783	948,021
Accumulated depreciation:				
Balance at 1 July 2017	(12,521)	(522,943)	(11,912)	(547,376)
Disposals	22	87,981	62	88,065
Depreciation expense	(46)	(15,302)	(465)	(15,813)
Impairment reversal	-	8,236	-	8,236
Net currency exchange differences	224	6,176	(50)	6,350
Balance at 31 December 2017	(12,321)	(435,852)	(12,365)	(460,538)
Net book value:				
As at 30 June 2017	1,425	492,817	4,144	498,386
As at 31 December 2017	1,413	482,652	3,418	487,483

#### 3.4 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 2017:

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

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

##### Impairment testing

The Group has evaluated whether the recoverable amount of the CGU exceeds its carrying amount. The recoverable amount is determined to be the higher of its fair value less costs of disposal ("FVLCD") or its value in use. The Group has used the FVLCD model for the purpose of impairment testing as at 31 December 2017.



### 3. Assets and Liabilities (continued)

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

##### Impairment reversals/(charges) recognised

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

Segment/CGU	Class of asset	Method	Dec 2017 \$'000	Dec 2016 \$'000
Vessels	Property, Plant & Equipment	FVLCOD	8,407	(253,665)
Supply Base	Property, Plant & Equipment	FVLCOD	-	(22,315)
Slipway	Property, Plant & Equipment	FVLCOD	-	(2,331)
Total			8,407	(278,311)

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

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	487,483	487,483
Held for sale	24,619	24,619

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

#### Vessels

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

As in previous reporting periods, there are 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.

### 3. Assets and Liabilities (continued)

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

##### 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 ship broking company. In preparing their Valuation Report, some of the factors they considered include the current market conditions in which the vessels operate, a review of recent market sales of similar vessels, consideration of the specification and earnings potential of each vessel and the inherent value and replacement cost of each vessel.

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

The following factors were taken in to account in determining this value;

- the stable rising trend in oil prices in the 2<sup>nd</sup> half of 2017
- an increase in project and development commitments by the oil and gas majors
- increasing tender opportunities in the market
- increasing activity in the vessel sales market
- acknowledging the increased activity in the industry is still at an early stage in the market cycle and there is uncertainty about the extent and timing of the recovery
- acknowledging the impact of the significant vessel tonnage in the industry that has been laid up during the down turn and will potentially return to service as the market increases.

A 2.5% increase or decrease in the 'en bloc discount rate would result in a corresponding \$15 million increase or decrease in the impairment reversal or charge.

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

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

##### Held for Sale

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

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

- Actual sales of the non-core vessels that have been completed to date;
- Current sales contracts and negotiations on the remaining non-core vessels
- Market sales evidence for similar vessels over the past 6 months.

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

A 5% increase or decrease of expected sale proceeds would result in corresponding \$1 million decrease or increase in the impairment amount for these non-core vessels.

	Dec 2017 \$'000	June 2017 \$'000
<b>3.5 Trade and Other Payables</b>		
Trade payables	5,913	7,826
Other payables and accruals	29,894	24,390
Goods and services tax payable	250	5,170
<b>Total</b>	<b>36,057</b>	<b>37,386</b>

### 3. Assets and Liabilities (continued)

	Dec 2017 \$'000	June 2017 \$'000
<b>3.6 Borrowings</b>		
Secured – at amortised cost		
Current		
Hire purchase liability	5	5
Bank loans	19,740	-
Unamortised loan fees	(2,232)	-
<b>Total</b>	<b>17,513</b>	<b>5</b>
Non-Current		
Hire purchase liability	5	8
Bank loans	256,253	324,209
Unamortised loan fees	(6,139)	(9,770)
<b>Total</b>	<b>250,119</b>	<b>314,447</b>

In conjunction with the capital raising that occurred during this reporting period, the Group was able to renegotiate the terms of its Syndicated Debt Facility with its existing lenders. The key amendments to the Facility included

- extending the term for a further 2 years from maturity on 30 September 2019 to 30 September 2021.
- reducing the interest rate
- agreeing certain amendments and holidays to specified covenants
- cash sweep of excess cash above \$70.0 million from 30 June 2020, 31 December 2020 and 30 June 2021
- agreeing to a revised amortisation profile

The revised amortisation profile includes

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

In addition, proceeds from the sale of non-core vessels will continue to be applied against the outstanding amount with \$30.0 million to be repaid by 31 December 2018. Any shortfall is to be funded from the Group's cash reserves.

As a result of the successful completion of vessel sales, \$10.4 million was repaid prior to 31 December 2017 with a further \$4.2 million repaid in January 2018 and approximately \$11.4 million to be repaid by the end of February 2018.

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.

	Dec 2017 \$'000	June 2017 \$'000
<b>3.7 Provisions</b>		
Current		
Employee benefits – annual leave	5,705	6,553
Employee benefits – long service leave	3,773	3,507
Restructuring costs – shipbuilding operations	-	148
<b>Total</b>	<b>9,478</b>	<b>10,208</b>
Non-Current		
Employee benefits – long service leave	578	885

## 4 Capital Structure and Other

### 4.1 Issued Capital

Fully Paid Ordinary Shares	Dec 2017 No '000	Dec 2017 \$'000
Balance at beginning of financial year	373,077	561,275
Issue of shares under institutional placement	111,923	22,385
Issue of shares under institutional entitlement offer	78,027	15,605
Issue of shares under retail entitlement offer	295,050	59,010
Share issue costs	-	(4,385)
Balance at end of half year	858,077	653,890

### 4.2 Events After the Reporting Period

Subsequent to the end of the half year, a number of the vessels classified as Held for Sale were sold. Proceeds from the sale of these vessels are applied against the outstanding debt facility with \$4.2 million repaid in January 2018 and approximately \$11.4 million to be repaid by the end of February 2018.

Apart from the matter set out above, 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.