MMA OFFSHORE LIMITED

HALF YEAR FINANCIAL REPORT – 31 DECEMBER 2015

The Directors of MMA Offshore Limited ("MMA" or "Company") (ASX: MRM) submit herewith the Financial Report of the Company for the six months ended 31 December 2015.

Financial Summary

	Half year ended 31 Dec 2015	Half year ended 31 Dec 2014	Variance on PCP
Revenue	$309.3M	$456.3M	⬇ 32.2%
EBITDA	$66.3M	$132.0M	⬇ 49.8%
Profit before Tax	$7.0M	$55.3M	⬇ 87.3%
NPAT	$6.5M	$37.7M	⬇ 82.8%
EPS	1.7c	10.3c	⬇ 83.5%

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

"*Market conditions in the offshore oil and gas industry continue to be very challenging with oil prices at 12 year lows.*

MMA's first half result, whilst disappointing, was in line with expectations and reflective of current market conditions.

"In the current environment, MMA is focused on improving the business through areas that it can control such as reducing costs, increasing productivity and improving our operating performance. We believe that such actions will position the Company well to navigate through the current market downturn.

"We are also strongly focused on our asset sales programme to reduce debt. MMA has recently renegotiated the terms and conditions of its banking facilities and is committed to reducing its debt levels to better match the Company's earnings in the current market.

"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.

"Whilst there is no doubt that the Company is facing difficult conditions at present, MMA is backed by quality assets and has a strong operating track record which I believe will stand us in good stead whilst we navigate through this difficult period."

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

"The Company had a difficult first half as the ongoing low oil price impacted demand for our services globally.

"The Australian vessels business performed slightly better than expected with ongoing LNG construction activity generating work for a number of our vessels. The international market for offshore vessels remains very difficult with large numbers of vessels competing for limited work. Maintaining utilisation remains challenging and rates have now come down by up to 50% in some markets.

"The Middle East is holding up slightly better in terms of utilisation and MMA is focused on growing its operations in this region.

"Whilst market conditions are as challenging as we have seen, MMA continues to win important new contracts, which is testament to the quality of our operations and our focus on working with clients to deliver innovative and cost competitive solutions to meet their requirements. MMA signed two major new long term production support contracts with Woodside and ConocoPhillips during the period and extended its contract with Santos. The Company also secured two long term contracts for our larger vessels in Malaysia and extended key contracts in the Middle East and Thailand.

"The Dampier Supply Base generated stable returns, driven mainly by construction and production support activity in the region. However, we expect construction activity to reduce in the second half with the Gorgon Project completing.

"The Dampier Slipway performed below expectations due to low vessel activity in the region, cost cutting by clients and increased competition from South East Asian shipyards.

"Our current focus is on streamlining the business, selling assets and reducing our debt. Our newbuild programme is close to completion and we expect capital expenditure in FY17 to be minimal. We have also recently agreed revised terms with our banking syndicate to assist us in navigating through this market downturn.

"At this stage, we anticipate market conditions will remain challenging for the remainder of FY16 and into FY17. We expect second half earnings to be significantly lower than the first half as a result of reduced Australian construction activity, the seasonal impact of the South East Asian monsoon period and ongoing depressed market conditions."

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MMA
OFFSHORE

ABN 21 083 185 693

Financial Report and Appendix 4D for the Half Year Ended 31 December 2015

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Results for Announcement to the Market

Current Reporting Period: Half year ended 31 December 2015
Previous Reporting Period: Half year ended 31 December 2014

Earnings	% Change	Amount $'000
Revenue from ordinary activities	-32.2%	309,332
Profit before tax	-87.3%	7,049
Profit from ordinary activities after tax attributable to members	-82.8%	6,457
Net profit attributable to members	-82.8%	6,457

Information regarding the revenue and profit for the period is set out in the covering announcement accompanying this Report and in the Review of Operations in the Directors' Report on Page 4.

Dividends

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 dividend has been declared for the 2016 financial year.

	Amount per share	Franked Amount per share
Interim dividend for year ended 30 June 2015	4.0 cents	4.0 cents
Final dividend for year ended 30 June 2015	1.5 cents	1.5 cents

Net Tangible Asset Backing	31 Dec 2015	31 Dec 2014
Net tangible asset backing per share	$2.15	$2.19

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

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.

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 2015. 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 Howarth AO
- Mr J Weber
- Mr M Bradley
- Mr A Edwards
- Ms E Howell
- Mr CG Heng

<u>Review of Operations</u>

MMA experienced difficult trading conditions during the first half of FY2016 as the ongoing low oil price environment impacted demand for services across the offshore oil and gas support industry.

As compared to the previous corresponding period:

- Revenue decreased by 32.2% to $309.3 million;
- Earnings before Interest Tax Depreciation and Amortisation ("EBITDA") and excluding profit on sale of assets decreased by 49.8% to $66.3 million;
- Profit before tax decreased by 87.3% to $7.0 million;
- Net profit after tax ("NPAT") decreased by 82.8% to $6.5 million; and
- Earnings per share ("EPS") decreased by 83.5% to 1.7c.

Vessel Operations

The Vessel division reported EBITDA for the first half of $58.1 million down 51.9% on the previous corresponding period. Average utilisation for the half was 60% across the fleet globally as compared to 76% in the first half of FY2015.

The Australian vessel operations performed slightly ahead of expectations with the Europa contract and LNG construction support activity contributing to first half earnings.

During the first half MMA was successful in securing and extending a number of significant long term production support contracts, a key part of MMA's ongoing strategy.

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 in Australia's Northwest region. 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 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 ConocoPhillips' Bayu Undan operations in the Timor Sea. This was an important contract win for the Company, securing full utilisation for one of our platform supply vessels for a minimum of 5 years in an extremely challenging PSV market.

The significance of these contract wins in the current competitive market cannot be overstated and are an endorsement of MMA's ability to support world class oil and gas operators by providing innovative and cost effective solutions without compromising the quality of our operations.

MMA also extended its production support contract with Santos for a further year and continues to support the majority of offshore production assets on the North West Shelf.

In relation to construction support, MMA continued to provide services to the Gorgon Project with 8 vessels contributing to earnings in the first half. The Europa accommodation vessel completed its contract in December 2015 with the other vessels expected to complete their contracts during the second half. MMA also had a number of vessels active on the Wheatstone and Prelude LNG projects during the first half.

Exploration activity is minimal at the moment with the number of rigs in Australia at historically low levels. MMA's Australian vessel business currently has a low exposure to the exploration support market and has not been impacted to a large degree by the reduction in exploration related activity.

Our international vessel fleet had a very difficult first half with rates and utilisation under continued pressure. Pleasingly we were successful in securing and extending a number of long term contracts during the period. In Malaysia, we secured two long term contracts for our largest AHTS vessels, the Sea Hawk 1 and the Majestic through to September 2017. We also extended three long term contracts in the Middle East and two in Thailand for a further year although at reduced rates.

Activity in South East Asia has been severely impacted with a large number of vessels competing for significantly fewer opportunities. Vessel operators continue to price at close to breakeven rates to maintain utilisation, with day rates now approximately 40-50% lower than June 2014 levels.

The market in the Middle East continues to hold up better with utilisation relatively stable but rates down over 30%. In addition to extending a number of long term contracts, MMA signed a Master Services Agreement with a key multinational contractor in the region during the first half. The Middle East is a key growth area for MMA in the future. MMA recently opened a regional office in Dubai and has engaged an experienced Regional Manager to manage and grow the Middle Eastern operations.

MMA's new build programme is on track with three vessels currently under construction in MMA's Batam Shipyard. The MMA Privilege, a multi-purpose maintenance work vessel is almost ready to commence work and two ROV support vessels (MMA Prestige and MMA Pinnacle) will be completed by the end of FY16. MMA is actively marketing these vessels into longer term contracts in a number of regions. MMA has also recently taken delivery of the two Platform Supply Vessels, the MMA Plover and MMA Brewster which will commence long term production support contracts with INPEX in FY2017. In the interim, the vessels are being marketed into short term opportunities.

MMA's vessel sales programme is ongoing with 14 of our smaller vessels sold or contracted achieving A$28m in sales to date. Whilst the sale and purchase market continues to be difficult, we are seeing a positive level of enquiry on MMA's vessels and we are targeting a further A$50 million in sales by the end of the financial year. MMA also has a strategy of laying up underutilised vessels to reduce operating costs. The majority of these vessels are being kept at our Singapore and Batam yards which provide a cost effective solution.

We expect activity for the vessels division to be materially lower in the second half based on reduced construction related work in Australia, the seasonal impact of the South East Asian Monsoon and ongoing depressed activity in the oil and gas support market.

Dampier Supply Base

Earnings were stable at the Dampier Supply Base with EBITDA for the first half of $13.3 million consistent with the previous corresponding period.

Activity during the half was driven predominately by production support and construction activity in the region with reduced drilling activity as a result of the current low oil price.

MMA continues to focus on cost reduction and workforce productivity at the Supply Base and is marketing the Base to potential new clients to increase land utilisation.

Activity on the Supply Base is expected to be lower in the second half as a result of reduced construction activity in the region.

Dampier Slipway

The Dampier Slipway had a difficult first half with reduced vessel activity in the region and increased competition from South East Asian shipyards resulting in only 11 dockings being completed as compared to 26 in the previous corresponding period.

The Slipway generated an EBITDA loss of $(1.2) million for the half as compared to a positive EBITDA of $0.7 million in the first half of FY2015.

The business underwent a further restructuring during the half to reduce the number of permanent personnel and increase the contractor workforce enabling the business to better match overhead with workflow.

Second half activity for the Slipway is expected to remain soft with a continued focus on cost reduction and productivity improvements.

Broome Supply Base – JV with Toll Holdings Ltd

The Broome Supply Base had a stable first half with MMA's 50% share of NPAT of $1.8 million, up slightly from the previous corresponding period of $1.7million.

The Base supported drilling programs for Shell and INPEX during the first half.

Second half earnings are expected to be lower with Shell having now completed their drilling programme. A restructuring of the business has been completed to match the lower expected activity levels.

Cost Reduction Programme

MMA is on track to exceed its $15million cost reduction target for the FY2016 financial year.

Balance Sheet

MMA's cash at bank as at 31 December 2015 was $87.1 million with Gearing (Net debt / Equity) at 42.9%.

In the current environment MMA has a strong focus on reducing its debt to better match its earnings.

MMA has recently negotiated a range of amendments to the terms and covenants of its debt facilities with the members of its banking syndicate. The amendments have been agreed in response to the difficult trading conditions being experienced throughout the offshore oil and gas support industry as a result of the significant decline in the oil price. The agreed amendments reflect the positive and supportive relationship that MMA has maintained with its banking syndicate.

Outlook

MMA expects second half activity to be significantly lower than the first half.

Reduced construction activity in Australia will impact the Vessels and Supply Base businesses and lower activity is expected internationally as a result of ongoing depressed market conditions and the seasonal impact of the South East Asian monsoon period which traditionally impacts the third quarter.

At this stage we expect full year EBITDA to be in line with previous guidance of $75million - $85million.

In the current environment, MMA continues to focus on taking measures to streamline the business through optimising the asset base, reducing costs, increasing productivity and improving our overall operating performance. Such actions will position the Company well for when market conditions improve. Recent contract awards are a testament to MMA's operating capability and ability to deliver innovative and cost effective solutions to clients in a challenging and competitive environment.

Dividends

Full details with respect to the dividends are set out on page 3 of this Financial Report.

Auditor's Independence Declaration

The Auditor's Independence Declaration is included on page 8 of this Financial Report.

Rounding off of Amounts

The Company is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order, 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

TONY HOWARTH AO
Chairman

Perth, 19 February 2016

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The Board of Directors
MMA Offshore Limited
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19 February 2016

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 2015, 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

Ross Jerrard
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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, which comprises the condensed statement of financial position as at 31 December 2015, and the condensed statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, 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 as set out on pages 11 to 27.

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 consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of MMA Offshore Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor’s Independence Declaration

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity’s financial position as at 31 December 2015 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

Ross Jerrard
Partner
Chartered Accountants
Perth, 19 February 2016

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,

TONY HOWARTH AO
Chairman

Perth, 19 February 2016

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income For the half year ended 31 December 2015

	Note	Half year ended 31 Dec 2015 $'000	Half year ended 31 Dec 2014 $'000
Revenue		309,332	456,318
Investment income		479	1,270
Other gains	3(a)	1,480	4,428
Share of profits of jointly controlled entity		1,822	1,732
Vessel expenses		(260,942)	(349,791)
Supply Base expenses		(25,331)	(36,321)
Slipway expenses		(5,970)	(5,811)
Administration expenses		(5,069)	(6,934)
Finance costs		(8,752)	(9,545)
Profit before tax		7,049	55,346
Income tax expense	5	(592)	(17,640)
Profit for the Period		6,457	37,706
Other Comprehensive Income, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		39,800	99,582
Loss on hedge of net investment in a foreign operation		(14,790)	(35,395)
Gain on cashflow hedges		4,969	9,228
Transfer of cashflow hedge gain to initial carrying amount of hedged items		(8,936)	-
Other comprehensive income for the period, net of tax		21,043	73,415
Total Comprehensive Income for the Period		27,500	111,121
Profit attributable to owners of the Company		6,457	37,706
Total comprehensive income attributable to owners of the Company		27,500	111,121

		Cents Per Share	Cents Per Share
Earnings per share			
Basic	4	1.74	10.25
Diluted	4	1.73	10.24

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 2015

	Note	31 Dec 2015 $'000	30 June 2015 $'000
Current Assets			
Cash and cash equivalents		87,087	124,482
Trade and other receivables	7	184,753	200,615
Inventories	8	3,025	4,724
Other financial assets	9	7,578	11,545
Current tax asset		5,447	-
Prepayments		17,852	27,416
Total Current Assets		305,742	368,782
Non-Current Assets			
Investments accounted for using the equity method	10	9,927	10,355
Property, plant and equipment	11	1,091,676	1,046,078
Total Non-Current Assets		1,101,603	1,056,433
Total Assets		1,407,345	1,425,215
Current Liabilities			
Trade and other payables	13	128,782	129,173
Unearned revenue		9,496	38,226
Borrowings	14	50,815	49,592
Provisions	15	17,664	19,270
Current tax liabilities		-	5,155
Customer security deposits		6,235	5,913
Total Current Liabilities		212,992	247,329
Non-Current Liabilities			
Unearned revenue		328	393
Borrowings	14	380,713	392,881
Provisions	15	645	612
Deferred tax liabilities		10,432	4,883
Total Non-Current Liabilities		392,118	398,769
Total Liabilities		605,110	646,098
Net Assets		802,235	779,117
Equity			
Issued capital	16	556,566	555,681
Reserves	17	137,203	115,858
Retained earnings	18	108,466	107,578
Total Equity		802,235	779,117

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 2015

Half Year Ended 31 December 2015	Issued Capital $'000	Employee Equity Settled Benefits Reserve $'000	Hedging Reserve $'000	Foreign Currency Translation Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 1 July 2015	555,681	4,952	(41,765)	152,671	107,578	779,117
Comprehensive income/(loss) for the period:						
Profit/(loss) for the period	-	-	-	-	6,457	6,457
Other comprehensive income for the period	-	-	(18,757)	39,800	-	21,043
Total Comprehensive Income/(Loss) for the Period	-	-	(18,757)	39,800	6,457	27,500
Payment of dividends	-	-	-	-	(5,569)	(5,569)
Issue of shares under dividend reinvestment plan	885	-	-	-	-	885
Related income tax expense	-	(204)	-	-	-	(204)
Recognition of share based payments	-	506	-	-	-	506
Balance at 31 December 2015	556,566	5,254	(60,522)	192,471	108,466	802,235

Half Year Ended 31 December 2014	Issued capital $'000	Employee equity settled benefits reserve $'000	Hedging reserve $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2014	549,813	3,916	1,988	(18,164)	199,289	736,842
Comprehensive income/(loss) for the period:						
Profit for the period	-	-	-	-	37,706	37,706
Other comprehensive loss for the period	-	-	(26,167)	99,582	-	73,415
Total Comprehensive Income/(Loss) for the Period	-	-	(26,167)	99,582	37,706	111,121
Payment of dividends	-	-	-	-	(25,674)	(25,674)
Issue of shares under dividend reinvestment plan	3,979	-	-	-	-	3,979
Related income tax expense	-	(430)	-	-	-	(430)
Recognition of share based payments	-	919	-	-	-	919
Balance at 31 December 2014	553,792	4,405	(24,179)	81,418	211,321	826,757

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 2015

	Half year ended 31 Dec 2015 $'000	Half year ended 31 Dec 2014 $'000
Cash flows from Operating Activities		
Receipts from customers	299,163	504,217
Interest received	479	1,237
Payments to suppliers and employees	(244,594)	(351,113)
Income tax paid	(11,891)	(26,805)
Interest and other costs of finance paid	(7,983)	(9,169)
Net Cash Provided by Operating Activities	35,174	118,367
Cash flows from Investing Activities		
Payments for property, plant and equipment	(70,926)	(121,774)
Proceeds from sale of property, plant and equipment	22,599	40
Dividends received	2,250	2,000
Net Cash Used in Investing Activities	(46,077)	(119,734)
Cash flows from Financing Activities		
Repayment of borrowings	(26,525)	(24,673)
Dividends paid	(4,684)	(21,694)
Net Cash Used In Financing Activities	(31,209)	(46,367)
Net increase/(decrease) in cash and cash equivalents	(42,112)	(47,734)
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	4,717	16,423
Cash and Cash Equivalents at the End of the Half Year	87,087	143,457

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. Significant accounting policies

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 financial instruments. 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 Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half year financial 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 2015 annual financial report for the financial year ended 30 June 2015**,** except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

New or revised Standards and Interpretations that are first effective in the current reporting period

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

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group are:

- AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality
- AASB 2014-1 'Amendments to Australian Accounting Standards'
  - Part A: 'Annual Improvements 2010-2012 and 2011-2013 Cycles'
  - Part B: 'Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)'
  - Part C: 'Materiality'
- Interpretation 21 'Levies'

The adoption of all of the new and revised Standards has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior half years.

Notes to the Condensed Consolidated Financial Statements

2. Segment Information

2.1 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.

2.2 Segment revenues and results

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

	Revenue from External Customers		Inter-segment Revenue		Total Segment Revenue	
	Half year ended 31 Dec 2015 $'000	Half year ended 31 Dec 2014 $'000	Half year ended 31 Dec 2015 $'000	Half year ended 31 Dec 2014 $'000	Half year ended 31 Dec 2015 $'000	Half year ended 31 Dec 2014 $'000
Segment Revenues						
Vessels	269,793	404,836	-	-	269,793	404,836
Supply Base	35,159	45,899	897	1,317	36,056	47,216
Slipway	4,380	5,583	2,270	6,266	6,650	11,849
Total	309,332	456,318	3,167	7,583	312,499	463,901
Eliminations					(3,167)	(7,583)
Total consolidated revenue					309,332	456,318

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

	Half year ended 31 Dec 2015 $'000	Half year ended 31 Dec 2014 $'000
Segment Profit/(Loss)		
Vessels	8,851	55,045
Supply Base	9,828	9,569
Slipway	(1,609)	362
Eliminations	19	(581)
Total for continuing operations	17,089	64,395
Investment income	479	1,270
Other gains	1,480	4,428
Administration expenses	(5,069)	(6,934)
Share of profit of jointly controlled entity	1,822	1,732
Finance costs	(8,752)	(9,545)
Profit before tax	7,049	55,346

Segment profit/(loss) represents the profit/(loss) 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.

Notes to the Condensed Consolidated Financial Statements

2. Segment Information (continued)
2.3 Segment assets
The following is an analysis of the Group's assets by reportable operating segment:

	31 Dec 2015 $'000	30 June 2015 $'000
Vessels	1,139,611	1,061,308
Supply Base	117,361	134,282
Slipway	14,014	14,503
Unallocated	136,359	215,122
Total	1,407,345	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 financials assets and central administration assets.

2.4 Other segment information
The following is an analysis of other segment information:

	Depreciation and amortisation		Additions to non-current assets		Carrying value of equity accounted investments	
	31 Dec 2015 $'000	31 Dec 2014 $'000	31 Dec 2015 $'000	31 Dec 2014 $'000	31 Dec 2015 $'000	30 June 2015 $'000
Vessels	49,255	65,653	80,289	195,959	-	-
Supply Base	3,469	3,591	1,607	1,482	-	-
Slipway	387	364	198	760	-	-
Unallocated	532	520	242	731	9,927	10,355
	53,643	70,128	82,336	198,932	9,927	10,355

		Half year ended 31 Dec 2015 $'000	Half year ended 31 Dec 2014 $'000
3.	**Profit from Operations**		
(a)	Other gains and losses:		
	Net foreign exchange gains	653	4,734
	Gain/(loss) on disposal of property, plant and equipment	827	(306)
	Total	1,480	4,428

Notes to the Condensed Consolidated Financial Statements

3. Profit from Operations (continued)	Half year ended 31 Dec 2015 $'000	Half year ended 31 Dec 2014 $'000
(b) Profit for the period:		
Profit for the period before income tax has been arrived at after charging the following:		
(i) Depreciation:		
Leasehold buildings and improvements	3,391	2,854
Vessels	48,075	64,643
Vessels – hire purchase	-	255
Plant and equipment	1,730	1,866
Plant and equipment – hire purchase	447	510
Total	53,643	70,128
(ii) Impairment charges:		
Impairment charges recognised on trade receivables	1,400	-
Reversal of impairment charge recognised on trade receivables	(3)	(276)
(iii) Employee benefits:		
Post employment benefits:		
Defined contribution plans	8,691	10,859
Share based payments:		
Equity settled share based payments	506	919
Other employee benefits	99,714	125,711
Total	108,911	137,489

Notes to the Condensed Consolidated Financial Statements

		Half year ended 31 Dec 2015	Half year ended 31 Dec 2014
4.	**Earnings per Share**		
4.1	Earnings per Share:	$'000	$'000
	The earnings used in the calculation of basic and diluted earnings per share are as follows:		
	Net Profit/(Loss)	6,457	37,706
4.2	Weighted average number of ordinary shares (basic):	No.'000	No.'000
	Weighted average number of ordinary shares for the purposes of basic earnings per share	372,144	367,764
4.3	Weighted average of ordinary shares (diluted):		
	Weighted average number of ordinary shares used in the calculation of basic earnings per share	372,144	367,764
	Shares deemed to be issued for no consideration in respect of employee rights	480	519
	Weighted average number of ordinary shares used in the calculation of diluted earnings per share	372,624	368,283
	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	3,641	2,711

Notes to the Condensed Consolidated Financial Statements

5. Income Tax	Half year ended 31 Dec 2015 $'000	Half year ended 31 Dec 2014 $'000
Income tax recognised in profit or loss		
Tax expense comprises:		
Current tax expense in respect of the current year	(164)	23,603
Deferred tax (benefit)/expense in respect of the current year	7,149	(6,215)
Adjustment recognised in the current year in relation to tax provisions of prior years	(6,393)	252
Total income tax expense	592	17,640
The income tax expense for the period can be reconciled to accounting profit as follows:		
Profit/(loss) from operations	7,049	55,346
Income tax expense calculated at 30%	2,115	16,603
Effect of revenue that is exempt from taxation	(553)	(1,835)
Effect of expenses that are not deductible in determining taxable profit	5,024	2,079
Effect of foreign income taxable in Australia	1,033	2,728
Effect of tax losses utilised	(556)	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	(78)	(2,187)
	6,985	17,388
Adjustment recognised in the current period in relation to tax provisions of prior years	(6,393)	252
Total income tax expense	592	17,640

The tax rates used for the 2015 and 2014 reconciliations above is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

6. Dividends

During the period, MMA Offshore Limited made the following dividend payments:

	Half year ended 31 December 2015		Half year ended 31 December 2014	
	Cents per share	Total $'000	Cents per share	Total $'000
Fully paid ordinary shares				
Final Dividend (fully franked at a 30% tax rate)	1.5	5,569	7.0	25,674

Notes to the Condensed Consolidated Financial Statements

7. Trade and Other Receivables	31 Dec 2015 $'000	30 June 2015 $'000
Trade receivables	181,269	197,605
Allowance for doubtful debts	(7,791)	(6,068)
Other receivables	11,275	9,078
Total	184,753	200,615

8. Inventories		
Fuel – at cost	1,651	2,629
Consumables	1,145	1,319
Work in progress	229	776
Total	3,025	4,724

9. Other Financial Assets

Hedge contracts on vessels under construction	7,578	11,545

10. Investments Accounted For Using the Equity Method

			Ownership Interest		Consolidated Carrying Amount	
Name of Entity	Principal Activity	Country of Incorporation	31 Dec 2015 %	30 June 2015 %	31 Dec 2015 $'000	30 June 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	9,927	10,355
Total					9,927	10,355

The reporting date of Toll Mermaid Logistics Broome Pty Ltd (TMLB) is 30 June. The consolidated entity 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.

Notes to the Condensed Consolidated Financial Statements

11. Property, Plant & Equipment

	Leasehold Buildings and Improvements at Cost	Vessels at Cost	Plant and Equipment at Cost	Plant and Equipment – Hire Purchase at Cost	Fixed Assets Under Construction	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Gross carrying amount:						
Balance at 1 July 2015	153,464	1,124,071	30,909	11,887	122,551	1,442,883
Additions	1,120	58,028	2,485	-	20,703	82,336
Disposals	(2,269)	(58,885)	(307)	(632)	-	(62,093)
Net currency exchange differences	162	44,712	148	-	6,458	51,480
Balance at 31 December 2015	152,477	1,167,926	33,235	11,255	149,712	1,514,606
Accumulated depreciation:						
Balance at 1 July 2015	(45,450)	(333,316)	(13,478)	(4,560)	-	(396,805)
Disposals	92	39,483	217	529	-	40,321
Depreciation expense	(3,391)	(48,075)	(1,730)	(447)	-	(53,643)
Net currency exchange differences	(1,564)	(10,583)	(656)	-	-	(12,803)
Balance at 31 December 2015	(50,313)	(352,491)	(15,647)	(4,478)	-	(422,930)
Net book value:						
As at 30 June 2015	108,014	790,755	17,431	7,327	122,551	1,046,078
As at 31 December 2015	102,164	815,435	17,588	6,777	149,712	1,091,676

12. Impairment

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 31 December 2015:

- the carrying amount of the net assets of the Group is more than the Company's market capitalisation; and,
- market conditions in both Australia and internationally have been challenging as the impact of continued 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') at 31 December 2015.

Impairment testing

The Group has evaluated whether the recoverable amount of a CGU exceeds its carrying amount. The recoverable amount is determined to be the higher of its fair value less costs to sell or its value in use. In all instances the Group has prepared a value in use model for the purpose of impairment testing as at 31 December 2015.

In calculating value in use, the cash flows include projections of cash inflows and outflows from continuing use of the group of assets making up the CGUs and of cash flows associated with disposal of any of these assets. The cash flows are estimated for the assets of the CGUs in their current condition and discounted to their present value using

Notes to the Condensed Consolidated Financial Statements

12. Impairment (continued)

a pre-tax discount rate that reflects the current market assessments of the risks specific to the CGUs. The Group uses a 5 year discounted cash flow model based on Board approved budgets with a terminal growth rate for years beyond the 5 year budget period.

The identification of impairment indicators and the estimation of future cash flows require management to make significant estimates and judgments. Details of the key assumptions used in the value in use calculations at 31 December 2015 are included in the following table and paragraph.

Key assumptions for CGU Value in Use models

	Terminal growth rate(1)		Discount rate(2)	
	Dec 2015 %	Jun 2015 %	Dec 2015 %	Jun 2015 %
Vessels	2.5	2.5	11.1	10.8
Supply base	2.5	2.5	12.8	12.5
Slipway	2.5	2.5	12.3	11.9

All foreign currency revenues and expenses were converted at the 31 December 2015 spot AUD:USD exchange rate of $0.7283 (30 June 2015: $0.7680).

(1) The terminal value growth rate represents the mid-point of the Australian Government’s target inflation range.
(2) The pre-tax discount rate used reflects the Group’s long term weighted average cost of capital adjusted for market and country risk.

Impairment losses recognised

There were no impairment losses recognised in the current reporting period ended 31 December 2015.

Vessels

The continued decline in the oil price over the reporting period has led to further reduced levels of activity in the offshore oil and gas support industry, resulting in lower demand for vessels in both the Australian and international regions. The lower demand and resultant increased competition for charters has resulted in a further decrease in vessel charter rates.

Vessel day rates used in the value in use models have been determined on a vessel by vessel basis taking the following factors into consideration:

- current and expected contracted state of the vessel;
- geographical region the vessel is expected to operate in;
- supply and demand for the particular class of vessel.

Vessel utilisation continued to fall a further 5 – 10 % in the first quarter of FY16, however, began to stabilise towards the end of the reporting period to 31 December 2015. The company is forecasting a slow recovery in day rates over the next 5 year period together with a recovery in utilisation levels. These rates have been estimated by management based on an anticipated recovery in the global price of oil during this period, from the present historical lows. However, if the oil price does not recover as expected during this period it may adversely affect these rates.

MMA has been successful however in winning significant contracts in this challenging environment. The recently announced Woodside Energy and ConocoPhillips contracts are strong examples of this and MMA is confident it can continue to win new work going forward.

At 31 December 2015, the carrying value of the Vessels CGU was lower than the recoverable amount and as a result the Group did not recognise an impairment.

Supply Base

Activity on the Company’s Dampier supply base is heavily influenced by the level of offshore oil and gas activity in the region. The continued lower oil price has led to reduced demand for supply base services over the past six months.

Notes to the Condensed Consolidated Financial Statements

12. Impairment (continued)

In determining the forecast revenues and operating expenses for the Supply Base, consideration has been given to the following:

- current and potential new contracts for supply base services;
- expected offshore oil and gas activity in the region including drilling, construction and production activity;
- expected demand for wharf services from vessel operators;
- competition for the provision of supply base and wharf services in the region;
- labour and associated costs under the current EBA;
- lease costs and associated costs of maintaining the supply base infrastructure.

In June 2015, the Company was awarded a contract by Chevron Australia Pty Ltd to provide a broad range of supply base and wharf services for Chevron's operations in the North West region of Western Australia. The contract is for a two year term with an option to extend for a further one year. This contract will generate a significant portion of the forecast earnings for the Supply Base over this period.

In addition to this contract, the Company will continue to provide supply base and wharf services to a range of customers in the region to support their drilling, construction and production related activities in the offshore oil and gas industry.

At 31 December 2015, the carrying value of the Supply Base CGU was lower than the recoverable amount and as a result the Group did not recognise an impairment.

Slipway

The Company's Slipway division experienced a lower demand for services during the reporting period, due to a reduced number of offshore vessels and berthing tugs operating to support the offshore oil and gas and commodity export activities in the region. The division will continue to support the Company's operating fleet and other vessels operating in the region going forward.

At 31 December 2015, the recoverable amount of the Slipway CGU is in line with the carrying value and accordingly there was no impairment.

Sensitivity Analysis

Changes in key assumptions in the table below would have the following approximate impact on the recoverable amount of the Group CGU's:

Sensitivity	Change in Variable	Effect on Vessels Value in use $'m	Effect on Supply base Value in use $'m	Effect on Slipway Value in use $'m
Discount rate	+0.5%	(49.6)	(5.9)	(0.7)
	-0.5%	56.7	6.7	0.8
Vessel day rates	+1.0%	36.1	n/a	n/a
	-1.0%	(36.1)	n/a	n/a
Supply base service rates	+1.0%	n/a	5.3	n/a
	-1.0%	n/a	(5.3)	n/a
Terminal growth rate	+0.5%	46.2	4.9	0.6
	-0.5%	(40.4)	(4.3)	(0.5)
AUD:USD exchange rate	+1c	(11.6)	-	-
	-1c	12.0	-	-

Notes to the Condensed Consolidated Financial Statements

13. Trade and Other Payables	31 Dec 2015 $'000	30 June 2015 $'000
Trade payables	25,245	28,079
Other payables and accruals	97,602	98,906
Goods and services tax payable	5,935	2,188
Total	128,782	129,173

14. Borrowings

Secured – at amortised cost

Current		
Hire purchase liability	1,183	1,571
Bank loans	49,632	48,021
Total	50,815	49,592

Non-Current		
Hire purchase liability	662	904
Bank loans	380,051	391,977
Total	380,713	392,881

15. Provisions

Current		
Employee benefits – annual leave	10,066	11,101
Employee benefits – long service leave	3,516	3,168
Project related costs	4,082	5,001
Total	17,664	19,270

Non-Current		
Employee benefits – long service leave	645	612

16. Issued Capital

373,006,993 fully paid ordinary shares (2015: 371,219,785)	556,566	555,681

During the half year, the Company issued 1,735,662 shares for $0.51 per share issued under the Company's dividend reinvestment plan and 51,546 shares under its various employee performance rights plans.

Notes to the Condensed Consolidated Financial Statements

17. Reserves	31 Dec 2015 $'000	30 June 2015 $'000
Employee equity settled benefits	5,254	4,952
Hedging	(60,522)	(41,765)
Foreign currency translation	192,471	152,671
Total	137,203	115,858

18. Retained Earnings

Balance at beginning of financial period	107,578	199,289
Profit/(loss) attributable to owners of the Company	6,457	(51,291)
Dividend provided for or paid	(5,569)	(40,420)
Total	108,466	107,578

19. Subsequent Events

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.