MMA OFFSHORE LIMITED

HALF YEAR FINANCIAL REPORT – 31 DECEMBER 2019

The Directors of MMA Offshore Limited ("MMA" or "Company") (ASX: MRM) are pleased to present the Financial Report of the Company for the six months ended 31 December 2019.

Financial Summary

	Half year ended 31 Dec 2019	Half year ended 31 Dec 2018	Variance %
Revenue	$130.9M	$119.5M	⬆ 9.5%
EBITDA	$18.9M	$12.6M	⬆ 50.0%
EBIT	$(2.6)M	$(4.6)M	⬆ 43.5%
NPAT (Normalised)[1]	$(9.7)M	$(14.6)M[1]	⬆ 33.6%

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

"*We are pleased to report a 50% increase in EBITDA over the previous corresponding period which is the result of improving market conditions.*

"Global utilisation and vessel rates are beginning to improve as investment in the offshore energy sector resumes.

"The profitability of MMA's core vessel business is highly leveraged to increasing rates and utilisation with any improvement translating to the bottom line.

"Our growth businesses of subsea services and project logistics are also set to benefit from the increase in new project activity forecast for the offshore energy sector.

"Our Balance Sheet remains a key focus. Our debt metrics are improving, and whilst we continue to operate within our banking covenants, we are working closely with our Banking Syndicate, as well as reviewing the range of alternative financing options, to extend our debt beyond the current expiry of September 2021.

"Whilst the global macro environment remains uncertain, we believe the fundamentals for a continued improvement in the offshore energy markets remain sound and we expect MMA to continue to benefit from increased activity in the sector."

[1] Excluding the impact of an asset impairment charge of $13.1m in 1H FY2019

MMA's Managing Director, Mr David Ross, commented:

"MMA's core business continues to improve, with our platform supply and multipurpose vessels achieving over 80% utilisation for the half. We are also starting to see rate increases across our higher quality vessels.

"Our strategy to reduce the number of commoditised and older vessels in the fleet during the downturn was sound, with these vessels continuing to struggle in the market. We shall continually monitor the performance of our asset portfolio and adjust accordingly to optimise the best possible outcome.

"The integration of the Neptune business is progressing well, and we are focused on extracting the full benefit from the acquisition. We have already successfully completed a number of integrated work scopes and see significant potential to grow the combined service offering.

"Our project logistics business, MMA Global Projects secured its first contract in Mozambique with a significant pipeline of major projects on the horizon.

"We have refined our strategy to focus on maximising our core business whilst seeking to leverage growth from our extensive marine and engineering skills base into both oil and gas markets and adjacent sectors. The offshore wind market is longer-term growth area requiring significant marine services and MMA is positioning to service this market in our key regions.

"Pleasingly, we continue to win new projects from both new and existing clients, with a number of significant contracts secured during the first half including three contracts in the Bass Strait. We have also seen extensions and renewals of existing production support contracts supporting the back log. This collectively is a testament to our commitment to operational excellence and ability to assist in solving our clients' complex marine problems."

"Market conditions have improved and the longer-term fundamentals for a recovery in demand for services across offshore vessels, subsea services and project logistics remain positive.

" At this stage, the recent corona virus outbreak has not materially impacted our operations, however, like many parts of the economy, there may be a flow on effect, which could result in delays to some project activities.

"Based on current projections, we expect to see a continued improvement in EBITDA during the second half of FY2020."

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For further information contact:

Mr David Ross	**Mr David Cavanagh**
Managing Director	Chief Financial Officer
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Half Year Results Teleconference

A teleconference providing an overview of the FY2020 Half Year Results and a question and answer session will be held at 11:00am AWST (2:00pm ADST) on Monday, 24 February 2020.

Investors are encouraged to participate in this event by dialling the numbers listed below and quoting **Conference ID: 2781428**

For locations within Australia please dial:

Australia (Toll-free)	1800 123 296
Australia (Toll)	+61 2 8038 5221

International dial-in details (Toll-free):

Canada	1855 5616 766
China	4001 203 085
Hong Kong	30082034
India	1800 2666 836
Japan	0120 994 669
New Zealand	0800 452 782
Singapore	800 616 2288
United Kingdom	0808 234 0757
United States	1855 293 1544

For countries not listed below, please dial +61 2 8038 5221.

*To ask a question, dial "*1" (star, 1) on your telephone keypad*

MMA OFFSHORE

ABN 21 083 185 693

Financial Report and Appendix 4D
for the Half Year Ended 31 December 2019

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Results for Announcement to the Market

Current Reporting Period: Half year ended 31 December 2019
Previous Reporting Period: Half year ended 31 December 2018

Earnings	31 Dec 2019 $'000	31 Dec 2018 $'000	% Change
Revenue from ordinary activities	130,941	119,518	↑ 10%
Loss before tax	(10,314)	(26,713)	↑ 61%
Loss after tax attributable to members	(9,740)	(27,671)	↑ 65%
Net loss attributable to members	(9,740)	(27,671)	↑ 65%

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 2020 financial year.

Net Tangible Asset Backing	31 Dec 2019	31 Dec 2018
Net tangible asset backing per share	$0.33	$0.36

Details of Entities Where Control Has Been Gained or Lost During the Period to the date of this Report
On 7 November 2019, the Group acquired a 100% interest in the key operating subsidiares of the Neptune Marine Services group. Please refer to the Review of Operations and Note 3.10 for further details. The entities acquired were:

Neptune Asset Integrity Services Pty Ltd
Neptune Subsea Engineering Pty Ltd
Neptune Geomatics Pty Ltd
Neptune Subsea Stabilisation Pty Ltd
Neptune Diving Services Pty Ltd
Neptune Offshore Services (PNG) Ltd Co
Neptune Subsea Stabilisation Pte Ltd
Neptune Marine Pacific Pte Ltd
Neptune Subsea Engineering Co
Neptune Offshore Services Ltd Co
Neptune Subsea Inc

On 4 December 2019, the Group acquired an 80% interest in a project logistics business named MMA Global Projects Pte Ltd based in Singapore. Please refer to Note 3.10 for further details. The entities acquired were:

Premium Project Services Pte Ltd
B&R Marine Pte Ltd
Premium Project Services Middle East LLC
Premium Project Services, Limitada

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 2019. 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;
- Ms E Howell;
- Mr CG Heng;
- Mr P Kennan;
- Mr D Ross (appointed 13 January 2020);
- Mr I Macliver (appointed 20 January 2020); and
- Mr J Weber (resigned 21 November 2019).

Review of Operations

Market Conditions

Market conditions for the offshore oil and gas markets are continuing to improve. Offshore oil and gas companies have been generating strong cash flows which has led to rising offshore project approvals, a positive for future demand for MMA's services across offshore vessel, subsea and project logistics.

Activity in MMA's core market, offshore vessel services has increased with global utilisation increasing and rates tightening for certain sectors of the market.

The subsea installation market is also showing signs of improvement, with increased levels of subsea equipment orders and major subsea construction companies increasing their backlog of contracted revenue.

MMA is seeing direct evidence of the market recovery with improving rates and utilisation on its higher quality assets, as well as larger volume of longer-term contracts being tendered in the market.

The outlook for the Offshore Wind industry is very strong with significant capacity forecast to be installed in our operational regions over the next 10 years. Offshore Wind is a vessel intensive industry and a key focus area of MMA's longer-term growth strategy for both the construction and longer-term maintenance phases.

Financial Performance

MMA reported Earnings before Interest, Tax, Depreciation and Amortisation (**EBITDA**) of $18.9 million for the first half of FY2020, up 50% from the EBITDA of $12.6 million generated in the first half of FY2019. EBITDA for FY20 was impacted by $4.5 million in one-off items including restructuring costs, acquisition costs and doubtful debts provisions. In addition, the application of the new leasing standard AASB16, which required the reclassification of certain lease payments as depreciation, resulting in a positive impact to EBITDA of $2.3 million.

The Reported Net Loss after Tax was $(9.7) million, an improvement of 33.6% on the previous corresponding period.

Balance Sheet

MMA's Cash at Bank as at 31 December 2019 was $74.6 million and Total Interest-Bearing Debt was $275.1 million.

MMA's leverage (Net debt to Property Plant and Equipment) was stable at 42% and well within acceptable levels. MMA's Net Debt to EBITDA ratio, whilst improving, at 6.3 x (pre-AASB 16) remains above our target level of 2.5 x and we are focused on improving this metric. We continue to investigate a range of financing alternatives including discussions with our current Banking Syndicate regarding re-financing or extending the current facility, which remains in place until September 2021.

MMA's Net Tangible Assets (**NTA**) per share as at 31 December 2019 was $0.33 with MMA's share price currently trading at a significant discount to NTA.

Outstanding Receivable Balance

Included in the Group's Trade and other receivables is a debtor in the Kingdom of Saudi Arabia (**KSA**) that the Group has been working with for the last five years and from whom MMA has received periodic payments whilst trading. During the half year, MMA has provided for an additional expected credit loss of $1,280,410. The balance of $8,539,098 is backed by Promissory Notes and the Group has taken legal action in the courts in the KSA to enforce the Promissory Notes.

The debtor issued MMA with promissory notes to the value of US$6.1 million. MMA is advised by its KSA lawyers that Promissory Notes are a form of court enforceable security in KSA.

MMA is advised by its KSA lawyers that Promissory Notes become immediately enforceable in KSA on the due date for payment stated in the note and without the requirement for substantive legal proceedings to determine legal liability.

Promissory Notes are enforced through the KSA Execution Court. This is the KSA Court that has general jurisdiction to enforce judgments in KSA. In addition:

- MMA is enforcing the payment of USD$4.0M worth of the Promissory Notes in the KSA Execution Court;
- The Execution Court has already ordered the debtor to pay MMA US$3.0M and MMA is confident of receiving a similar order for the remaining US$1.0M soon. The remaining Promissory Note (for US$2.1M) will be presented on its maturity date;
- In respect of the USD$3.0M which the KSA Execution Court has ordered payment of, MMA has commenced enforcement proceedings against the debtor seeking a range of sanctions; and
- These sanctions include, amongst others, garnishee orders that the creditors of the debtor (including Saudi Aramco) pay amounts owed to the debtor directly to MMA.

If necessary, similar enforcement proceedings will be commenced in respect of the remaining Promissory Notes. MMA is advised by its KSA lawyers that once these orders are obtained, these sanctions can be enforced by the KSA Execution Court.

So far as MMA is aware, the debtor is still contracting to Saudi Aramco, which would be expected to provide the debtor with an ongoing source of revenue.

In addition, the Group has ceased trading with the debtor and redeployed the vessels into other contracts and regions to limit any additional exposure. The Group has also kept its banking group informed of the progress regarding the recovery of the outstanding balance.

Operations

Offshore Vessel Services

Average utilisation across the fleet globally for the first half was approximately 70%, down marginally on 73% in the first half of FY2019. Importantly, utilisation of our larger and more specialised vessels was significantly higher, with the PSV fleet generating utilisation of 89% and the MPSV fleet achieving 81%, a strong result. The AHTS segment generated utilisation of 49% overall with the smaller tonnage seeing low demand.

Australia

Our vessels were active on a number of key work scopes in Australia during the first half.

The MMA Vision, MMA Coral and MMA Leeuwin supported the Noble Tom Prosser rig for the entire first half, initially with Santos providing a range of services including rig tows to field, infield rig moves and supply duties. Following completion of the Santos scope, the vessels were contracted by AGR to support to the rig on the CarbonNet Project off the coast of Victoria. The vessels are now supporting the same rig with Esso in the Bass Strait on a multiple well program.

The MMA Leveque was contracted to Woodside to provide drilling support to the Ocean Apex, and the MMA Responder, one of our chartered vessels, supported Esso in the Bass Strait.

The MMA Pinnacle completed its second Walk to Work scope with Woodside on the North Rankin Platform in September, receiving positive feedback from the client. Woodside have stated their intention to utilise Walk to Work technology for future platform maintenance operations in Australia which is a positive for future demand for vessels such as the Pinnacle. Outside of the Woodside scope, the Pinnacle continues on its three-year contract with iTech 7, Subsea 7's Life of Field business unit, performing a range of work scopes in Australia and South East Asia.

MMA continued to have a number of vessels on long-term contracts, supporting production activities in Australia. The MMA Plover and MMA Brewster continued on their long-term contract with INPEX supporting the Ichthys LNG Project. The MMA Strait and MMA Sound had their offtake support contracts extended with Woodside through to May 2021 with further options to extend. The MMA Inscription continues on contract with ConocoPhillips and the MMA Cove continues its vessel sharing arrangement with BHP/Santos with the contract currently up for re-tender.

South East Asia

Activity in South East Asia is improving, and our vessels were active on a number of work scopes.

The MMA Pride continued to work as an Accommodation and Walk to Work vessel for Shell Brunei and had its contract extended through to November 2020.

Malaysia continues to show strong activity with the MMA Monarch and MMA Majestic, our 12,000 BHP AHTS vessels, supporting Petronas and Shell Sabah on a range of work scopes. The Vigilant has completed a number of seismic scopes and is currently contracted to SAE Exploration deploying seismic nodes to the seabed floor utilising our Neptune survey and ROV equipment as a packaged service. The Vigilance, Falcon and Pinnacle also completed term projects in Malaysia during the half.

Middle East

The MMA Cavalier, MMA Chieftain and MMA Centurion continued operating in the Middle East during the first half.

The MMA Chieftain and MMA Centurion completed their long-term contracts with Makamin Offshore in Saudi Arabia in January 2020. The Centurion has since been deployed to a client in Qatar and the Chieftain is undertaking scheduled repairs. The MMA Cavalier is continuing operations with Rawabi in Saudi Arabia on short-term scopes.

The MMA Prestige is currently operating in Saudi Arabia on a mid-term contract working on diving and ROV scopes of work.

Africa

The MMA Privilege continued its Accommodation and Walk to Work contract in Cote d'Ivoire and has now successfully completed close to 200,000 personnel transfers for the client.

The MMA Valour has been in Mozambique with Benthic undertaking geotechnical work for Anadarko/Technip. The Valour has been on contract to Benthic since early 2019 operating in Australia, South East Asia and now East Africa and is now heading to Guyana to continue supporting Benthic's operations.

Subsea Services

In November 2019, MMA completed the acquisition of the operating business of Neptune Marine Services Limited, a leading provider of topside and subsea solutions to the oil and gas, marine and renewable energy industries.

This acquisition enables MMA to deliver an expanded range of subsea services to our clients, enabling us to capture a greater proportion of the value chain whilst increasing returns on the combined assets.

Integration of the Neptune business is progressing well, with a strong cultural alignment across both businesses.

We expect the acquisition to generate significant revenue synergies as we integrate the service offering. We have already successfully won and are executing an ocean bottom node campaign in Malaysia, with the MMA Vigilant mobilised with Neptune equipment. We also expect to exceed our $2 million pre-tax annualised cost synergy target.

We are seeing increased activity particularly in the survey and diving sectors.

Neptune recently secured two long-term survey contracts to provide rig positioning and subsea acoustic positioning services offshore. The first contract is with Chevron supporting three rigs, the Ensco 107, the Dhirubhai Deepwater KG2 and the GSF Development Driller I. The contract is for a period of three years with 2 x 1-year options to extend. The second contract is with INPEX supporting the Maersk Deliverer rig with the contract expected to run for up to 5 years in duration. The Neptune acquisition is forecasted to have a positive cash contribution to MMA for FY20.

Our focus is on optimising and integrating the Neptune business as quickly as possible to deliver growth in earnings from this business unit as market conditions improve.

Project Logistics

In December 2019, MMA completed the acquisition of 80% of Premium Project Services (**PPS**), a start-up company with an established corporate structure and contact base in East Africa. The key personnel from PPS are now integrated into MMA's dedicated project logistics business unit, "MMA Global Projects" and bring extensive experience and contacts in global project logistics to the business.

MMA Global Projects was recently awarded its first contract in Mozambique. The contract is for the charter of a Landing Craft Vessel (**LCT**) which will provide cargo freight services in Mozambique, predominantly in relation to Total's Mozambique LNG project. The contract is for a period of 6 months, with options to extend.

We are currently negotiating a joint venture in Taiwan to target the growing Offshore Wind industry to support MMA Global Projects' aspirations in the region. Our vessels and subsea groups will also be able to leverage off the structure, once established.

With the strong pipeline of major LNG and Offshore Wind projects on the horizon, we expect MMA Global Projects to be well positioned to grow its contribution to the overall business.

Cost control

We continue to review our cost base across the business on an ongoing basis. During the first half of FY2020, a number of cost saving initiatives have been taken which are expected to deliver a reduction in pre-tax annualised overhead of approximately $3 million. These initiatives include closing the Dubai office, restructuring a number of positions within the business, and further cuts to discretionary expenditure.

Strategy

MMA has refined its strategy over the past months and is focused on maximising the core business whilst expanding our service offering logically through organic or inorganic means.

Our core vessel business is highly leveraged to increases in utilisation and rates as the market improves and we have a focused contracting strategy to ensure we maximise the available leverage in the fleet. We will continue to focus on specialised vessels and service focused contracts which we believe will deliver the highest returns. We are also seeking to increase our fleet of third-party vessels to build capacity, whilst remaining flexible to market conditions.

In terms of our new service lines, we are focused on extracting full value from the Neptune acquisition through vertical integration. We are also working to leverage our capability and early mover advantage in East Africa to build our project logistics business.

As part of our focus on operating excellence, we continually monitor our cost base and seek productivity improvements, as well as reviewing and optimising our asset portfolio on an ongoing basis.

Our goal is to continue to build our competitive advantage through operational excellence, innovation and technical expertise.

We are also seeking to expand our reach as a marine services provider, tailoring our service offering to future energy trends and extending into adjacent markets, utilising the core marine and engineering skills in the business. MMA has a strong capability in solving complex marine problems for our clients and we are focused on leveraging this capability to gain a competitive advantage.

Outlook

Market conditions have improved and the fundamentals for a recovery in demand for services across offshore vessels, subsea services and project logistics remain positive.

At this stage, the recent corona virus outbreak has not materially impacted our operations, however, like many parts of the economy, there may be a flow on effect, which could result in delays to some project activities.

Our performance for the first half was ahead of expectations excluding one-off items and, based on current projections, we expect to see a continued improvement in EBITDA during the second half of FY2020.

<u>Auditors' Independence Declaration</u>

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

<u>Rounding off of Amounts</u>

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

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

On behalf of the Directors

ANDREW EDWARDS
Chairman

Perth, 21 February 2020

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

21 February 2020

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 2019, 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
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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 (the "Company"), which comprises the condensed consolidated statement of financial position as at 31 December 2019, 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 2019 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.

Deloitte.

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.

Basis for Qualified Conclusion

MMA Offshore Limited has trade and other receivables of $81,582,662 as at 31 December 2019. Included in this amount are outstanding trade receivables of $8,539,098 in respect of which we have been unable to obtain sufficient appropriate evidence to determine whether this amount will be recoverable by MMA Offshore Limited. Accordingly, we have been unable to determine whether the recoverable amount of this trade receivable is at least equal to its carrying value. In the event that the carrying value of this trade receivable exceeds its recoverable amount, it would be necessary for the carrying value to be written down to its recoverable amount.

Qualified Conclusion

Based on our review, which is not an audit, except for the possible effects of the matter described in the Basis for Qualified Conclusion paragraph, we have not become aware of any other 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 2019 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, 21 February 2020

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,

ANDREW EDWARDS
Chairman

Perth, 21 February 2020

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half year ended 31 December 2019

	Note	Dec 2019 $'000	Dec 2018 $'000
Revenue	2.1	130,941	119,518
Investment income		467	656
Other gains/(losses)	2.2	1,026	(369)
Vessel expenses		(127,364)	(119,812)
Administration expenses		(5,937)	(4,101)
Impairment charge	2.1	-	(13,092)
Finance costs		(9,447)	(9,513)
Loss before tax		(10,314)	(26,713)
Income tax expense		573	(958)
Loss for the Period		(9,741)	(27,671)
Other Comprehensive Income, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(372)	19,474
Gain/(Loss) on hedge of net investment in a foreign operation		260	(8,328)
Other comprehensive income for the period, net of tax		(112)	11,146
Total Comprehensive Loss for the Period		(9,853)	(16,525)
Loss attributable to:			
Owners of the parent		(9,740)	(27,671)
Non-controlling interests		(1)	-
		(9,741)	(27,671)
Total comprehensive income attributable to:			
Owners of the parent		(9,852)	(16,525)
Non-controlling interests		(1)	-
		(9,853)	(16,525)

		Cents Per Share	Cents Per Share
Earnings/(Loss) per share			
Basic	2.3	(1.11)	(3.22)

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 2019

	Note	Dec 2019 $'000	June 2019 $'000
Current Assets			
Cash and cash equivalents		74,626	70,155
Trade and other receivables	3.1	81,583	63,275
Inventories	3.2	3,152	1,974
Prepayments		2,591	1,149
Total Current Assets		161,952	136,553
Non-Current Assets			
Property, plant and equipment	3.3	479,508	482,322
Right-of-use assets	3.4	12,626	-
Intangibles		106	-
Total Non-Current Assets		492,240	482,322
Total Assets		654,192	618,875
Current Liabilities			
Trade and other payables	3.6	45,760	30,481
Unearned revenue		3,724	831
Borrowings	3.7	10,240	2,743
Lease liabilities	3.8	3,396	-
Provisions	3.9	10,936	11,354
Current tax liabilities		2,712	1,806
Customer deposits		-	160
Total Current Liabilities		76,768	47,375
Non-Current Liabilities			
Trade payables		-	5,296
Borrowings	3.7	260,926	262,807
Lease liabilities	3.8	9,673	-
Provisions	3.9	149	152
Total Non-Current Liabilities		270,748	268,255
Total Liabilities		347,516	315,630
Net Assets		306,676	303,245
Equity			
Issued capital	4.1	667,251	654,735
Reserves		134,414	133,777
Accumulated losses		(495,007)	(485,267)
Equity attributable to owners of the company		306,658	303,245
Non-controlling interest		18	-
Total Equity		306,676	303,245

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 2019

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

Half Year Ended 31 December 2018	Issued Capital $'000	Employee Equity Settled Benefits Reserve $'000	Hedging Reserve $'000	Foreign Currency Translation Reserve $'000	Accumulated Losses $'000	Equity Holders of parent $'000	Non Controlling Interest $'000	Total $'000
Balance at 1 July 2018	654,735	154	(57,290)	178,590	(447,894)	328,295	-	328,295
Comprehensive income/(loss) for the period:								
Loss for the period	-	-	-	-	(27,671)	(27,671)	-	(27,671)
Other comprehensive income/(loss) for the period	-	-	(8,328)	19,474	-	11,146	-	11,146
Total Comprehensive Income/(Loss) for the Period	-	-	(8,328)	19,474	(27,671)	(16,525)	-	(16,525)
Recognition of share based payments	-	472	-	-	-	472	-	472
Balance at 31 December 2018	654,735	626	(65,618)	198,064	(475,565)	312,242	-	312,242

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 2019

	Note	Dec 2019 $'000	Dec 2018 $'000
Cash flows from Operating Activities			
Receipts from customers		126,379	122,715
Interest received		467	657
Payments to suppliers and employees		(110,462)	(107,119)
Income tax received/(paid)		143	(624)
Interest and other costs of finance paid		(8,316)	(8,384)
Net Cash Provided by Operating Activities		8,211	7,245
Cash flows from Investing Activities			
Payments for property, plant and equipment		(3,183)	(13,017)
Proceeds from sale of property, plant and equipment		1,378	7,312
Investment in subsidiary		(75)	-
Net cash inflow on acquisition of business	3.10	1,239	-
Net Cash Used in Investing Activities		(641)	(5,705)
Cash flows from Financing Activities			
Repayment of borrowings		(580)	(7,255)
Financing fees on borrowings		-	(9)
Repayment of lease liabilities		(2,278)	-
Net Cash Used In Financing Activities		(2,858)	(7,264)
Net increase/(decrease) in cash and cash equivalents		4,712	(5,724)
Cash and cash equivalents at the beginning of the half year period		70,155	69,648
Effects of exchange rate changes on the balance of cash held in foreign currencies		(241)	635
Cash and Cash Equivalents at the End of the Half Year		74,626	64,559

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 2016/191, dated 24 March 2016, and in accordance with this Corporations Instrument, amounts in the half year report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Company's 2019 annual financial report for the financial year ended 30 June 2019**,** except for the impact of the Standards and Interpretations outlined in the New or Revised Standards section in note 4.2. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Refer to note 4.2 for details on the policies adopted and their impact on the results in this half year report.

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 material reportable segment being its Vessel operations.

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:

	Dec 2019 $'000	Dec 2018 $'000
Vessels		
Revenue from external customers	130,941	119,518
Segment profit/(loss) before impairment	3,577	(294)
Impairment charge	-	(13,092)
Segment profit/(loss) after impairment	3,577	(13,386)
Investment income	467	656
Other gains/(losses)	1,026	(369)
Administration costs	(5,937)	(4,101)
Finance costs	(9,447)	(9,513)
Loss for the period before income tax	(10,314)	(26,713)

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.

Disaggregation of revenue

The Group mainly dervies its revenue from the charter of vessels as an integrated service to customers and includes the charter of the vessel, crew, mobilisation and demobilisation and other vessel related services. Revenue is recognised over the period of time over which the customer utilises the vessel. Where the entity supplies goods, such as fuel, to the customer as part of the contract, revenue is recognised at a point in time when the customer obtains control of the goods.

	Dec 2019 $'000	Dec 2018 $'000
Revenue recognised over time:		
Vessel revenue	111,353	97,826
Mobilisation/Demobilisation	7,262	6,944
Other	7,172	5,037
	125,787	109,807
Revenue recognised at a point in time:		
Fuel sales	5,154	9,711
	5,154	9,711
Total	130,941	119,518

2. Financial Performance (continued)

2.1 Segment information (continued)

Segment Assets

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

	Dec 2019 $'000	June 2019 $'000
Vessel segment assets(i)	574,965	539,763
Unallocated assets	79,227	79,112
Total	654,192	618,875

(i) Vessel segment assets include property, plant and equipment, trade debtors, inventory and other receivables.

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

Other segment information

	Depreciation and amortisation		Additions to non-current assets	
	Dec 2019 $'000	Dec 2018 $'000	Dec 2019 $'000	Dec 2018 $'000
Vessel assets	20,741	16,889	3,183	5,690
Unallocated assets	721	284	-	16
Total	21,462	17,173	3,183	5,706

Impairment charges

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

	Dec 2019 $'000	Dec 2018 $'000
Vessels held for continuing operations	-	10,968
Vessels held for sale	-	2,124
Total	-	13,092

2. Financial Performance (continued)

2.2 Other income and expenses	Dec 2019 $'000	Dec 2018 $'000
Profit/(loss) for the period has been arrived at after recognising the following specific amounts:		
Other gains and losses:		
Net foreign exchange losses	(234)	(158)
Gain on disposal of property, plant and equipment	1,260	-
Loss on disposal of assets held for sale	-	(211)
Total	1,026	(369)
Depreciation:		
Leasehold buildings and improvements	47	44
Vessels at cost	18,165	16,702
Plant and equipment	875	427
Right-of-use assets	2,375	-
Total	21,462	17,173
Impairment charges:		
Impairment charges recognised on trade receivables	1,748	1,316
Impairment charges recognised on vessel assets	-	13,092
Employee benefits:		
Post-employment benefits:		
Defined contribution plans	4,643	4,738
Share based payments:		
Equity settled share based payments	749	472
Other employee benefits	54,189	50,760
Total	59,581	55,970

2.3 Earnings per Share

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

	Dec 2019 $'000	Dec 2018 $'000
Loss for the period	(9,741)	(27,671)

	Dec 2019 No. '000	Dec 2018 No. '000
Weighted average number of ordinary shares	878,300	858,077

3. Assets and Liabilities

3.1 Trade and Other Receivables	Dec 2019 $'000	Jun 2019 $'000
Trade receivables	85,137	61,257
Loss allowance	(11,023)	(9,179)
Other receivables	7,469	11,197
Total	81,583	63,275

Included in the Group's Trade and other receivables is a debtor in the Kingdom of Saudi Arabia (**KSA**) that the Group has been working with for the last five years and from whom MMA has received periodic payments whilst trading. During the half year, MMA has provided for an additional expected credit loss of $1,280,410. The balance of $8,539,098 is backed by Promissory Notes and the Group has taken legal action in the courts in the KSA to enforce the Promissory Notes.

The debtor issued MMA with promissory notes to the value of US$6.1 million. MMA is advised by its KSA lawyers that Promissory Notes are a form of court enforceable security in KSA.

MMA is advised by its KSA lawyers that Promissory Notes become immediately enforceable in KSA on the due date for payment stated in the note and without the requirement for substantive legal proceedings to determine legal liability. Promissory Notes are enforced through the KSA Execution Court. This is the KSA Court that has general jurisdiction to enforce judgments in KSA. In addition:

- MMA is enforcing the payment of USD$4.0M worth of the Promissory Notes in the KSA Execution Court;
- The Execution Court has already ordered the debtor to pay MMA US$3.0M and MMA is confident of receiving a similar order for the remaining US$1.0M soon. The remaining Promissory Note (for US$2.1M) will be presented on its maturity date;
- In respect of the USD$3.0M which the KSA Execution Court has ordered payment of, MMA has commenced enforcement proceedings against the debtor seeking a range of sanctions; and
- These sanctions include, amongst others, garnishee orders that the creditors of the debtor (including Saudi Aramco) pay amounts owed to the debtor directly to MMA.

If necessary, similar enforcement proceedings will be commenced in respect of the remaining Promissory Notes. MMA is advised by its KSA lawyers that once these orders are obtained, these sanctions can be enforced by the KSA Execution Court.

So far as MMA is aware, the debtor is still contracting to Saudi Aramco, which would be expected to provide the debtor with an ongoing source of revenue.

In addition, the Group has ceased trading with the debtor and redeployed the vessels into other contracts and regions to limit any additional exposure. The Group has also kept its banking group informed of the progress regarding the recovery of the outstanding balance.

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

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

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

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

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

3. Assets and Liabilities (continued)

3.1 Trade and other Receivables (continued)

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

	Collectively Assessed	Individually Assessed	Total
	$'000	$'000	$'000
Balance as at 30 June 2019	231	8,948	9,179
Transfer to credit-impaired	-	1,748	1,748
Foreign exchange gains and losses	-	96	96
Balance as at 31 December 2019	231	10,792	11,023

3.2 Inventories	Dec 2019 $'000	Jun 2019 $'000
Fuel – at cost	2,081	1,834
Consumables	882	140
Work in progress	189	-
Total	3,152	1,974

3.3 Property, Plant & Equipment

	Leasehold Buildings and Improvements at cost	Vessels at cost	Plant and Equipment at cost	Total
	$'000	$'000	$'000	$'000
Gross carrying amount:				
Balance at 1 July 2019	14,763	1,024,504	16,991	1,056,258
Additions	-	3,095	88	3,183
Acquisition of subsidiaries	1,043	-	12,412	13,455
Disposals	(64)	(23,903)	(2,460)	(26,427)
Net currency exchange differences	62	193	(726)	(471)
Balance at 31 December 2019	15,804	1,003,889	26,305	1,045,998
Accumulated depreciation:				
Balance at 1 July 2019	(13,576)	(545,922)	(14,438)	(573,936)
Disposals	21	23,892	2,356	26,269
Depreciation expense	(47)	(18,165)	(875)	(19,087)
Impairment	-	-	-	-
Net currency exchange differences	(34)	(56)	354	264
Balance at 31 December 2019	(13,636)	(540,251)	(12,603)	(566,490)
Net book value:				
As at 30 June 2019	1,187	478,582	2,553	482,322
As at 31 December 2019	2,168	463,638	13,702	479,508

3. Assets and Liabilities (continued)

3.4 Right of use assets

	Leasehold Buildings and Improvements $'000	Vessels $'000	Plant and Equipment $'000	Total $'000
Cost:				
Balance at 1 July 2019	5,002	795	441	6,238
Additions	8	-	-	8
Acquisition of subsidiaries	8,093	-	662	8,755
Balance at 31 December 2019	13,103	795	1,103	15,001
Accumulated depreciation:				
Depreciation expense	(1,754)	(527)	(94)	(2,375)
Balance at 31 December 2019	(1,754)	(527)	(94)	(2,375)
Carrying amount:				
As at 31 December 2019	11,349	268	1,009	12,626

3.5 Impairment of non-current assets

The Group performs a review of non-current asset values at the end of each financial year 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.

We assessed market conditions for indications of impairment at 31 December 2019. As was the case at 30 June 2019, the Company's market capitalisation remained lower than the carrying value of the net assets of the Group. However during the half year, the deficiency did not change significantly and as such there was no new indication of impairment. Accordingly, no impairment assessment was performed.

3.6 Trade and Other Payables	Dec 2019 $'000	June 2019 $'000
Trade payables	14,209	8,608
Other payables and accruals	31,283	20,563
Goods and services tax payable	268	1,310
Total	45,760	30,481

3.7 Borrowings	Dec 2019 $'000	June 2019 $'000
Secured – at amortised cost		
Current		
Bank loans (i)	12,500	5,000
Unamortised loan fees (ii)	(2,260)	(2,257)
Total	10,240	2,743
Non-Current		
Bank loans (i)	262,622	265,634
Unamortised loan fees (ii)	(1,696)	(2,827)
Total	260,926	262,807

(i) There have been no changes to the terms of the Group's Syndicated Debt facility during this period.
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.

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

3. Assets and Liabilities (continued)

3.8 Lease Liabilities	Dec 2019 $'000
Balance at 1 July 2019	6,238
Additions	8
Repayments	(2,257)
Interest expense	238
Acquisition of subsidiaries	8,842
Balance at 31 December 2019	13,069
Current	3,396
Non current	9,673
Total	13,069

3.9 Provisions	Dec 2019 $'000	June 2019 $'000
Current		
Employee benefits – annual leave	5,927	6,852
Employee benefits – long service leave	5,009	4,502
Total	10,936	11,354
Non-Current		
Employee benefits – long service leave	149	152

3.10 Acquisition of subsidiaries

3.10.1 Neptune Marine Services

On 7 November 2019, the Group acquired 100% of the Neptune Marine Services group key operating subsidiares. The acquisition allows the Group to combine its existing high quality vessels with the Neptune business subsea expertise enabling us to deliver a comprehensive suite of subsea services for our cllients.

Consideration Transferred	$'000
Issued capital (67,655,000 shares) in MMA Offshore Ltd	12,516
Cash	5,000
Working capital adjustment	2,045
	19,561

Included in the transaction agreement is contingent consideration to a maximum of $0.5 million subject to certain events taking place prior to 30 June 2020. The group has estimated a fair value of nil for this component and has not adjusted the consideration transferred.

Acquisition costs totalling $0.9 million have been excluded from the considersation transferred and have been recognised as an expense in profit or loss in the half year, within the 'Administration expenses' line item.

3. Assets and Liabilities (continued)

3.10 Acquistions of Subsidiaries (continued)

Assets acquired and liabilities assumed at the date of acquisition	$'000
Current assets	
Cash	1,239
Trade and other receivables	17,572
Inventories	883
Prepayments	954
Non-current assets	
Property, plant and equipment	13,455
Right of use assets	8,755
Current liabilities	
Trade and other payables	(11,580)
Lease liabilities	(1,882)
Employee entitlements	(1,529)
Current tax liabilities	(492)
Non-current liabilities	
Lease liabilities	(6,960)
Deferred tax liabilities	(854)
	19,561

The initial accounting for the acquisition of the Neptune Marine Services subsidiaries has only been provisionally determined at the end of the half year. At the end of the half year, the necessary market valuations and other calculations had not been finalised and the fair value of trade & other receivables, property plant and equipment and associated deferred tax liabilities have therefore only been provisionally determined based on the directors' best estimate of the likely fair value.

There was no material impact on the results of the group during the half year period.

The $5.0 million cash consideration was paid as a deposit on the transaction last financial year. After the end of the half year, on 28 January 2020, the working capital adjustment of $2.0 million was paid.
Cash acquired in the transaction was $1.2 million.

3.10.2 MMA Global Projects Pte Ltd

On 4 December 2019, the Group acquired an 80% interest in a project logistics business based in Singapore. The acquisition provides potential for the Group to expand its service offering in the management of large scale and complex projects including marine spreads, logistics to greenfields sites and integrated marine logisitics.

Consideration transferred and liabilities acquired	$'000
Cash	75
Issued capital in MMA Global Project Logistics Pte Ltd	19
Total consideration	94
Net liabilities acquired	12
Goodwill on acquisition	106

Included in the transaction agreement is a contingent consideration arrangement to pay the non controlling interests up to an additional 0.8 million Singapore Dollars on achievement of gross margins in future years. As the business is in the early stage of development, with no assets or contracts, the group has estimated the fair value of this consideration to be nil.

Non controlling interests
The 20% non-controlling interest in MMA Global Project Logistics Pte Ltd recognised at acquisition date reflects the share of goodwill paid on acquisition.

There was no material impact on the results of the group during the half year period.

4 Capital Structure and Other

4.1 Issued Capital

Fully Paid Ordinary Shares	Dec 2019 No ’000	Dec 2019 $’000
Balance at beginning of the half year	858,077	654,735
Issue of shares	67,655	12,516
Balance at end of the half year	925,732	667,251

On 7 November 2019, the company issued 67,655,000 shares as part of the consideration for the acquisition of the Neptune Marine business.

4.2 Accounting Policies

New and amended accounting standards and interpretations adopted

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company’s 2019 annual financial report for the financial year ended 30 June 2019, except for the accounting policy on leases described below which has changed as a result of the adoption of AASB 16 Leases. The accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

AASB 16 Leases (adopted from 1 July 2019)

AASB 16 provides a new model for the accounting for leases which will require lessees to recognise assets and liabilities for all leases with a lease term of more than 12 months unless the underlying asset is of low value. The right of use asset will be depreciated over the lease term and the lease liability will be adjusted for lease payments and interest charged. The impact on the financial performance of the company will be to reduce administration expenses with a related increase in finance costs.

Transition to AASB 16
The Group adopted the new standard using the modified retrospective approach, where the lease liability is measured at the present value of future lease payments on the initial date of application, being 1 July 2019. The lease asset is measured as an amount equal to the lease liability. Under the transition method, prior period comparative financial statements are not required to be restated. The impact on initial adoption was

Impact on Consolidated Statement of Financial Position:	$’000
Right-of-use assets	6,238
Right of use lease liabilities	6,238

The weighted average discount rate used in discounting the lease liabilities as at 1 July 2019 was 5.99%.

Lease Accounting Policy

When a contract is entered into we consider whether the contract contains a lease. A contract is considered to contain a lease if it conveys the right to control the use of an identified asset and to obtain substantially all the economic benfits of the asset throughout the period of the contract.

Group as Lessee

The Group recognises a right of use asset and a corresponding lease liability for all lease arrangements in which it is the lessee, except for short term leases and leases of low value assets. For these leases, the Group recognises lease payments as an operating expense on a straight line basis over the term of the contract.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

4. Capital Structure and Other (continued)

4.2 Accounting Policies (continued)

The lease liablility is initially measured at the present value of the lease payments that are not paid at commencement date, discounted by the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.
Group as Lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Vessel charter income from operating leases is recognised on a straight-line basis over the term of the relevant contract. When a contract includes both lease and non-lease components, the Group applies AASB 15 to allocate the consideration under the contract to each component.

4.2 Events After the Reporting Period

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