2017 PRELIMINARY FINANCIAL REPORT

The Directors of MMA Offshore Ltd ("MMA" or "the Company") (ASX: MRM) submit herewith the Preliminary Financial Report for the Company for the year ended 30 June 2017.

During the 2017 financial year, MMA completed a major restructuring of its business, disposing of its Dampier and Broome Supply Bases and its Slipway assets to focus on its core offshore vessels business. The Supply Bases and Slipway have been classified as "Discontinued Operations" in the Financial Report with the ongoing vessel operations classified as "Continuing Operations".

MMA reported a Loss for the Year of $(378.0) million after booking a non-cash impairment charge of $312.2 million against the carrying value of the Company's Vessel, Supply Base and Slipway businesses. Excluding the impact of the impairment charge, the Company recorded a Loss for the Year of $(65.8) million and a Loss for the Year from continuing operations of $(66.7) million reflecting the ongoing challenging market conditions being experienced in the offshore vessel industry.

EBITDA for continuing and discontinuing operations was $21.7 million, in line with market guidance.

Key Financials

	Reported		Excluding impact of Impairment Charge[1]		
Profit and Loss Statement	**Year ended Jun-17**	**Year ended Jun-16**	**Year ended Jun-17**	**Year ended Jun-16**	**Variance**
Revenue from Continuing Operations	$221.8M	$414.7M	$221.8M	$414.7M	⬇ $192.9M
Loss from Continuing Operations	$(354.3)M	$(112.9)M	$(66.7)M	$(16.4)M	⬇ $50.3M
Profit / (Loss) from Discontinued Operations	$(23.7)M	$(31.1)M	$0.9M	$(3.8)M	⬆ $4.7M
Net Profit / (Loss) after Tax	$(378.0)M	$(144.0)M	$(65.8)M	$(20.2)M	⬇ $45.6M

[1] The Company recorded a post-tax impairment charge for the 2017 Financial Year of $287.5 million for Continuing Operations and $24.7 million for Discontinued Operations (FY2016: $96.5m for Continuing Operations and $27.3m for Discontinued Operations).

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

“MMA continued to face challenging market conditions through FY2017, although market sentiment is improving.

“The oil market appears to be rebalancing and we have seen global inventories begin to reduce in recent months. However, we expect ongoing volatility for some time.

“Global Exploration and Production (“E&P”) spending, which has been drastically cut over the past three years is insufficient to offset reserve depletion and meet future demand growth. The International Energy Agency (“IEA”) recently forecasted a global supply shortage by 2020 if underinvestment continues.

“Whilst it will take some time for the vessel market to come into balance, the early signs are encouraging for a market recovery.

“During the year, MMA made the strategic decision to dispose of its Supply Base assets to focus on the core offshore vessel business. The net proceeds from the sale, which amounted to $49.5 million, were used to reduce debt. MMA is also in the process of disposing of a number of non-core vessels from the fleet, streamlining the business to focus on the segments where MMA can extract the most value going forward.

“MMA’s banking syndicate remain supportive, notwithstanding the challenging market conditions being faced by the offshore vessel industry. In February 2017, MMA agreed a number of amendments to its Banking Facility including a reduced amortisation profile and an extension of the term of the facility to enable MMA to trade through the current market downturn. Following the sale of the supply bases, there are no further amortisation payments required until the expiry of the facility in September 2019.”

MMA Managing Director, Mr Jeffrey Weber said:

“Overall vessel utilisation averaged 52% for the year including the laid up vessels, down from 59% in FY2016, however utilisation of our core fleet was significantly higher due to a number of ongoing long term contracts and demand for our newbuild IMR vessels.

“Rates remain depressed across all regions and vessel segments.

“Second half performance was better than the first half as newbuild vessels contributed to earnings and project scopes extended, utilisation improved slightly and the sale of underutilised non-core vessels reduced holding costs.

“MMA continues to focus on streamlining its business to position itself for a return to more positive market conditions. The sale of the Supply Bases, non-core vessel sales and cost reduction programmes are core to that strategy.

“The offshore vessel market has been through one of the biggest downturns in living memory, however general market sentiment is that we are at the bottom of the cycle. It will take some time for the vessel market to come back to balance, however we are seeing early signs of increased activity at the front end of the value chain which should translate to increased vessel demand over time.”

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Review of Operations

The offshore oil and gas support industry continued to face enormous challenges during FY2017. Unprecedented low levels of investment by oil companies continued to impact demand for offshore vessels with utilisation and day rates remaining at historic lows.

Global E&P spend has reduced by 50% or US$1 trillion since 2013. The impact on the offshore vessel market has been severe with global fleet utilisation of just over 50%, low day rates and over 30% of the global fleet laid up.

On a positive note, sentiment has improved and the general consensus is now that the market has bottomed. We are starting to see signs of a recovery with seismic and jack up rig activity beginning to increase, which should translate to increased demand for offshore vessels. It will however, take some time to absorb the current overcapacity in the market before we will see any improvement in rates.

Continuing Operations – Vessels

Ongoing poor market conditions continued to impact the performance of our Vessels division during FY2017.

Vessel operations revenue for the year was $221.8 million, down from $414.7 million in FY2017 and EBITDA was $24.8 million, down from $64.8 million.

Second half performance was better than first half as newbuild vessels began to contribute to earnings, a number of project scopes were extended and holding costs on underutilised vessels reduced as vessels were sold.

During the year, MMA made a strategic decision to aggressively dispose of approximately 20 non-core vessels from the fleet. These vessels are of an age and class that is outside of MMA's core strategic focus going forward and whilst asset values are currently depressed, the savings in holding costs and associated overheads on these underutilised vessels made a compelling case for disposal. The vessels have been classified as held for sale in the accounts and an impairment charge of $129.5 million was recorded against the value of these assets reflective of the expected selling price to be achieved. MMA has completed 50% of the targeted sales achieving values in line with the impaired value. MMA's longer term strategic focus is on a core owned fleet of approximately 30 high quality, non-commoditised vessels with a current average age profile of five years.

Australian operations contributed revenue of $149.3 million during FY2017, down from $323.6 million in FY2016 and international operations contributed revenue of $72.5 million, down from $91.1 million.

Activity in Australia was sound with a number of key long term production support contracts continuing through the downturn as well as some commissioning and decommissioning project work being undertaken during the year. The international offshore vessel market continued to be extremely challenging with intense competition for available work and historically low rates and utilisation.

Average utilisation for the fleet across the year was 52%, down from 59% in FY2016. Utilisation was higher in Australia at 56% as compared to 43% in our International fleet, however this is reflective of our

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fleet management policy where underutilised vessels are transferred to South East Asia where necessary to reduce holding costs.

Australia

Production support is a key focus of MMA's Australian business now that the major LNG projects have moved beyond the main construction phase. MMA continues to service the majority of the oil production facilities on the North West Shelf on term contracts and vessel sharing arrangements.

MMA also has three vessels operating out of Darwin including the MMA Plover and MMA Brewster which are on a five year plus options contract supporting INPEX's Ichthys LNG Project. In addition, the MMA Inscription is on a five year contract supporting ConocoPhillips' Bayu-Undan Project in the Timor Sea. These are key contracts for MMA providing full utilisation for the vessels for the term of the contracts.

In terms of project work, MMA managed a fleet of 13 vessels for Technip Oceania for the Shell Prelude Subsea Installation Project during the first half of FY2017. Five tugs (three owned by MMA) and five barges were mobilised in South East Asia and prepared for arrival in Australia. Upon arrival in Australia, the barges were loaded with subsea pipeline spools which were delivered to the Prelude site North West of Broome. Two MMA tugs acted as infield support vessels to berth the barges alongside the construction vessel and one MMA PSV conducted supply operations from Broome to the Prelude site. This was the third campaign in which MMA had provided vessel support to Technip Oceania for the Prelude Project.

MMA also had three vessels engaged in supporting Chevron's Thevenard Island Abandonment Project during the second half of the year with activity continuing into the first quarter of FY2018.

The vessel sharing arrangements that MMA implemented in FY2016 have been working well with three vessels currently being shared by six clients. The arrangement is mutually beneficial for all parties, reducing operating costs for the oil companies whilst increasing utilisation of MMA's fleet.

Exploration activity in Australia continues to be subdued with the rig count in Australia at historically low levels. We did however, see an increase in seismic activity during the year with the Mermaid Searcher supporting two seismic scopes during the second half. This is a positive sign for future exploration activity in the region.

MMA currently has 15 vessels working in Australia with six on term contracts and the remainder positioned for spot work in the region.

MMA continues to have a layup strategy in place to minimise operating costs in between contracts for vessels which are not working. The vessels are either shutdown in safe anchorage and monitored, kept on the Slipway or transferred to our facilities in South East Asia.

During the year we concluded the negotiations for new four year Enterprise Bargaining Agreements for our marine personnel. A sustainable outcome was achieved for MMA's employees, the Company and the industry and the agreement was reached without experiencing any lost time due to protected industrial action.

Looking ahead, Australia will remain a key market for MMA. MMA will focus on servicing its existing production support contracts in Australia and we continue to tender for new opportunities for both short and long term contracts as they arise. A number of scopes are currently being tendered for construction

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projects in 2018 including Woodside's Greater Western Flank Phase 2 Development and Woodside's Greater Enfield Project. Overall, we expect market activity to remain relatively stable at current levels in Australia.

International

Internationally, market conditions remained challenging across MMA's operating regions of South East Asia, the Middle East and Africa. The ongoing oversupply of vessels in the market means that competition is intense, keeping rates at close to breakeven levels.

Utilisation remained steady during the year at approximately 43%. This includes laid up vessels and vessels being marketed for sale. Excluding the non-core fleet, utilisation was significantly higher.

South East Asia

There was no improvement in utilisation or rates in the South East Asian market during the year. However, tendering activity has picked up significantly across the region and there has been a small increase in rig utilisation which could signify an upcoming improvement in market conditions for the offshore vessel industry. Oversupply remains an issue although with an increasing number of vessels going into layup, the number of available vessels in the market is reducing.

MMA currently has 11 vessels working in South East Asia.

The MMA Almighty continues on its long term production support with PTTEP in Thailand, however this contract will be retendered in FY2018. The remaining vessels are on shorter term contracts or operating in the spot market.

The MMA Prestige and MMA Pinnacle, MMA's newbuild IMR vessels, have been engaged in ongoing work for a variety of clients in the dive support market since their delivery into the fleet during FY2017 until recently. Currently the MMA Pinnacle is in northern Australia working with ROVs on board and the MMA Prestige is in the Middle East on a short term dive support campaign.

Other vessels have been engaged in a range of shorter term contracts through Brunei, Myanmar, Malaysia, Thailand and India.

Middle East

There continues to be strong levels of activity in the Middle East, predominantly driven by Saudi Aramco's expansion activities in Saudi Arabia. Saudi Aramco has committed to spending over US$300 billion over the next 10 years, increasing demand for offshore support vessels. Vessel supply continues to increase, however, as operators mobilise vessels into the Middle East from other regions. Rates have therefore declined significantly over the past two years.

MMA currently has five vessels operating in the Middle East with three on long term contracts. Unfortunately one of the three vessels is currently off-hired to undergo repairs which impacted the financial contribution from this contract. The MMA Pride has been on continuous shorter term scopes with a key contractor in the region.

MMA continues to view this region as a key platform in its future strategy and strengthened its Dubai office with the addition of a full time Technical Manager during the year.

We are currently seeing very strong tendering activity out of the Middle East region, particularly Saudi Arabia as well as Qatar and the United Arab Emirates. The Middle East requires a high level of technical and operational expertise and is well suited to MMA's skillset. MMA is focused on growing our presence in this region.

Africa

The African market continues to be plagued by an oversupply of vessels and limited work. During FY2016 MMA made the strategic decision to pull its spot vessels out of the African market.

Currently we have one vessel, the MMA Privilege on a longer term contract with a major marine contractor in Cote d'Ivoire.

Whilst not active in the African spot market, MMA will transfer vessels into this market on the back of longer term contracts.

Whilst market activity in West Africa remains subdued, longer term prospects for East Africa remain very promising after the sanctioning in June 2017 by ENI of its Coral South FLNG project in offshore Mozambique. This marks the first such development in East Africa, an emerging frontier region with significant gas discoveries. Drilling, construction and installation contracts have been awarded and the project is targeting first LNG production in 2022. MMA will seek to leverage its experience in frontier LNG developments in Australia to support this project as it progresses.

Newbuild Programme

MMA's newbuild programme is complete with the final two vessels the MMA Prestige and MMA Pinnacle delivered during the year.

Following completion of the newbuild programme, MMA's capital expenditure requirements will be minimal going forward as expenditure is reduced to a maintenance level. At this point MMA does not anticipate building any further vessels for the fleet in the near future unless backed by long term contracts.

MMA's Batam shipyard has ceased shipbuilding activities and is currently being utilised as a layup facility for MMA and third party vessels.

Vessel Sales Programme

MMA's vessel sales programme to optimise the fleet composition and reduce debt has been ongoing since FY2016.

During FY2017, MMA made the decision to accelerate the sale of a number of non-core vessels to reduce holding costs, interest and overhead costs and to improve cash flow. The programme has been successful with 11 vessels sold during FY2017 and two further vessels sold in the 2018 financial year to date.

Since FY2016, 28 non-core vessels have been sold for a total consideration of A$68 million. A further 10 vessels have been earmarked for sale with one of these vessels currently under contract.

Following the completion of the sales programme, MMA will retain a core fleet of approximately 30 high quality, high specification vessels with an average age of five years.

Proceeds from the sale of non-core vessels will be used to fund debt reduction.

Discontinued Operations

Dampier Supply Base and Dampier Slipway

In June 2017, MMA disposed of its Dampier Supply Base and Dampier Slipway assets to Toll Group for net sale proceeds of $40.8 million. Proceeds from the sale were used to amortise debt.

The Dampier Supply Base contributed revenue of $27.6 million and EBITDA of $3.7 million during the year, down 55.7% and 81.8% respectively on the previous financial year.

The Dampier Slipway contributed revenue of $12.0 million and EBITDA of $0.7 million during the year, up from revenue of $9.8 million and an EBITDA loss of $(2.1) million in FY2016.

MMA will continue to operate the Slipway under a licence arrangement through FY2018 with an option to extend through to 30 June 2019. The Slipway will form part of the Vessels operating segment going forward.

The operational transition has been smooth with no impact on MMA's Australian vessel operations. MMA will continue to manage its Australian vessel operations from a regional office at the Dampier Supply Base.

Broome Supply Base (Joint Venture between MMA and Toll Holdings Ltd)

MMA disposed of its 50% share in the Broome Supply Base joint venture to Toll Group in April 2017 for $8.7 million represented by a dividend distribution of $8.3 million and sale proceeds of $0.4 million.

MMA's 50% share of NPAT from the Broome Supply Base for the 2017 financial year up to the date of sale was $0.5 million, down from $2.6 million in FY2016.

Cost Reduction Programme

MMA is focused on sustainably reducing costs in all areas of the business whilst maintaining the high safety and operating standards which are critical to success in the offshore industry.

Significant costs have been taken out of the business over the past three years with corporate and operating overheads set to reduce by 40% between FY2015 and FY2018 (excluding reductions relating to the Supply Base sale).

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Headcount across the business has reduced by over 50% (excluding reductions relating to Supply Base, Shipyards and vessel crew). There have been material reductions in overall salary packages with no base salary increases or bonus payments for the past three years. In addition, the Board of Directors and members of the Senior Executive team have taken a reduction in fixed remuneration of at least 10% effective from 1 July 2017.

In addition to overhead savings, MMA has also significantly reduced direct operating costs through supplier negotiations, business efficiencies and general cost control across the business. MMA also has an active layup programme for vessels in between contracts utilising our land based facilities. This has significantly reduced holding costs on underutilised vessels.

A culture of cost management has been instilled throughout the business with a focus on minimising all discretionary expenditure whilst being mindful to ensure that cost savings are not made at the expense of the quality, reliability and safety of our operations.

The focus on costs is ongoing and will continue through FY2018.

Balance Sheet

MMA's cash at bank as at 30 June 2017 was $28.8 million and gearing has increased to 111.4% following the impairment charge. Cash at bank includes $10.2 million held in escrow under the terms of MMA's Syndicated Loan Facility. Amounts in this account may be used to make additional prepayments of the outstanding balance of the Facility at any time. MMA may not otherwise withdraw the cash unless approved by a majority of syndicate members.

Notwithstanding the current trading environment, MMA's Banking Syndicate remain supportive. In February 2017, the Company agreed a number of amendments to its Banking Facility to assist it to trade through the current difficult market conditions. Previous scheduled amortisation payments of A$75 million per annum were replaced by a single principal repayment of A$45 million which was made prior to 30 June 2017 from the proceeds of the Supply Base sale. No further compulsory amortisation is required until the expiry date of the Facility which has been extended to 30 September 2019.

In addition to the A$45 million amortisation payment made in June 2017, MMA applied the proceeds from the sale of its share of the Broome Supply Base to debt reduction and has also committed to applying any proceeds from non-core vessel sales to reducing the facility balance.

MMA has recently engaged advisors to undertake a strategic review of the Company. The review is focused on an assessment of the Company's financial and industrial strategy, including optimising the Company's longer term funding structure.

Safety

MMA continued to achieve excellence in its safety culture and performance. The Company's Total Recordable Case Frequency ("TRCF") for FY2017 was 0.95, up slightly on FY2016, but a world class safety performance compared to industry peers.

MMA's Target 365 Strategy continues to evolve and produce sustainable improvements in safety performance and culture throughout the organisation. Target 365 was developed internally by MMA in

2012 and focuses on each person in the organisation coming to work every day with the aim of having a "Perfect Day", that is, a day free of recordable injuries and material incidents. It is pleasing to see the Target 365 message becoming embedded in the safety culture of the organisation.

During FY2016 MMA launched a new initiative, "Target 365 Critical Controls", which focuses on the eight highest risk activities across the business and promotes awareness of the key controls required to prevent serious injury or damage to the environment. The focus during FY2017 has been on embedding these critical controls across the business.

MMA continues to focus on improving its systems and processes. During the year, the Company achieved a major milestone, moving to a single certified global marine safety management system, down from three previously. MMA has also recently been appointed as the representative for the Asia Pacific region on the International Marine Contractors Association Global HSSE Committee.

MMA will continue to drive improvements in safety across the organisation with Target 365 at the core of its strategy.

Outlook

The past three years have seen the offshore vessel industry go through one of the worst downturns in history. Sentiment has, however, recently improved and there are early signs of increased tendering, jack up rig fixing and seismic activity which is promising. There is a growing consensus that the market has now bottomed.

E&P spending, which has been drastically cut in recent years, needs to increase significantly to offset reserve depletion and meet future demand growth and there are some early indications that project sanctioning is beginning to pick up.

The oversupply of offshore vessels in the market remains an issue, although the industry consensus is that a large proportion of the global fleet which is currently cold stacked will never return to service which will eliminate some of the supply overhang.

It will take some time for the vessel market to come into balance with utilisation needing to increase significantly before we see any increase in rates. However, the early signs are encouraging for a market recovery.

With the full year contribution from new vessels and the impact of our cost reduction programmes, we expect a modest improvement in EBITDA from continuing operations in FY2018.

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Preliminary Financial Report and Appendix 4E

for the Year Ended 30 June 2017

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Results for Announcement to the Market

Current Reporting Period: Year ended 30 June 2017
Previous Reporting Period: Year ended 30 June 2016

Earnings	30 June 2017 $'000	30 June 2016 $'000	% Change
Revenue from ordinary activities	221,766	414,724	-47%
Loss before tax from continuing operations	(356,060)	(129,206)	-176%
Loss from continuing operations after tax attributable to members	(354,331)	(112,911)	-214%
Loss from discontinued operations after tax	(23,701)	(31,051)	24%
Net loss attributable to members	(378,032)	(143,962)	-163%

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

Dividends
Given the on-going market conditions, no interim or final dividend has been declared for the 2017 financial year.

Net Tangible Asset Backing	2017	2016
Net tangible asset backing per share	$0.69	$1.70

Details of Entities Where Control Has Been Gained or Lost During the Period
On 28 April 2017 the Group disposed of its 50% investment in Toll Mermaid Logistics Broome Pty Ltd which operated the Broome Supply Base business.

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

There are no likely disputes or qualifications to the accounts.

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2017

	Note	2017 $'000	2016 $'000
Continuing Operations			
Revenue	2.1	221,766	414,724
Investment income		133	937
Other gains/(losses)	2.2	(14,960)	12,354
Vessel expenses		(241,636)	(430,171)
Administration expenses		(7,377)	(9,365)
Impairment charge	2.1	(287,542)	(100,000)
Finance costs		(26,444)	(17,685)
Loss before tax from continuing operations		(356,060)	(129,206)
Income tax benefit	2.4	1,729	16,295
Loss for the Year from continuing operations		(354,331)	(112,911)
Discontinued Operations			
Loss from discontinued operations	2.3	(23,701)	(31,051)
Loss for the Year		(378,032)	(143,962)
Other Comprehensive Income, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(6,906)	25,152
Reclassification of exchange differences on disposal of entities		-	(1,835)
Gain/(loss) on hedge of net investment in a foreign operation		7,142	(8,829)
Gain on cashflow hedges		-	6,294
Transfer of cashflow hedge gain to initial carrying amount of hedged items		-	(17,839)
Other comprehensive income for the year, net of tax		236	2,943
Total Comprehensive Loss for the Year		(377,796)	(141,019)
Loss attributable to owners of the Company		(378,032)	(143,962)
Total comprehensive loss attributable to owners of the Company		(377,796)	(141,019)

		Cents Per Share	Cents Per Share
Earnings/(loss) per share			
From continuing operations			
Basic	2.5	(94.98)	(30.31)
Diluted	2.5	(94.98)	(30.31)
From continuing and discontinued operations			
Basic	2.5	(101.33)	(38.64)
Diluted	2.5	(101.33)	(38.64)

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

Consolidated Statement of Financial Position
As at 30 June 2017

	Note	2017 $'000	2016 $'000
Current Assets			
Cash and cash equivalents	3.1	28,757	49,725
Trade and other receivables	3.2	65,317	66,676
Inventories	3.3	3,032	4,263
Current tax assets		-	5,712
Prepayments		1,254	3,349
Assets classified as held for sale	3.4	35,944	-
Total Current Assets		134,304	129,725
Non-Current Assets			
Investments accounted for using the equity method	3.5	-	8,966
Property, plant and equipment	3.6	498,386	955,782
Total Non-Current Assets		498,386	964,748
Total Assets		632,690	1,094,473
Current Liabilities			
Trade and other payables	3.8	37,386	43,940
Unearned revenue		66	3,489
Borrowings	3.9	5	73,083
Provisions	3.10	10,208	14,633
Current tax liabilities		2,607	-
Customer deposits		2,000	2,210
Total Current Liabilities		52,272	137,355
Non-Current Liabilities			
Unearned revenue		-	311
Trade payables		8,597	-
Borrowings	3.9	314,447	318,742
Provisions	3.10	885	806
Deferred tax liabilities	3.11	-	3,093
Total Non-Current Liabilities		323,929	322,952
Total Liabilities		376,201	460,307
Net Assets		256,489	634,166
Equity			
Issued capital	4.1	561,275	556,566
Reserves	4.2	115,199	119,553
Accumulated losses		(419,985)	(41,953)
Total Equity		256,489	634,166

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

Consolidated Statement of Changes in Equity
For the year ended 30 June 2017

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

Year Ended 30 June 2016	Issued Capital $'000	Employee Equity Settled Benefits Reserve $'000	Hedging Reserve $'000	Foreign Currency Translation Reserve $'000	Retained Earnings/ (Accumulated Losses) $'000	Total $'000
Balance at 1 July 2015	555,681	4,952	(37,971)	148,877	107,578	779,117
Comprehensive income/(loss) for the year:						
Loss for the year	-	-	-	-	(143,962)	(143,962)
Other comprehensive income/(loss) for the year	-	-	(20,374)	23,317	-	2,943
Total Comprehensive Income/(Loss) for the Year	-	-	(20,374)	23,317	(143,962)	(141,019)
Payment of dividends	-	-	-	-	(5,569)	(5,569)
Issue of shares under dividend reinvestment plan	885	-	-	-	-	885
Recognition of share based payments	-	915	-	-	-	915
Related income tax benefit	-	(163)	-	-	-	(163)
Balance at 30 June 2016	556,566	5,704	(58,345)	172,194	(41,953)	634,166

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

Consolidated Statement of Cash Flows
For the Year Ended 30 June 2017

	Note	2017 $'000	2016 $'000
Cash Flows from Operating Activities			
Receipts from customers		244,195	579,893
Interest received		133	937
Payments to suppliers and employees		(236,413)	(451,668)
Income tax received		6,638	6,959
Interest and other costs of finance paid		(20,647)	(15,947)
Net Cash (Used In)/Provided by Operating Activities	3.1	(6,094)	120,174
Cash Flows from Investing Activities			
Payments for property, plant and equipment		(28,033)	(172,014)
Proceeds from sale of property, plant and equipment		75,536	34,997
Proceeds from sale of investment		425	-
Dividends received		9,063	4,000
Net Cash Used in Investing Activities		56,991	(133,017)
Cash Flows from Financing Activities			
Repayment of borrowings		(67,326)	(58,660)
Financing fees on borrowings		(3,723)	(2,574)
Dividends paid		-	(4,684)
Net Cash Used in Financing Activities		(71,049)	(65,918)
Net decrease in cash and cash equivalents		(20,152)	(78,761)
Cash and cash equivalents at the beginning of the financial year		49,725	124,482
Effects of exchange rate changes on the balance of cash held in foreign currencies		(816)	4,004
Cash and Cash Equivalents at the End of the Financial Year		28,757	49,725

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

Notes to the Financial Statements

For the year ended 30 June 2017

1. GENERAL NOTES

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

1.1 Basis of Preparation

The financial statements have been prepared on the basis of historical cost, except for certain assets which have been impaired and financial instruments that are measured at fair values. Historical cost is generally based on the fair values of the consideration given in exchange for assets.

All amounts are presented in Australian dollars, unless otherwise noted. Transactions in foreign currencies are recognised at the rates of exchange prevailing at the dates of the transactions. Monetary items denominated in foreign currencies at reporting date are translated at the exchange rate prevailing at that date. Exchange differences are recognised in profit or loss in the period in which they arise except for certain hedging transactions as described in note 4.2.

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

The accounting policies are consistent with those applied in previous reporting periods.

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

1.2 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

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

Allowance for doubtful debts – refer note 3.2

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives of property, plant and equipment – refer note 3.6
Impairment of property, plant & equipment – refer note 3.7

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, which were sold during the current year, 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 reportable segment:

	Revenue from external customers		Impairment charge		Profit/(loss) after impairment	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Continuing Operations						
Vessels	221,766	414,724	(287,542)	(100,000)	(307,412)	(115,447)
Investment income					133	937
Other gains/(losses)					(14,960)	12,354
Administration costs					(7,377)	(9,365)
Finance costs					(26,444)	(17,685)
Loss from continuing operations before income tax					(356,060)	(129,206)

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

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined progressively at contractual rates as service hours are delivered and direct expenses incurred.

Segment Assets

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

	2017 $'000	2016 $'000
Vessel segment assets(i)	582,002	937,658
Unallocated assets	41,742	69,340
Total continuing assets	623,744	1,006,998
Assets relating to discontinued operations(ii)	8,946	87,475
Total	632,690	1,094,473

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

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

For the purposes of monitoring segment performance and allocating resources between segments, all assets are allocated to reportable segments other than cash, investments in jointly controlled entities, other financial assets, current tax assets and central administration assets.

2.1 Segment Information (continued)

Other segment information

	Depreciation and amortisation		Additions to non-current assets	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Vessel assets	44,708	80,286	31,010	156,403
Unallocated assets	833	1,024	49	-
Total	45,541	81,310	31,059	156,403

Impairment charges from continuing operations

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

	2017 $'000	2016 $'000
Vessels held for continuing operations	158,089	100,000
Vessels held for sale	129,453	-
Total	287,542	100,000

Geographical information

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

During the year, the Group operated vessels in a number of countries outside of Australia. The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed in the following table.

	Revenue from external customers		Non-current assets[(i)]	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Location				
Australia	149,314	323,616	242,816	340,597
Other	72,452	91,108	255,570	615,185
Total	221,766	414,724	498,386	955,782

(i) Non-current assets excluding investments accounted for using the equity method.

Information about major customers for continuing operations

Included in revenues arising from vessel services are revenues of approximately $30.5 million (2016: $38.2 million) which arose from sales to the Group's largest customer, revenues of approximately $28.7 million (2016: $61.4 million) which arose from sales to the Group's second largest customer and revenues of approximately $26.5 million (2016: $7.3 million) which arose from sales to the Group's third largest customer.

2.2 Other Income and Expenses	2017 $'000	2016 $'000
Profit/(loss) for the year has been arrived at after recognising the following specific amounts		
Other gains and losses:		
Net foreign exchange gains/(losses)	(271)	981
Loss on disposal of property, plant and equipment	(11,423)	(3,791)
Loss on disposal of assets held for sale	(3,266)	-
Gain on disposal of investment	-	15,164
Total	(14,960)	12,354
Depreciation:		
Leasehold buildings and improvements	261	1,004
Vessels at cost	43,548	78,106
Plant and equipment	1,678	2,134
Plant and equipment – hire purchase	54	66
Total	45,541	81,310
Impairment charges:		
Impairment charge recognised on trade receivables	8,631	7,279
Reversal of impairment charge recognised on trade receivables	-	(1)
Impairment charge recognised on vessel cash generating unit	287,542	100,000
Employee benefits:		
Post-employment benefits:		
Defined contribution plans	9.675	12.969
Share based payments:		
Equity settled share based payments	285	915
Other employee benefits	99.193	139,706
Total	109,153	153,590

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

2.3 Discontinued Operations

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

Dampier Supply Base and Slipway businesses

At 31 December 2016, the Group classified the Dampier Supply Base and Slipway businesses as held for sale and discontinued operations.
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 50% investment in TMLB which operated the Broome Supply Base business and accordingly, classified the investment as a discontinued operation. This investment was previously accounted for using the equity method.

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

The combined results of the discontinued operations included in the profit/(loss) for the year are set out below. The comparative profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current period.

2.3 Discontinued Operations (continued)

	2017 $'000	2016 $'000
Profit/(Loss) for the period of discontinued operations		
Revenue	34,630	66,399
Share of profit from jointly controlled entity	522	2,611
Total revenue	35,152	69,010
Expenses	(33,365)	(56,066)
Loss on sale of discontinued operations	(842)	-
Impairment charge on measurement to fair value	(24,646)	(39,000)
Profit/(Loss) before tax	(23,701)	(26,056)
Attributable income tax expense	-	(4,995)
Profit/(Loss) for the period from discontinued operations	(23,701)	(31,051)
Cash flows from discontinued operations:		
Net cash inflows from operating activities	1,693	36,855
Net cash inflows from investing activities	50,353	3,351
Net cash outflows from financing activities	(861)	(1,701)
Net cash inflows	51,185	38,505

2.4 Income Taxes

	2017 $'000	2016 $'000
Income tax recognised in profit or loss		
Tax (benefit)/expense comprises:		
Current tax expense in respect of the current year	1,063	2,635
Deferred tax benefit in respect of the current year	(3,160)	(7,695)
Adjustment recognised in the current year in relation to tax provisions of prior years	368	(11,235)
Total income tax benefit	(1,729)	(16,295)
The income tax (benefit)/expense for the year can be reconciled to accounting loss as follows:		
Loss from operations	(356,060)	(129,206)
Income tax benefit calculated at 30%	(106,818)	(38,762)
Effect of revenue that is exempt from taxation	(226)	(884)
Effect of expenses that are not deductible in determining taxable profit	75,842	28,208
Effect of tax deductible items not included in accounting profit	(461)	(250)
Effect of foreign income taxable in Australia	570	1,671
Effect of tax losses utilised	-	(1,623)
Effect of unused tax losses and temporary differences not recognised as deferred tax assets	25,230	6,030
Effect of different tax rates of subsidiaries operating in other jurisdictions	3,766	550
	(2,097)	(5,060)
Adjustment recognised in the current year in relation to tax provisions of prior years	368	(11,235)
Total income tax benefit	(1,729)	(16,295)

The tax rate used for the 2017 and 2016 reconciliations above is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

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

2.4 Income Taxes (continued)

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from profit as reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

2.5 Earnings per Share

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

	2017 $'000	2016 $'000
Loss for the year used in the calculation of basic and diluted earnings per share from continuing operations	(354,331)	(112,911)
Loss from discontinued operations	(23,701)	(31,051)
Loss for the year used in the calculation of basic and diluted earnings per share	(378,032)	(143,962)

	2017 No.'000	2016 No.'000
Weighted average number of ordinary shares (basic):		
Weighted average number of ordinary shares used in the calculation of basic earnings per share	373,077	372,581
Weighted average number of ordinary shares (diluted):		
Weighted average number of ordinary shares used in the calculation of basic earnings per share	373,077	372,581
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	373,077	372,581
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	10,924	13,719

2.6 Dividends Provided for or Paid

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

	2017 $'000	2016 $'000
Adjusted franking account balance	47,589	44,000

3. ASSETS AND LIABILITIES

3.1 Cash

Reconciliation of cash and cash equivalents

Cash balances include $10.2 million held in Escrow under the terms of the Group's Syndicated loan Facility. Amounts in this account may be used to make additional prepayment of the outstanding balance of the Facility (see note 3.9) at any time. The Group may not otherwise withdraw the cash unless approved by a majority of the Syndicate members.

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

	2017 $'000	2016 $'000
Cash and cash equivalents	28,757	49,725

Reconciliation of loss for the year to net cash flows from operating activities		
Loss for the year	(378,032)	(143,962)
Depreciation of non-current assets	47,933	89,031
Impairment of non-current assets	312,188	139,000
Amortisation of borrowing costs	3,900	1,739
Loss on sale of property, plant and equipment	11,423	3,791
Loss on sale of assets held for sale	3,266	-
Loss on sale of discontinued operation	842	-
Gain on disposal of investment	-	(15,164)
Unrealised foreign exchange gain	(71)	(228)
Allowance for doubtful debts	8,474	7,279
Bad debts	157	-
Equity settled share based payment	285	915
Share of jointly controlled entity profit	(522)	(2,611)
Change in net assets and liabilities:		
(Increase)/decrease in trade and other receivables	(8,482)	131,343
Decrease in prepayments	2,085	6,562
Decrease in inventories	1,172	558
Decrease in current tax receivable/(increase) in current tax liability	8,043	(2,377)
Decrease in provisions	(4,566)	(8,525)
Decrease in trade and other payables	(7,343)	(50,163)
Decrease in unearned revenue	(3,713)	(35,050)
Decrease in deferred tax liabilities	(3,133)	(1,964)
Net cash flows from operating activities	(6,094)	120,174

3.2 Trade and Other Receivables

Trade receivables	76,834	71,181
Allowance for doubtful debts	(21,240)	(13,456)
Other receivables	9,723	8,951
Total	65,317	66,676

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

Of the trade receivables balance at the end of the year, $16.1 million (2016: $18.3 million) is outstanding from the Group's largest debtor and $6.8 million (2016: $6.6 million) from the Group's second largest debtor.

3.2 Trade and Other Receivables (continued)

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.

	2017 $'000	2016 $'000
Ageing of receivables past due but not impaired:		
31-60 days	1,932	2,863
61-90 days	4,680	4,342
91-120 days	2,184	1,362
121-150 days	1,027	2,610
Over 150 days	10,533	18,096
Total	20,356	29,273
Movement in the allowance for doubtful debts		
Balance at the beginning of the year	13,456	6,068
Impairment losses recognised on receivables	8,788	7,197
Amounts written off as uncollectable	(157)	-
Amounts recovered during the year	-	(1)
Foreign exchange translation	(847)	192
Balance at the end of the year	21,240	13,456

Significant Accounting Judgement

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

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been affected.

3.3 Inventories

	2017 $'000	2016 $'000
Fuel – at cost	2,501	2,996
Consumables	511	1,215
Work in progress	20	52
Total	3,032	4,263

Inventories are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3.4 Assets Classified as Held for Sale

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

At 31 December 2016, the Group resolved to dispose of a number of non-core vessels within the fleet. An impairment charge of $129 million was recognised on the reclassification of the non-core vessels to held for sale at that date, as the fair value less costs to sell for these vessels was expected to be lower than their carrying amount.

At 30 June 2017, the carrying value of the vessels not yet sold was $35.9million.

3.5 Investments Accounted For Using The Equity Method

The Company owned a 50% (2016:50%) interest in Toll Mermaid Logistics Broome Pty Ltd (TMLB), which was sold on 28 April 2017 for $8.7m, represented by a dividend distribution of $8.3m and sales proceeds of $0.4m. The carrying value on disposal was $8.7m (30 June 2016: $9.0m). The company is incorporated in Australia and provides supply base services in Broome for the offshore oil and gas industry.

3.6 Property, Plant and Equipment

	Leasehold Buildings and Improvements at cost $'000	Vessels at cost $'000	Plant and Equipment at cost $'000	Plant and Equipment – Hire Purchase at cost $'000	Fixed Assets under Construction $'000	Total $'000
Gross carrying amount:						
Balance at 1 July 2015	153,464	1,124,071	30,909	11,887	122,551	1,442,882
Additions	2,012	122,237	1,469	-	33,602	159,320
Disposals	(5,409)	(90,716)	(2,057)	(690)	-	(98,872)
Transfers	-	49,895	(61)	-	(49,834)	-
Net currency exchange differences	5,296	38,450	2,503	(2)	5,326	51,573
Balance at 1 July 2016	155,363	1,243,937	32,763	11,195	111,645	1,554,903
Additions	194	12,162	106	569	18,834	31,865
Disposals	(964)	(73,088)	(106)	(690)	-	(74,848)
Transfers	-	134,202	160	(135)	(134,227)	-
Reclassification of assets held for sale	(140,363)	(349,852)	(16,625)	(10,426)	-	(517,266)
Net currency exchange differences	(284)	48,399	(242)	(513)	3,748	51,108
Balance at 30 June 2017	13,946	1,015,760	16,056	-	-	1,045,762
Accumulated depreciation:						
Balance at 1 July 2015	(45,450)	(333,316)	(13,478)	(4,560)	-	(396,804)
Disposals	285	57,295	1,919	585	-	60,084
Impairment charge	(35,071)	(82,570)	(1,845)	(2,084)	(17,430)	(139,000)
Depreciation expense	(6,369)	(78,106)	(3,674)	(882)	-	(89,031)
Net currency exchange differences	(6,714)	(26,215)	(1,442)	1	-	(34,370)
Balance at 1 July 2016	(93,319)	(462,912)	(18,520)	(6,940)	(17,430)	(599,121)
Disposals	291	45,256	72	431	-	46,050
Impairment charge	(21,457)	(275,126)	(3,494)	(1,256)	(10,855)	(312,188)
Depreciation expense	(1,738)	(43,549)	(2,311)	(335)	-	(47,933)
Transfers	-	(27,616)	(125)	101	27,640	-
Reclassification of assets held for sale	105,683	292,472	12,318	7,913	-	418,386
Net currency exchange differences	(1,981)	(51,468)	148	86	645	(52,570)
Balance at 30 June 2017	(12,521)	(522,943)	(11,912)	-	-	(547,376)
Net book value:						
As at 30 June 2016	62,044	781,025	14,243	4,255	94,215	955,782
As at 30 June 2017	1,425	492,817	4,144	-	-	498,386

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

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives. Leasehold buildings and improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit and loss.

3.6 Property, Plant and Equipment (continued)

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

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

Key Source of estimation uncertainty

The Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. At the end of this reporting period, the Directors have determined that there was no adjustment required to the Group's property, plant and equipment's useful lives.

3.7 Impairment of Non-current Assets

At each reporting date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Key Source of estimation uncertainty

Determining whether assets are impaired requires an estimate of the recoverable value of the assets. In order to determine the recoverable value of the assets in the current year, a Fair Value less Cost of Disposal (FVLCOD) approach was used (2016: FVLCOD approach). The FVLCOD method requires an estimate of the current market value of the assets and the costs that would be associated with a disposal of the assets. In estimating the current market value of the assets, the Group engaged experienced and qualified valuers to perform valuations. At the end of the reporting period, the Directors have determined that there is an impairment charge required to the Group's carrying amount of property, plant & equipment.

The Group performs its impairment testing annually on 30 June each year. In addition, market conditions are monitored for indications of impairment for all of the Group's operating assets. Where an indication of impairment is identified, a formal impairment assessment is performed.

The Group has identified the following indicators of impairment at 30 June 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 amounts of the Vessels Cash-Generating Unit ('CGU').
The Supply Base and Slipway CGU's were classified as Held for Sale as at 31 December 2016 resulting in the recognition of an impairment at that date as disclosed below. These assets were subsequently disposed of on 15 June 2017.

Impairment testing

The Group has evaluated whether the recoverable amount of each CGU exceeds its carrying amount. The recoverable amount is determined to be the higher of its fair value less costs of disposal ("FVLCOD") or its value in use. In all instances, the FVLCOD method was used for the purpose of impairment testing on 30 June 2017.

Impairment charges recognised

The following information relates to impairment charges included in profit or loss:

			Impairment charge	
Segment/CGU	Class of asset	Method	2017 $'000	2016 $'000
Vessels	Property, Plant & Equipment	FVLCOD	287,542	100,000
Supply Base	Property, Plant & Equipment	FVLCOD	22,315	36,000
Slipway	Property, Plant & Equipment	FVLCOD	2,331	3,000
Total			312,188	139,000

3.7 Impairment of Non-current Assets (continued)

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

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

CGU	Level 3[(i)] $'000	Recoverable Amount $'000
Vessels		
Continuing operations	498,386	498,386
Held for sale	35,944	35,944

(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

Industry conditions in Australia and internationally continue to be challenging, as the impact of the continued low oil prices and over supply of vessels are felt across the offshore oil and gas support industry. Oil prices have recovered from near 12-year lows, but continue to remain subdued, reflecting ongoing surplus concerns. As a result of these concerns MMA is impacted through lower utilisation and charter rates for its vessels. In addition, the value of vessels in the market has continued to decrease.

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

Continuing Operations

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

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. We have applied an 'en bloc' discount of 20% being a rate within a range provided by the independent valuer. A 5% increase or decrease in the 'en bloc discount rate would result in a corresponding $31 million increase or decrease in the impairment 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.

At 30 June 2017, the inputs used in calculating the fair value of the core fleet have moved from Level 2 to Level 3 within the fair value hierarchy. While the underlying independent valuation of each vessel is still considered to be a Level 2 input, the continued weakness in the vessel market and industry has resulted in limited market information being currently available to assess the value of the 'en bloc' discount used in the current reporting period. As a result of this limited observable data, the fair value hierarchy is reclassified to Level 3.

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.

3.7 Impairment of Non-current Assets (continued)

In the initial assessment of the fair value of these non-core vessels at 31 December 2016, the Company had taken into consideration the following factors:

- the current market values assessed by the independent specialist marine consultancy and broking company;
- the recent market evidence of deemed distressed sales of vessels of similar age and classification;
- the forecast costs the Company would incur in holding the respective vessels over the next 3 year period; and
- the accelerated timing in which the Company wants to complete the sales.

The Company reassessed the fair value of the remaining non-core vessels at 30 June 2017 to take into consideration the following factors:

- actual sales of the non-core vessels that have been completed to date and contracted vessel sales that will complete in the coming months
- current sale discussions 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 a corresponding $1.8 million decrease or increase in the impairment amount for these non-core vessels.

3.8 Trade and Other Payables

	2017 $'000	2016 $'000
Trade payables	7,826	9,372
Other payables and accruals	24,390	34,443
Goods and services tax payable	5,170	125
Total	37,386	43,940

The average credit period on purchases of all goods is 30 days. The Group monitors payments to ensure that all payables are paid within the credit time frame.

3.9 Borrowings

	2017 $'000	2016 $'000
Secured – at amortised cost		
Current		
Hire purchase liability(i)	5	432
Bank loans(ii)	-	75,000
Unamortised loan fees(iii)	-	(2,349)
Total	5	73,083
Non-Current		
Hire purchase liability(i)	8	491
Bank loans(ii)	324,209	322,755
Unamortised loan fees(iii)	(9,770)	(4,504)
Total	314,447	318,742

Summary of borrowing arrangements:

(i) The borrowings are fixed interest rate debt with repayment periods not exceeding 3 years. The current weighted average effective interest rate on the hire purchase liabilities is 2.9% (2016: 6.41%).

(ii) In May 2014, the Company entered into a five year Syndicated Facility Agreement with NAB and ANZ as mandated lead arrangers together with a further five Syndicate Banks, comprising a A$200 million term loan facility and a US$227 million term loan facility. The Facility was fully secured by fixed and floating charges given by certain controlled entities within the Group, registered ship mortgages over a number of vessels owned by certain controlled entities, real property mortgages, and a mortgage by way of sub-demise over the Dampier Supply Base lease.

3.9 Borrowings (continued)

In February 2016, the Company agreed a number of amendments to the terms and financial covenants of the Facility with the members of the Syndicate in response to the difficult trading conditions in the offshore oil and gas industry.

On 16 September 2016, the Company received approval of some further amendments to the terms and financial covenants of the Facility from the Syndicate members and committed to an increase in the annual principal repayments over the remaining term of the Facility to $75.0 million per annum, with $37.5 million to be settled by 31 December 2016.

On 23 December 2016 the Syndicate agreed to defer the payment of the scheduled amortisation of $37.5m which was due on 31 December 2016 to 31 March 2017.

Subsequently, on 28 February 2017, the Company and the Syndicate members agreed to a number of further amendments to the Facility including replacing the previous scheduled amortisation payments with a principal repayment of $45 million to be paid on 30 June 2017 and the remaining balance of the Facility to be repaid at the termination date. The parties also agreed to extend the term of the Facility for a further 6 month period to 30 September 2019.

The $45 million principal repayment at 30 June 2017 was funded primarily from the proceeds of the sale of the Company's Dampier Supply Base and Slipway businesses.

The Company also applied proceeds received from the non-core vessels sales program and the sale of its 50% share of the Broome Supply Base business, via the sale of its 50% shareholding in the jointly controlled Company, Toll Mermaid Logistics Broome Pty Ltd, toward prepayment of the remaining balance of the Facility.

In accordance with the terms of the Facility, proceeds from the sale of the remaining non-core vessels will also be applied toward prepayment of the remaining balance of the Facility.

The current weighted average effective interest rate on the bank loans is 7.6% (2016: 3.77%).

(iii) Fees in relation to the Syndicated Facility Agreement.

Other financial liabilities including borrowings are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the profit and loss.

Available borrowing facilities	2017 $'000	2016 $'000
Secured loan facilities with various maturity dates through to 2019 and which may be extended by mutual agreement:		
Amount used	324,209	397,755
Amount unused	-	-
Total	324,209	397,755
Secured bank overdraft:		
Amount used	-	-
Amount unused	4,000	4,000
Total	4,000	4,000

3.10 Provisions	2017 $'000	2016 $'000
Current		
Employee benefits – annual leave	6,553	7,075
Employee benefits – long service leave	3,507	3,418
Restructuring costs – shipbuilding operations	148	889
Warranty & Cancellation costs – shipbuilding operations	-	3,251
Total	10,208	14,633
Non-current		
Employee benefits – long service leave	885	806

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

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long-term employee benefits are measured at the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

A restructuring provision is recognised when the Group has developed a detailed formal plan for restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

3.11 Deferred Tax Balances

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

2017	Opening balance $'000	Recognised in profit or loss $'000	Recognised in equity $'000	Closing balance $'000
Gross deferred tax liabilities:				
Property, plant and equipment	(11,098)	6,219	336	(4,543)
Inventory	(903)	443	-	(460)
Receivables	(674)	6	-	(668)
Other	(104)	148	-	44
	(12,779)	6,816	336	(5,627)
Gross deferred tax assets:				
Provisions	684	(48)	-	636
Employee share trust	382	85	(166)	301
Unearned revenue	104	(104)	-	-
Unused tax losses and credits	7,995	(3,368)	(237)	4,390
Other	521	(221)	-	300
	9,686	(3,656)	(403)	5,627
Total	(3,093)	3,160	(67)	-

2016	Opening balance $'000	Recognised in profit or loss $'000	Recognised in equity $'000	Closing balance $'000
Gross deferred tax liabilities:				
Property, plant and equipment	(8,756)	(1,197)	(1,145)	(11,098)
Inventory	(625)	(278)	-	(903)
Receivables	(658)	(16)	-	(674)
Other	(10,401)	10,297	-	(104)
	(20,440)	8,806	(1,145)	(12,779)
Gross deferred tax assets:				
Provisions	4,247	(3,563)	-	684
Share issue costs	14	(14)	-	-
Employee share trust	270	275	(163)	382
Unearned revenue	7,389	(7,285)	-	104
Unused tax losses and credits	3,187	4,410	398	7,995
Other	450	71	-	521
	15,557	(6,106)	235	9,686
Total	(4,883)	2,700	(910)	(3,093)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period(s) in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

3.11 Deferred Tax Balances (continued)

Unrecognised deferred tax assets	2017 $'000	2016 $'000
Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognised are attributable to the following:		
Tax losses (revenue in nature)	39,371	10,057
Tax losses (capital in nature)	19,313	837
Deductible temporary differences	10,116	10,976

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Nature of tax funding arrangements and tax sharing agreements

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax sharing agreement with the head entity. Under the terms of the tax funding arrangement, MMA Offshore Ltd and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group.

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if any entity should leave the tax consolidated group. The effect of the tax sharing agreement is that each member's liability for tax payable by the tax consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

4. CAPITAL STRUCTURE

4.1 Issued Capital

Fully Paid Ordinary Shares	2017 No.'000	2017 $'000	2016 No.'000	2016 $'000
Balance at beginning of financial year	373,077	556,566	371,220	555,681
Issue of shares under employee rights plans	-	-	122	-
Transfer employee equity settled benefits reserve		4,709		
Issue of shares under dividend reinvestment plan	-	-	1,735	885
Balance at end of financial year	373,077	561,275	373,077	556,566

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

Share Rights

As at 30 June 2017, executives and employees held rights over 10,923,881 ordinary shares (2016: 13,718,778) in aggregate.

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

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

4.2 Reserves

	2017 $'000	2016 $'000
Employee equity settled benefits	1,114	5,704
Hedging	(51,203)	(58,345)
Foreign currency translation	165,288	172,194
Balance at end of financial year	115,199	119,553

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

The hedging reserve is used to record gains and losses on hedges designated as cash flow hedges including hedges of net investments in a foreign operation. Gains and losses accumulated in the hedge reserve are taken to the profit or loss when the hedged transaction impacts the profit or loss, or is included as an adjustment to the initial carrying amount of the hedged item. For a net investment in a foreign operation any gains and losses are taken to profit and loss on disposal of the foreign operation.

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

The assets and liabilities of the Group's foreign operations are translated into Australian Dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised through other comprehensive income and recognised in equity.

On the disposal of the foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss.