MMA OFFSHORE

2016 PRELIMINARY FINANCIAL REPORT

Ongoing depressed oil and gas market conditions negatively impact MMA's FY2016 financial performance

The Directors of MMA Offshore Ltd ("MMA" or "the Company") (ASX: MRM) announce the Company's financial results for the year ended 30 June 2016.

The Company has reported a Net Loss after Tax of $(144.0) million for the year after booking a non-cash impairment charge of $139.0 million before tax 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 Net Loss after Tax for the year of $(20.2) million, significantly down on the previous financial year.

As announced at the half year the MMA Board has suspended the payment of dividends until trading conditions improve, accordingly no dividend has been declared for the 2016 financial year.

Key Financials

Year ended 30 June 2016	Reported	Excluding Impairment Charge[1]	Variance to FY15 excluding Impairment Charges[1]
Revenue	$481.1M	$481.1M	↓ 39.6%
EBITDA	$75.5M	$75.5M	↓ 65.4%
Net Loss after Tax	$(144.0)M	$(20.2)M	↓ 136.5%
Earnings per Share	(38.6) cents	(5.4) cents	↓ 136.0%
Dividends per Share	-	-	↓ 5.5 cents

[1] The Company recorded a post-tax impairment charge for the 2016 Financial Year of $123.8 million (FY2015: $106.6m)

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

“MMA continued to face extremely challenging market conditions through FY2016 as oil and gas markets remained under significant pressure.

“Demand for MMA’s services continues to be impacted as oil and gas companies dramatically cut expenditure in the current environment.

“Rates have also come down further, driven by intense competition for available work and ongoing pressure from clients to reduce costs.

“MMA’s focus in the current market is on maintaining utilisation, operational excellence and safe and reliable operations whilst remaining competitive on price.

“Given MMA’s reduced earnings profile, we have recently negotiated some further amendments to the terms and financial covenants of our debt facilities and have committed to reducing the debt to a more sustainable level over the coming 12-18 months.”

MMA Managing Director, Mr Jeffrey Weber said:

“FY2016 was a difficult year for the Company as the ongoing adverse oil and gas market conditions impacted demand for our services across all of our operating regions.

“Vessel utilisation fell to 59%, down from 75% in FY2015 and we have continued to see pressure on rates in all regions and vessel classes.

“Despite the current market conditions, MMA was successful in winning a number of important new contracts during the year. MMA signed two major new long term production support contracts in Australia with Woodside and ConocoPhillips in a highly competitive market. MMA also extended a number of its international contracts and secured a contract for up to two years for its newbuild vessel, the MMA Privilege, in Cote d’Ivoire. These contract awards are a testament to the quality of MMA’s operations and our ability to deliver innovative and cost competitive solutions to meet our clients’ requirements.

“MMA continues to focus on its vessel sales programme to rationalise the fleet and reduce debt. Whilst the sale and purchase market is extremely difficult at present, we have been successful in selling 17 vessels to date for a total of A$40 million.

“Activity at the Dampier Supply Base continued to decline with revenue and EBIT down by around 30%.

“The Dampier Slipway also struggled with fewer vessels in the region and increased competition from South East Asia resulting in a loss for the year.

“MMA continues to focus on cost reduction and productivity improvements without compromising the quality of our operations and the safety of our people.

“Whilst there has been some positive sentiment recently around the oil markets returning to balance in 2017, there is a lag between E&P spending commitments and increased activity in the offshore vessel market. On this basis, we expect the current challenging conditions to continue through FY2017.”

Review of Operations

Market conditions for the offshore oil and gas industry continued to be extremely challenging throughout FY2016.

The low oil price has resulted in dramatic cuts to expenditure by oil and gas companies with E&P spending reportedly down 25% in 2015 and expected to reduce a further 20-25% during calendar year 2016; an estimated US$380 billion in projects have been deferred. As a result, offshore vessel utilisation has dropped significantly and day rates have come down by approximately 50% over the past two years, significantly impacting return on assets for vessel operators.

MMA's operations were severely impacted by the current conditions with our Vessel Operations, Supply Base and Slipway businesses all reporting declines in revenue and earnings for FY2016, particularly in the second half.

As at 30 June 2016, MMA recognised an impairment charge of $139 million against the carrying value of its assets. The impairment charge reflects the impact of the current market conditions on the Company's operations. A charge of $100 million was booked against the carrying value of the Vessel fleet, a $36 million charge against the Dampier Supply Base and a $3 million charge against the Dampier Slipway. In determining the impairment amount, consideration was given to the market value of the assets in each of the operating divisions as at 30 June 2016. The impairment charge is a non-cash amount and will not impact compliance with the Company's debt covenants. MMA's Net Tangible Assets ("NTA") as at 30 June 2016 was $1.70 per share, post the impairment charge.

Vessel Operations

Ongoing weak conditions in the offshore oil and gas market significantly impacted the performance of our Vessel Operations division during FY2016.

Revenue for the year was $414.7 million, down 40.7% on the previous year and we recorded an EBIT loss (excluding the impact of the $100 million impairment charge to the vessel fleet) of $(15.4) million, down 120.0%.

Australian operations contributed revenue of $390.0 million during FY2016, down 39% on the prior year and international operations contributed revenue of $91.1 million, down 42%.

The Australian business benefited from a higher percentage of the fleet being engaged on long term production support contracts which have been impacted to a lesser extent by the downturn. The international offshore vessel market continued to be extremely challenging with rates and utilisation at historic lows and intense competition for available work.

Average utilisation for the fleet across the year was 59%, down from 75% in FY2015. Utilisation in Australia was higher during the first half at 80% dropping to 72% in the second half as a number of project scopes completed. International utilisation was consistent at around 50% throughout the year. It should be noted that a number of our Australian vessels have been moved to South East Asia to reduce costs which has had an impact on the international utilisation figure and earnings.

Australia

Activity in Australia was stronger during the first half with the Silja Europa accommodation vessel and LNG construction support activity contributing to earnings. The completion of these contracts combined with generally subdued construction and exploration activity in Australia resulted in reduced utilisation for MMA's fleet in the second half.

Production support remains a key focus of MMA's Australian strategy and MMA continues to service the majority of production facilities on the North West Shelf. In the current environment, MMA has been proactive in working with its clients to seek ways to assist them in reducing operating costs. Initiatives which have been implemented include vessel sharing arrangements between clients and technical modifications to vessels to enable them to perform multiple functions, reducing the overall fleet requirement for a client.

During the year MMA was successful in securing and extending a number of significant long term production support contracts. In November 2015, MMA was awarded the Woodside Integrated Fleet contract which involves the provision of three vessels to support Woodside's North West Shelf, Pluto and AusOil production assets. The contract is for a firm period plus a number of options and is valued at approximately A$50 million and up to A$110 million, should all the options be exercised.

In December 2015, MMA secured a five year platform supply vessel ("PSV") contract with ConocoPhillips. The contract is for the provision of platform supply and static tow services in support of the client's Bayu-Undan operations in the Timor Sea. MMA proposed an innovative technical solution which resulted in substantial cost savings to the client and enabled MMA to secure the contract in a highly competitive environment. This was a very important contract win for the Company, securing full utilisation for one of MMA's PSVs for a period of five years in an extremely challenging market.

MMA also signed vessel sharing contracts with Quadrant, BHP Billiton, Vermilion and Santos during the year.

MMA's two newbuild PSVs, which were specifically built to support INPEX's Ichthys LNG project, will contribute to earnings in FY2017. The first of these vessels, the MMA Plover, commenced operations in August 2016 and the second vessel, the MMA Brewster, will commence in the second half of the year. The vessels were delivered during FY2016 in accordance with the requirements of the contract and have been held at our Singapore facility incurring holding costs whilst awaiting contract commencement. These are important long term contracts for MMA with an initial firm contract term of five years with two five year options to extend.

A number of production support contracts for new LNG facilities are also expected to be tendered during FY2017.

Whilst construction activity in Australia has declined significantly, there is still some activity in the region around the major LNG projects currently being constructed. MMA had a number of vessels engaged on the Gorgon project during the year including the Silja Europa accommodation vessel which was a significant earnings contributor during the first half. MMA's vessels progressively completed their contracts with Gorgon during the year as the project completed construction with the last remaining vessel on the project, the Bibby Renaissance, finishing up in early August 2016.

MMA was also active on the Wheatstone LNG project during the year with five tug and barge sets, two infield tug vessels and a supply vessel contracted to transport subsea equipment from Henderson to the gas field for installation. MMA also supported the Prelude LNG project, transporting subsea infrastructure from Malaysia to Australia using a six vessel spread. MMA was also active on the Ichthys project providing international towing services and infield support work for various contractors on the project.

During the year MMA also secured a contract to provide maintenance support to an FPSO in New Zealand. Whilst the New Zealand market is relatively small, it is a logical market for MMA and this contract has the potential to lead to further opportunities in the region.

Exploration activity in Australia continues to be subdued with the rig count in Australia at historically low levels. MMA has traditionally had a limited exposure to the exploration market in Australia and therefore the vessel business has not been impacted to a large extent by the reduction in exploration activity.

MMA has a layup strategy in place to minimise operating costs in between contracts for vessels which are not working. Currently MMA has six vessels laid up in Australia in order to reduce holding costs.

The negotiations for new Enterprise Bargaining Agreements for our marine personnel are ongoing with recent positive progress. MMA is seeking to negotiate a sustainable agreement to support the Australian offshore oil and gas industry and create job security through a difficult period.

Looking ahead, MMA will continue to service its existing production and construction support contracts in Australia and we continue to tender for new opportunities for both short and long term contracts as they arise. Overall, we expect market activity to remain at historically low levels in Australia through FY2017.

International

Market conditions internationally remain extremely challenging across all of MMA’s operating regions with delays to projects and cutbacks to operational spending putting further pressure on rates. Competition remains intense for the opportunities that are available with some operators accepting loss making contracts to maintain utilisation.

Utilisation remained steady during the year at approximately 50%. This includes laid up vessels and vessels being marketed for sale.

South East Asia continued to feel the impact of the downturn with no improvement to utilisation and rates falling by a further 10-20%. Contracts continue to be tendered but schedules and start dates are being deferred. MMA currently has 11 vessels working in South East Asia. We were successful in extending key contracts in Thailand during the year. Unfortunately offsetting this, two key contracts in Malaysia were suspended as a rig was taken out of service by the client. In the current market such actions are becoming more common, resulting in extremely difficult and unpredictable conditions for service providers to the industry.

Activity in the Middle East is stronger but competition has increased with vessels moving into the market from other regions. Further rate reductions of up to 20% have also been experienced and MMA recently had to discount the rate on a number of its key long term contracts to avoid cancellation. MMA currently has seven vessels operating in the Middle East and views this region as a key platform in its future strategy. Our Dubai office opened in March 2016 and we have engaged an experienced Regional Manager to drive the strategy. To date we have made inroads with a Master Services Agreement signed with a major contracting company which may provide future contract opportunities for MMA’s vessels in the region.

The African market continues to be challenging with a significant oversupply of vessels and limited work. Pleasingly, we were successful in securing a long term contract for our newbuild Multi-Purpose Maintenance Vessel (“MPV”), the MMA Privilege, with a major marine contractor for a period of one year firm with a further year in options. We currently have four vessels operating in Africa and will only move further vessels into this market on the back of long term contracts.

MMA continues to lay up underutilised vessels at its Batam and Singapore shipyards, significantly reducing the operating costs on these vessels.

Whilst we are seeing some positive signs around the underlying fundamentals of the oil and gas markets, it will take time for any recovery to filter through to the offshore vessel market. At this stage we do not expect an improvement in current trading conditions through FY2017.

Newbuild Programme

MMA's newbuild programme is almost complete. The MMA Prestige will soon be delivered from MMA's Batam shipyard and is being tendered into a number of potential work scopes. The MMA Pinnacle will be delivered in October 2016. These are high quality, high specification vessels targeting the global Inspection, Maintenance and Repair ("IMR") market which is seeing ongoing demand albeit at lower charter rates.

The MMA Privilege, MMA Plover and MMA Brewster were also delivered during FY2016 and have long term contracts in place with key clients.

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

Vessel Sales Programme

MMA remains firmly focused on its vessel sales programme to optimise the fleet composition and reduce debt.

Whilst the sale and purchase market continues to be difficult, we have seen reasonable interest in MMA's vessels. To date we have been successful in selling 17 of our smaller vessels for a total of A$40 million.

We will continue to focus on rationalising the smaller end of the fleet and other selected vessels where appropriate. Most of the vessels are being actively traded in the spot market whilst being marketed for sale, with a cost control programme in place for vessels laid up between contracts.

Dampier Supply Base

Activity levels at the Dampier Supply Base declined further during the year as a result of reduced construction and drilling related activity in the region. Revenue for the year was $62.2 million, down 29.7% on the previous financial year and EBIT was $13.1 million, down 29.6%, excluding the impact of the non-cash impairment charge of $36.0 million which was booked against Supply Base assets as at 30 June 2016.

The Chevron Shorebase contract provided a baseload of activity for the Supply Base during the year with MMA providing a range of services to the client including laydown, personnel and equipment hire, wharf services, quarantine, freight and materials management. Activity in relation to the contract declined in the second half in line with expected reduced freight volumes which resulted in a reduction in the amount of rental and services income generated from the project in the second half. We expect earnings from this contract to reduce significantly in FY2017.

MMA signed a new Supply Base contract with BHP Billiton during the year and is actively marketing the Base to a wider customer group to increase land utilisation and service income. With activity in the region

at significantly reduced levels combined with increased land availability, margins have continued to decline.

Vessel visits to MMA's wharf were down approximately 25% on FY2015 as a result of general low activity in the region.

Productivity improvements and cost reduction continue to be major focus areas for the Company given current activity levels and we managed to maintain our operating margins during FY2016. The workforce has been reduced by 30% and changes have been made to rostering arrangements to reduce costs. This focus will continue into FY2017 with overhead costs expected to reduce further.

Given current supressed offshore oil and gas activity levels in the region and a reducing contribution from the Chevron Shorebase contract, we expect earnings at the Dampier Supply Base to reduce significantly in FY2017.

Dampier Slipway

The Slipway had a difficult year with low demand for its services in the current economic climate.

Revenue was $9.8 million, down 56.8% on the previous financial year and EBIT, excluding the impact of a $3 million impairment charge on the value of the Slipway assets, was a loss of $(2.9) million, down from a loss of $(0.2) million in FY2015.

The reduction in offshore activity in the North West Shelf has impacted the number of vessels in the region requiring Slipway services. In addition, vessel operators are cutting costs and reducing the amount of repairs and maintenance work being undertaken. South East Asian facilities are also competing aggressively for work to maintain utilisation in their shipyards through the downturn, resulting in an increased number of Australian vessels going to South East Asia to complete major repair work.

The Slipway docked 28 vessels in the 2016 financial year, including 19 third party vessels, down from a total of 46 in FY2015.

In addition to servicing offshore vessels, the Slipway continues to focus on servicing the terminal towage operators in the region. There are approximately 50 harbour tugs operating in the region which represents a solid market for the Slipway. However, as mentioned above, competition is strong for this work and margins are under severe pressure.

In light of current market conditions, the Slipway has been restructured to operate on a significantly reduced permanent workforce, supplemented with contract labour to match work flow. This model is feasible in the current environment with contract labour in ready supply.

There is an ongoing focus on reducing costs wherever possible and we are also utilising the Slipway as a cost effective layup facility for MMA's vessels between contracts.

With activity levels expected to remain subdued through FY2017, the focus for the Slipway will be on servicing MMA's internal fleet and that of key external clients with the aim of delivering improved financial performance.

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

MMA's 50% share of earnings from the Broome Supply Base for the 2016 financial year was $2.6 million, down 23.5% on FY2015.

During the first half of the year the Broome Supply Base supported both Shell and INPEX with their development drilling programmes for the Prelude and Ichthys LNG projects. Second half activity was lower as Shell's drilling programme completed and INPEX reduced from two rigs to one.

Exploration drilling activity in the region is currently subdued given the current market environment.

During the year a significant restructuring programme was completed reducing employee numbers and overhead costs to match activity levels.

Whilst activity in the region is currently low, the Broome Supply Base has quality infrastructure and a proven operational capability to support future activity in the Browse Basin region when market conditions improve. The Base is also being marketed to alternative clients and industries to improve utilisation.

The Broome Supply Base will continue to support INPEX's drilling programme through FY2017, however overall market activity is expected to remain subdued over the next 12 months.

Cost Reduction Programme

MMA has taken significant steps to reduce its cost base over the past 18 months. During FY2016, MMA achieved a reduction in overhead costs of $20 million, down 24% on the previous financial year overhead with further savings to occur in FY2017.

Headcount across the business has reduced by over 50% over the past two years (excluding crew) and salary packages for non-marine personnel have materially reduced with base salaries frozen and no short or long term bonuses paid for the past two years.

In addition to corporate overhead savings, MMA has also achieved significant reductions in direct operating costs. Over the past 18 months MMA has negotiated with suppliers and re-tendered key expenditure items achieving savings of approximately 25%. MMA has also implemented a number of business efficiency initiatives to reduce costs, including preventative maintenance programmes and the strict management of costs on vessels between contracts which has resulted in material savings.

A culture of cost control is evident across the business with a general focus on minimising all discretionary expenditure in the current environment.

Notwithstanding the focus on costs, MMA is mindful that operational and safety performance is critical to its success. MMA is careful to ensure that cost savings are not made at the expense of the quality, reliability and safety of our operations.

MMA will continue its focus on this area through FY2017.

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Balance Sheet

MMA's cash at bank as at 30 June 2016 was $49.7 million and Gearing has increased to 53.9% following the impairment charge.

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

On 24 August 2016, the Company agreed some further amendments to the terms and financial covenants of the Facility and has committed to an increase in the annual principal repayments over the remaining term of the Facility which it will fund from the proceeds of the Company's ongoing vessel sales programme, operating earnings and any additional funding options available to the Company.

Safety

MMA continued to achieve improvements in its safety performance, recording a 70% improvement in its Total Recordable Case Frequency ("TRCF") in FY2016. MMA's TRCF at 30 June 2016 was 0.36 (per million hours worked) which represents a world class safety standard.

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 initiative has been rolled out across the organisation and is now being used to manage high risk activities across MMA's operations.

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

Outlook

FY2016 was an extremely challenging year for the Company as the oil and gas market continued to face enormous headwinds. The offshore vessel market is experiencing its most difficult period in over 30 years with rates and utilisation at historic lows, intense competition and an increasing percentage of the fleet going into layup.

Whilst there has been some positive sentiment recently around the oil markets returning to balance, there are numerous factors at play which make forecasting the timing of a recovery in the market extremely difficult.

The current market expectation is for a recovery in the oil price during 2017, however, there will be a lag before any recovery in the oil price will translate to increased activity for the offshore vessel market. On this basis, we expect the current challenging conditions to continue through FY2017.

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Preliminary Financial Report and Appendix 4E

for the Year Ended 30 June 2016

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Results for Announcement to the Market

Current Reporting Period: Year ended 30 June 2016
Previous Reporting Period: Year ended 30 June 2015

Earnings	% Change	Amount $'000
Revenue from ordinary activities	(40%)	481,123
Loss before tax	(222%)	(155,262)
Loss from ordinary activities after tax attributable to members	(181%)	(143,962)
Net loss attributable to members	(181%)	(143,962)

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

Dividends
Given current market conditions, the MMA Board has suspended the payment of dividends in order to retain cash to support business operations until trading conditions improve. Accordingly, no interim or final dividend has been declared for the 2016 financial year.

Net Tangible Asset Backing	2016	2015
Net tangible asset backing per share	$1.70	$2.10

Details of Entities Where Control Has Been Gained or Lost During the Period
On 6 January 2016, the Company completed the sale of three wholly owned Singapore based subsidiary Companies. The Company acquired a number of subsidiary Companies as part of the transaction in June 2014 to acquire the business activities of Jaya Holdings Pte Ltd. The sale of the three Companies is part of the Company's strategy to consolidate the number of operating subsidiaries in the Group.

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 2016

	Note	2016 $'000	2015 $'000
Revenue	3(e)	481,123	796,666
Investment income		937	709
Other gains	4(a)	12,354	4,366
Share of profits of jointly controlled entity	11	2,611	3,385
Vessel expenses		(430,171)	(622,651)
Supply Base expenses		(47,432)	(67,366)
Slipway expenses		(8,634)	(12,267)
Administration expenses		(9,365)	(11,862)
Impairment charge	13	(139,000)	(120,710)
Finance costs		(17,685)	(18,489)
Loss before tax		(155,262)	(48,219)
Income tax benefit/(expense)	6(a)	11,300	(3,072)
Loss for the Year		(143,962)	(51,291)
Other Comprehensive Income, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	18	25,152	167,041
Reclassification of exchange differences on disposal of entities	18	(1,835)	-
Loss on hedge of net investment in a foreign operation	18	(8,829)	(53,309)
Gain on cashflow hedges	18	6,294	13,350
Transfer of cashflow hedge gain to initial carrying amount of hedged items	18	(17,839)	-
Other comprehensive income for the year, net of tax		2,943	127,082
Total Comprehensive Income/(Loss) for the Year		(141,019)	75,791
Loss attributable to owners of the Company		(143,962)	(51,291)
Total comprehensive income/(loss) attributable to owners of the Company		(141,019)	75,791

		Cents Per Share	Cents Per Share
Earnings per share			
Basic	5	(38.64)	(13.91)
Diluted	5	(38.64)	(13.91)

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 2016

	Note	2016 $'000	2015 $'000
Current Assets			
Cash and cash equivalents	20(a)	49,725	124,482
Trade and other receivables	8	66,676	200,615
Inventories	9	4,263	4,724
Other financial assets	10	-	11,545
Current tax assets	6(c)	5,712	-
Prepayments		3,349	27,416
Total Current Assets		129,725	368,782
Non-Current Assets			
Investments accounted for using the equity method	11	8,966	10,355
Property, plant and equipment	12	955,782	1,046,078
Total Non-Current Assets		964,748	1,056,433
Total Assets		1,094,473	1,425,215
Current Liabilities			
Trade and other payables	14	43,940	129,173
Unearned revenue		3,489	38,226
Borrowings	15	73,083	49,592
Provisions	16	14,633	19,270
Current tax liabilities	6(c)	-	5,155
Customer security deposits		2,210	5,913
Total Current Liabilities		137,355	247,329
Non-Current Liabilities			
Unearned revenue		311	393
Borrowings	15	318,742	392,881
Provisions	16	806	612
Deferred tax liabilities	6(d)	3,093	4,883
Total Non-Current Liabilities		322,952	398,769
Total Liabilities		460,307	646,098
Net Assets		634,166	779,117
Equity			
Issued capital	17	556,566	555,681
Reserves	18	119,553	115,858
Retained earnings/(Accumulated losses)	19	(41,953)	107,578
Total Equity		634,166	779,117

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 2016

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
Related income tax expense	-	(163)	-	-	-	(163)
Recognition of share based payments	-	915	-	-	-	915
Balance at 30 June 2016	556,566	5,704	(58,345)	172,194	(41,953)	634,166

Year Ended 30 June 2015	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 2014	549,813	3,916	1,988	(18,164)	199,289	736,842
Comprehensive income/(loss) for the year:						
Loss for the year	-	-	-	-	(51,291)	(51,291)
Other comprehensive income/(loss) for the year	-	-	(39,959)	167,041	-	127,082
Total Comprehensive Income/(Loss) for the Year	-	-	(39,959)	167,041	(51,291)	75,791
Payment of dividends	-	-	-	-	(40,420)	(40,420)
Issue of shares under dividend reinvestment plan	5,868	-	-	-	-	5,868
Related income tax expense	-	(792)	-	-	-	(792)
Recognition of share based payments	-	1,828	-	-	-	1,828
Balance at 30 June 2015	555,681	4,952	(37,971)	148,877	107,578	779,117

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 2016

	Note	2016 $'000	2015 $'000
Cash flows from Operating Activities			
Receipts from customers		579,893	828,252
Interest received		937	709
Payments to suppliers and employees		(451,668)	(575,164)
Income tax received / (paid)		6,959	(51,059)
Interest and other costs of finance paid		(15,947)	(17,378)
Net Cash Provided by Operating Activities	20(c)	120,174	185,360
Cash flows from Investing Activities			
Payments for property, plant and equipment		(172,014)	(172,764)
Proceeds from sale of property, plant and equipment		34,997	429
Dividends received		4,000	4,000
Net Cash Used in Investing Activities		(133,017)	(168,335)
Cash flows from Financing Activities			
Repayment of borrowings		(58,660)	(52,867)
Financing fees on borrowings		(2,574)	-
Dividends paid		(4,684)	(34,552)
Net Cash Used in Financing Activities		(65,918)	(87,419)
Net decrease in cash and cash equivalents		(78,761)	(70,394)
Cash and cash equivalents at the beginning of the financial year		124,482	174,768
Effects of exchange rate changes on the balance of cash held in foreign currencies		4,004	20,108
Cash and Cash Equivalents at the End of the Financial Year		49,725	124,482

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

Notes to the Preliminary Financial Report

1. Significant Accounting Policies

The financial statements comprise the consolidated financial statements of the Company and its subsidiaries ("the Group"). For the purposes of preparing the consolidated financial statements, the Company is a for profit entity.

Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for certain assets which have been impaired and financial instruments that are measured at fair 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.

The accounting policies adopted are consistent with those of the previous financial year.

Going Concern

The financial statements have been prepared on a going concern basis, which assumes the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

For the financial year ended 30 June 2016 the Group incurred a loss after tax of $144.0 million (2015: $51.3 million) and had net current liabilities of $7.6 million (2015: net current assets $121.5 million).

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

On 24 August 2016, the Company received approval of some further amendments to the terms and financial covenants of the Facility from the Syndicate members and has 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. The principal repayments will be funded from the proceeds of the Company's ongoing vessel sales program, operating earnings and any additional funding options available to the Company. The amended Facility Agreement and supporting documents are expected to be fully executed on or around 19 September 2016. Refer to Note 15 for further details on the Company's borrowings.

The Directors believe that at the date of approving the Preliminary Financial Report there are reasonable grounds to believe that the Group will have sufficient funds to meet their obligations as and when they fall due and are of the opinion that the use of the going concern basis remains appropriate.

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.

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.

2.1 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.

Impairment of property, plant & equipment

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 costs of disposal (FVLCOD) approach was used (2015: value in use 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.

2. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

An impairment charge of $139 million on property, plant & equipment was recognised during the year. Please refer to note 13 for further details.

Useful lives of property, plant and equipment

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. Segment Information

(a) Products and services from which reportable segments derive their revenues

Information reported to the chief operating decision maker (The Board of Directors) for the purposes of resource allocation and assessment of segment performance focuses on the types of services provided. The Group's reportable segments under AASB 8 are therefore as follows:

- Vessels
- Supply Base
- Slipway

Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the Group's accounting policies.

(b) Segment revenues and results

	Revenue from external customers		Inter-segment Revenue		Total Segment Revenue	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Segment Revenues						
Vessels	414,724	699,785	-	-	414,724	699,785
Supply Base	60,515	85,970	1,696	2,516	62,211	88,486
Slipway	5,884	10,911	3,920	11,776	9,804	22,687
Total	481,123	796,666	5,616	14,292	486,739	810,958
Eliminations					(5,616)	(14,292)
Total consolidated revenue					481,123	796,666

Inter-segment services are provided for amounts equal to competitive market prices charged to external customers for similar services.

3. Segment Information (continued)

	Profit/(loss) Before Impairment		Impairment Charge		Profit/(loss) After Impairment	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Segment Profit						
Vessels	(15,447)	77,134	(100,000)	(100,000)	(115,447)	(22,866)
Supply Base	13,083	18,604	(36,000)	(20,710)	(22,917)	(2,106)
Slipway	(2,881)	(204)	(3,000)	-	(5,881)	(204)
Eliminations	131	(1,152)	-	-	131	(1,152)
Total for continuing operations	(5,114)	94,382	(139,000)	(120,710)	(144,114)	(26,328)
Investment revenue					937	709
Other gains					12,354	4,366
Central administration costs					(9,365)	(11,862)
Share of profit of jointly controlled entity					2,611	3,385
Unallocated finance costs					(17,685)	(18,489)
Loss before income tax					(155,262)	(48,219)

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

Segment profit represents the profit earned by each segment without allocation of investment revenue, other gains and losses, central administration costs, share of profits of jointly controlled entity, 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.

(c) Segment Assets

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

	2016 $'000	2015 $'000
Segment assets		
Vessels	937,658	1,061,308
Supply Base	71,048	134,282
Slipway	7,461	14,503
Unallocated	78,306	215,122
Total	1,094,473	1,425,215

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 and central administration assets.

(d) Other segment information

	Depreciation and amortisation		Additions to non-current assets		Carrying value of equity accounted investments	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Vessels	80,286	121,923	156,410	239,566	-	-
Supply Base	6,942	7,304	2,504	3,916	-	-
Slipway	779	746	413	1,085	-	-
Unallocated	1,024	1,324	(7)	2,670	8,966	10,355
Total	89,031	131,297	159,320	247,237	8,966	10,355

3. Segment Information (continued)

(e) Revenue from major services

The following is an analysis of the Group's revenue from its major services:

	2016 $'000	2015 $'000
Vessel services	414,724	699,785
Supply Base services	60,515	85,970
Slipway services	5,884	10,911
Total	481,123	796,666

(f) Geographical information

The Group is based in two principal geographical areas – Australia (country of domicile) and Singapore.

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*	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Australia	390,015	639,433	432,498	529,140
Other	91,108	157,233	523,284	516,938
Total	481,123	796,666	955,782	1,046,078

* Non-current assets excluding investments accounted for using the equity method.

(g) Information about major customers

Included in revenues arising from vessel and supply base services are revenues of approximately $165.4 million (2015: $308.6 million) which arose from sales to the Group's largest customer, revenues of approximately $64.9 million (2015: $7.1 million) which arose from sales to the Group's second largest customer and revenues of approximately $49.2 million (2015: $64.5 million) which arose from sales to the Group's third largest customer.

4. Profit/(Loss) from Operations	2016 $'000	2015 $'000
(a) Other gains and losses		
Net foreign exchange gains	981	4,567
Loss on disposal of property, plant and equipment	(3,791)	(201)
Gain on disposal of investment[(i)]	15,164	-
Total	12,354	4,366

(i) On 6 January 2016, the Company completed the sale of three wholly owned Singapore based subsidiary Companies. The Company acquired a number of subsidiary Companies as part of the transaction in June 2014 to acquire the business activities of Jaya Holdings Pte Ltd. The sale of the three Companies is part of the Company's strategy to consolidate the number of operating subsidiaries in the Group.

4. Profit/(Loss) from Operations (continued)

	2016 $'000	2015 $'000
(b) Profit/(loss) for the year		
Profit/(loss) for the year before income tax has been arrived at after charging the following:		
(i) Depreciation:		
Leasehold buildings and improvements	6,369	6,176
Vessels	78,106	120,646
Vessels – hire purchase	-	435
Plant and equipment	3,674	3,052
Plant and equipment – hire purchase	882	988
Total	89,031	131,297
(ii) Impairment losses:		
Impairment charge recognised on trade receivables	7,279	5,483
Reversal of impairment charge recognised on trade receivables	(1)	(431)
Impairment charge recognised on fixed assets and goodwill	139,000	120,710
(iii) Employee benefits:		
Post-employment benefits:		
Defined contribution plans	15,045	19,654
Share based payments:		
Equity settled share based payments	915	1,828
Other employee benefits	169,982	227,198
Total	185,942	248,680

5. Earnings per Share

(a) Earnings per Share:

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

	2016 $'000	2015 $'000
Loss for the Year	(143,962)	(51,291)

	2016 No.'000	2015 No.'000
(b) Weighted average number of ordinary shares (basic):		
Weighted average number of ordinary shares for the purposes of basic earnings per share	372,581	368,841
(c) Weighted average number of ordinary shares (diluted):		
Weighted average number of ordinary shares used in the calculation of basic earnings per share	372,581	368,841
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	372,581	368,841
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	13,719	4,172

6. Income Taxes

	2016 $'000	2015 $'000
(a) Income tax recognised in profit or loss		
Tax expense comprises:		
Current tax expense in respect of the current year	2,635	16,778
Deferred tax expense in respect of the current year	(2,700)	(8,858)
Adjustment recognised in the current year in relation to tax provisions of prior years	(11,235)	(4,848)
Total income tax (benefit)/expense	(11,300)	3,072
The income tax expense for the year can be reconciled to accounting profit as follows:		
Loss from operations	(155,262)	(48,219)
Income tax expense calculated at 30%	(46,578)	(14,466)
Effect of revenue that is exempt from taxation	(884)	(6,540)
Effect of expenses that are not deductible in determining taxable profit	29,272	31,593
Effect of tax deductible items not included in accounting profit	(466)	(721)
Effect of foreign income taxable in Australia	1,671	3,223
Effect of tax losses utilised	(1,623)	(2,782)
Effect of unused tax losses and temporary differences not recognised as deferred tax assets	17,480	-
Non-refundable franking credits	514	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	549	(2,387)
	(65)	7,920
Adjustment recognised in the current year in relation to tax provisions of prior years	(11,235)	(4,848)
Total income tax (benefit)/expense	(11,300)	3,072

The tax rate used for the 2016 and 2015 reconciliations above is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

	2016 $'000	2015 $'000
(b) Income tax recognised directly in equity		
Income tax functional currency of deferred tax balances	747	1,255
Employee share trust	163	792
Total	910	2,047
(c) Current tax assets/(liabilities)		
Income tax receivable/(payable)	5,712	(5,155)
(d) Deferred tax balances		
Deferred tax assets	9,686	15,557
Deferred tax liabilities	(12,779)	(20,440)
Total	(3,093)	(4,883)

6. Income Taxes (continued)

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

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)	383
Unearned revenue	7,389	(7,285)	-	104
Unused tax losses and credits	3,187	4,410	398	7,994
Other	450	71	-	521
	15,557	(6,106)	235	9,686
Total	(4,883)	2,700	(910)	(3,093)
2015				
Gross deferred tax liabilities:				
Property, plant and equipment	(19,230)	11,729	(1,255)	(8,756)
Inventory	(798)	173	-	(625)
Receivables	(661)	3	-	(658)
Other	(1,274)	(9,127)	-	(10,401)
	(21,963)	2,778	(1,255)	(20,440)
Gross deferred tax assets:				
Provisions	4,091	156	-	4,247
Share issue costs	74	(60)	-	14
Employee share trust	583	479	(792)	270
Unearned revenue	5,016	2,373	-	7,389
Unused tax losses and credits	-	3,187	-	3,187
Other	505	(55)	-	450
	10,269	6,080	(792)	15,557
Total	(11,694)	8,858	(2,047)	(4,883)

	2016 $'000	2015 $'000
(e) Unrecognised deferred tax assets		
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)	10,057	2,629
Tax losses (capital in nature)	837	-
Deductible temporary difference	10,976	-

(f) Tax consolidation

Relevance of tax consolidation to the Group

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is MMA Offshore Ltd.

6. Income Taxes (continued)

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.

7. Dividends Provided for or Paid

	2016 $'000	2015 $'000
Adjusted franking account balance	44,000	45,445
Impact on franking account balance of dividends not recognised	-	(2,386)

	2016		2015	
	Cents Per Share	Total $'000	Cents Per Share	Total $'000
Recognised Amounts				
Fully paid ordinary shares				
Interim dividend fully franked at a 30% tax rate	-	-	4.0	14,746
Final dividend fully franked at a 30% tax rate	1.5	5,569	7.0	25,674
Unrecognised Amounts				
Fully paid ordinary shares				
Final dividend fully franked at a 30% tax rate	-	-	1.5	5,569

8. Trade and Other Receivables

	2016 $'000	2015 $'000
Trade receivables	71,181	197,605
Allowance for doubtful debts	(13,456)	(6,068)
Other receivables	8,951	9,078
Total	66,676	200,615

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, $18.3 million (2015: $33.3 million) is outstanding from the Group's largest debtor and $6.6 million (2015: $16.5 million) from the Group's second largest debtor.

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.

8. Trade and Other Receivables (continued)	2016 $'000	2015 $'000
Ageing of receivables past due but not impaired:		
31-60 days	2,863	28,864
61-90 days	4,342	12,341
91-120 days	1,362	2,978
121-150 days	2,610	12,978
Over 150 days	30,949	15,293
Total	42,126	72,454
Movement in the allowance for doubtful debts		
Balance at the beginning of the year	6,068	1,063
Impairment losses recognised on receivables	7,197	5,483
Amounts written off as uncollectible	-	(47)
Amounts recovered during the year	(1)	(431)
Foreign exchange translation	192	-
Balance at the end of the year	13,456	6,068

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. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

9. Inventories	2016 $'000	2015 $'000
Fuel – at cost	2,996	2,629
Consumables	1,215	1,319
Work in progress	52	776
Total	4,263	4,724

10. Other Financial Assets	2016 $'000	2015 $'000
Derivatives		
Hedge contracts on vessels under construction	-	11,545

11. Investments Accounted For Using The Equity Method

			Ownership Interest		Consolidated Carrying Amount	
Name of Entity	Principal Activity	Country of Incorporation	2016 %	2015 %	2016 $'000	2015 $'000
Jointly Controlled Entity						
Toll Mermaid Logistics Broome Pty Ltd	Supply Base services in Broome for the offshore oil and gas industry	Australia	50	50	8,966	10,355
Total					8,966	10,355

The reporting date of Toll Mermaid Logistics Broome Pty Ltd (TMLB) is 30 June. The Company acquired a 50% ownership interest in TMLB in October 2006. Pursuant to a shareholder agreement the Company has the right to cast 50% of the votes at TMLB shareholder meetings.

11. Investments Accounted For Using the Equity Method (continued)

Summarised financial information in respect of the Group's jointly controlled entity is set out below:

	2016 $'000	2015 $'000
Financial position:		
Current assets	7,321	12,213
Non-current assets	11,878	12,743
Current liabilities	(1,223)	(4,106)
Non-current liabilities	(44)	(140)
Net assets	17,932	20,710
Group's share of jointly controlled entity net assets	8,966	10,355
Financial performance:		
Total revenue	29,768	40,714
Total profit before tax for the year	7,458	9,734
Group's share of jointly controlled entity profit before tax	3,729	4,867
Group's share of jointly controlled entity income tax expense	(1,118)	(1,482)
Group's share of jointly controlled entity profit after tax	2,611	3,385

Contingent Liabilities and Capital Commitments

The Company's share of the contingent liabilities, capital commitments and other expenditure commitments of the jointly controlled entity is nil (2015: nil).

12. Property, Plant and Equipment

	Leasehold Buildings and Improvements at cost $'000	Vessels at cost $'000	Vessels – Hire purchase 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 2014	143,382	783,274	7,200	29,881	12,115	72,119	1,047,971
Additions	3,906	161,241	-	4,461	69	77,560	247,237
Disposals	-	(377)	(38)	(940)	(95)	-	(1,450)
Transfers	3,969	49,130	(7,162)	(5,033)	(202)	(40,702)	-
Net currency exchange differences	2,207	130,803	-	2,540	-	13,574	149,124
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 30 June 2016	155,363	1,243,937	-	32,763	11,195	111,645	1,554,903
Accumulated depreciation:							
Balance at 1 July 2014	(36,694)	(97,388)	(3,272)	(10,395)	(3,781)	-	(151,530)
Disposals	-	176	-	555	89	-	820
Transfers	(1,131)	(4,018)	3,707	1,322	120	-	-
Impairment charge	-	(100,000)	-	-	-	-	(100,000)
Depreciation expense	(6,176)	(120,646)	(435)	(3,052)	(988)	-	(131,297)
Net currency exchange differences	(1,449)	(11,440)	-	(1,908)	-	-	(14,797)
Balance at 1 July 2015	(45,450)	(333,316)	-	(13,478)	(4,560)	-	(396,804)
Disposals	285	57,295	-	1,919	585	-	60,084
Transfers	-	-	-	-	-	-	-
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 30 June 2016	(93,319)	(462,912)	-	(18,520)	(6,940)	(17,430)	(599,121)
Net book value:							
As at 30 June 2015	108,014	790,755	-	17,431	7,327	122,551	1,046,078
As at 30 June 2016	62,044	781,025	-	14,243	4,255	94,215	955,782

Assets Pledged as Security

In accordance with the security arrangements of liabilities, as disclosed in note 15 to the financial statements, all non-current assets of the Group have been pledged as security, except deferred tax assets.

13. Impairment of Non-current Assets

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 2016:

- 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 each of the Vessels, Supply Base and Slipway Cash-Generating Units ('CGUs').

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 Group has used the FVLCOD model for the purpose of impairment testing as at 30 June 2016. This has changed from the previous year where the value in use model was used for each CGU.

Impairment charges recognised

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

Segment/CGU	Class of asset	Method	Impairment charge 2016 $'000
Vessels	Property, Plant & Equipment	FVLCOD	100,000
Supply Base	Property, Plant & Equipment	FVLCOD	36,000
Slipway	Property, Plant & Equipment	FVLCOD	3,000
Total			139,000

Segment/CGU	Class of asset	Method	Impairment charge 2015 $'000
Vessels	Property, Plant & Equipment	Value in use	100,000
Supply Base	Goodwill	Value in use	20,710
Slipway	-	Value in use	-
Total			120,710

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 2 $'000	Recoverable Amount $'000
Vessels	885,000	885,000
Supply Base	62,000	62,000
Slipway	6,900	6,900

Level 2 inputs are those other than quoted prices in active markets that are observable. In our calculations these inputs are market valuations prepared by an independent valuation consultant for each CGU.

Vessels

Industry conditions in Australia and internationally continue to be challenging, as the impact of the continued decline in the oil prices and over supply of vessels is 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. MMA is impacted through lower utilisation and charter rates for its vessels.

13. Impairment of Non-current Assets (continued)

The recoverable amount of the vessels was determined using a market based approach, reflecting the value which could be expected to be realised through the disposal of the vessels with reference to recent transaction for similar vessels in the current market.

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 have considered include the current market conditions in which the vessels operate, a review of recent vessel sales and consideration of the specification and earnings potential of each vessel. Whilst vessels are not individually inspected the standard premise applied to each vessel is 'as is where is', charter free and a transaction between a willing buyer and willing seller.

A further key input into the recoverable amount of the CGU was the application of a discount to the independent valuation to reflect the amount which would be achieved if the fleet was disposed of in one single transaction. We have applied a discount of 7.5% being a rate within a range provided by the independent valuer.

An additional key input was the estimated costs of disposal. We have assumed these to be 2% of the sale value of each vessel. Based on past sales, we have seen actual costs between 1.5% to 2.5% and have used the midpoint of this range.

At 30 June 2016, the recoverable amount of the Vessels CGU was lower than the carrying value and as a result the Group recognised an impairment charge.

Supply Base

Activity on MMA's Dampier Supply Base is heavily influenced by the level of offshore oil and gas activity in the region. As a result of the continued low oil price, together with the completion of the construction phase of the Gorgon Project, the demand for services at the Dampier Supply Base was significantly reduced over the past year.

An independent valuation of the Supply Base facility was undertaken by a leading global real estate valuation and services company. In preparing their Valuation Report they considered the following valuation approaches:

(a) Cost approach – This approach reflects the cost to another party of constructing a similar asset.

The significant inputs used by the independent valuer under this approach include:
- the estimated construction cost of the Supply Base which was based on the original cost;
- an allowance for the economic life of the various assets by applying a depreciation factor to them based on current age and category of asset; and
- a further depreciation rate over the entire facility to account for economic obsolescence.

(b) Income approach – This approach converts future cashflows from the market rent for which MMA could potentially sub lease the supply base facility. The valuer used two methods under this approach. Each method and their significant inputs are as follows:

(i) Capitalisation of market rentals method: This calculation applies a capitalisation rate to the net market rental of the Supply Base. The significant inputs include:
- market rent of the various areas and facilities on the Supply Base; and
- a capitalisation rate of 15.6%.

(ii) Discounted Cash Flow method: Net operating cash flows are identified over a 10 year period and discounted to arrive at a present value of expected future cash flows. The significant inputs include:
- market rent of the various areas and facilities on the Supply Base;
- a terminal value of the Base at the end of the 10 year period; and
- a discount rate of 18% was used.

At 30 June 2016, the recoverable amount of the Supply Base CGU was lower than the carrying value and as a result the Group recognised an impairment charge.

Slipway

The number of vessels operating in the region of the Slipway decreased during the past year as construction activity in the offshore oil and gas industry was completed and other activity was subdued as a result of the continuing low oil price. This resulted in a decline in demand for use of the Slipway facilities.

In conjunction with the independent valuation of the Supply Base, the Slipway was also valued. The approaches and significant inputs used by the valuer for the Slipway valuation are the same as described above for the Supply Base.

At 30 June 2016, the recoverable amount of the Slipway CGU was lower than the carrying value and as a result the Group recognised an impairment charge.

14. Trade and Other Payables	2016 $'000	2015 $'000
Trade payables	9,372	28,079
Other payables and accruals	34,443	98,906
Goods and services tax payable	125	2,188
Total	43,940	129,173

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.

15. Borrowings	2016 $'000	2015 $'000
Secured – at amortised cost		
Current		
Hire purchase liability(i)	432	1,571
Bank loans(ii)	75,000	49,557
Unamortised loan fees(iii)	(2,349)	(1,536)
Total	73,083	49,592
Non-Current		
Hire purchase liability(i)	491	904
Bank loans(ii)	322,755	396,458
Unamortised loan fees(iii)	(4,504)	(4,481)
Total	318,742	392,881

Summary of borrowing arrangements:

(i) Secured by hire purchase assets, the borrowings are fixed interest rate debt with repayment periods not exceeding 5 years. The current weighted average effective interest rate on the hire purchase liabilities is 6.45% (2015: 6.98%).

(ii) In May 2014, the Company entered into a Syndicated Facility Agreement with NAB and ANZ as mandated lead arranger, underwriter and book runner. The Syndicated Facility comprised a A$200 million term loan facility and a US$227 million term loan facility. The primary purpose of the A$ loan facility was to refinance the Company's existing loan facilities. The purpose of the US$ loan facility was to support the acquisition of the subsidiaries of Jaya Holdings Ltd. The Syndicated Facility has a term of 5 years and 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, real property mortgages, and a mortgage by way of sub-demise over the Dampier Supply Base lease. The security is held by the Security Trustee on behalf of the banking members of the Syndicated Facility.

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 24 August 2016, the Company received approval of some further amendments to the terms and financial covenants of the Facility from the Syndicate members and has 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. The principal repayments will be funded from the proceeds of the Company's ongoing vessel sales program, operating earnings and any additional funding options available to the Company. The amended Facility Agreement and supporting documents are expected to be fully executed on or around 19 September 2016.

The current weighted average effective interest rate on the bank loans is 3.77% (2015: 3.30%).

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

16. Provisions	2016 $'000	2015 $'000
Current		
Employee benefits – annual leave	7,075	11,101
Employee benefits – long service leave	3,418	3,168
Restructuring costs – shipbuilding operations	889	-
Warranty & Cancellation costs – shipbuilding operations	3,251	5,001
Total	14,633	19,270
Non-current		
Employee benefits – long service leave	806	612

17. Issued Capital	2016 $'000	2015 $'000
373,076,993 fully paid ordinary shares (2015: 371,219,785)	556,566	555,681

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

Fully Paid Ordinary Shares	2016 No.'000	2016 $'000	2015 No.'000	2015 $'000
Balance at beginning of financial year	371,220	555,681	366,766	549,813
Issue of shares under employee option and rights plans	122	-	116	-
Issue of shares under dividend reinvestment plan	1,735	885	4,338	5,868
Balance at end of financial year	373,077	556,566	371,220	555,681

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

Share Rights

As at 30 June 2016, executives and employees held rights over 13,718,778 ordinary shares (2015: 4,172,468) in aggregate.

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

18. Reserves	2016 $'000	2015 $'000
Employee equity settled benefits	5,704	4,952
Hedging	(58,345)	(37,971)
Foreign currency translation	172,194	148,877
Balance at end of financial year	119,553	115,858
Employee equity settled benefits reserve		
Balance at beginning of financial year	4,952	3,916
Share based payment	915	1,828
Deferred income tax benefit	(163)	(792)
Balance at end of financial year	5,704	4,952

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

18. Reserves (continued)

	2016 $'000	2015 $'000
Hedging reserve		
Balance at beginning of financial year	(37,971)	1,988
Loss on hedge of net investment in a foreign operation	(8,829)	(53,309)
Gain on cash flow hedges	6,294	13,350
Transfer of cash flow hedge gain to initial carrying amount of hedged items	(17,839)	-
Balance at end of financial year	(58,345)	(37,971)

The hedging reserve represents hedging gains or losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in 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, consistent with the applicable accounting policy.

	2016 $'000	2015 $'000
Foreign currency translation reserve		
Balance at beginning of financial year	148,877	(18,164)
Translation of foreign operations	25,152	167,041
Reclassification of exchange differences on disposal of entities	(1,835)	-
Balance at end of financial year	172,194	148,877

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.

19. Retained Earnings	2016 $'000	2015 $'000
Balance at beginning of financial year	107,578	199,289
Loss attributable to owners of the Company	(143,962)	(51,291)
Dividend provided for or paid	(5,569)	(40,420)
Balance at end of financial year	(41,953)	107,578

20. Notes to the Statement of Cash Flows

(a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the balance sheet as follows:

	2016 $'000	2015 $'000
Cash and cash equivalents	49,725	124,482

(b) Non cash financing and investing activities

During the financial year, the Group acquired property, plant and equipment with an aggregate value of nil (2015: $0.1 million), which was financed by bank finance and hire purchase agreements. These acquisitions will be reflected in the cash flow statement as repayment of borrowings over the term of the facilities.

In addition, the Company issued shares to the value of $0.9 million (2015: $5.9 million) under the Dividend Reinvestment Plan.

20. Notes to the Statement of Cash Flows (continued)

(c)

Reconciliation of loss for the year to net cash flows from operating activities	2016 $'000	2015 $'000
Loss for the year	(143,962)	(51,291)
Depreciation of non-current assets	89,031	131,297
Impairment of non-current assets	139,000	120,710
Amortisation of borrowing costs	1,739	1,111
Loss on sale of property, plant and equipment	3,791	201
Gain on disposal of investment	(15,164)	-
Unrealised foreign exchange gain	(228)	(2,449)
Allowance for doubtful debts	7,279	5,052
Bad debts	-	47
Equity settled share based payment	915	1,827
Share of jointly controlled entity profit	(2,611)	(3,385)
Change in net assets and liabilities:		
Decrease in trade and other receivables	131,343	17,077
Decrease in prepayments	6,562	298
(Increase)/decrease in inventories	558	(1,147)
Increase in current tax receivable/decrease in current tax liability	(2,377)	(48,510)
Decrease in provisions	(8,525)	(3,496)
Decrease in trade and other payables	(50,163)	(776)
Increase/(decrease) in unearned revenue	(35,050)	18,271
Increase/(decrease) in deferred tax liabilities	(1,964)	523
Net cash flows from operating activities	120,174	185,360

(d)

Financing facilities	2016 $'000	2015 $'000
Secured loan facilities with various maturity dates through to 2019 and which may be extended by mutual agreement:		
Amount used	397,755	466,015
Amount unused	-	-
Total	397,755	466,015
Secured bank overdraft:		
Amount used	-	-
Amount unused	4,000	4,000
Total	4,000	4,000

21. Commitments for Expenditure

	2016 $'000	2015 $'000
Plant and Equipment	13	380
Leasehold Improvements	132	238
Vessels	7,331	116,496
Total	7,476	117,114