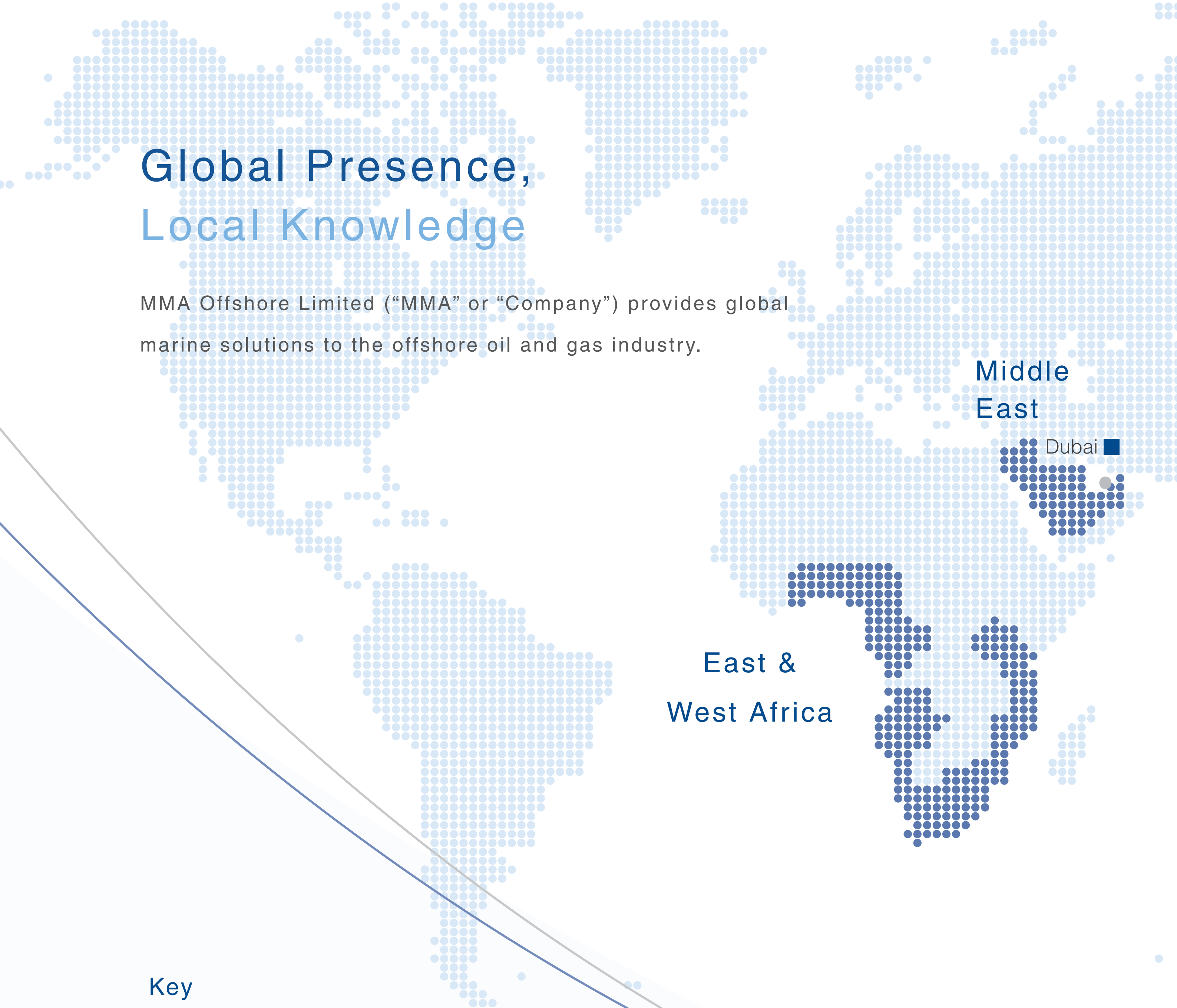
MMA
OFFSHORE

# ANNUAL REPORT 2016

GLOBAL PRESENCE, LOCAL KNOWLEDGE

# Global Presence,
## Local Knowledge

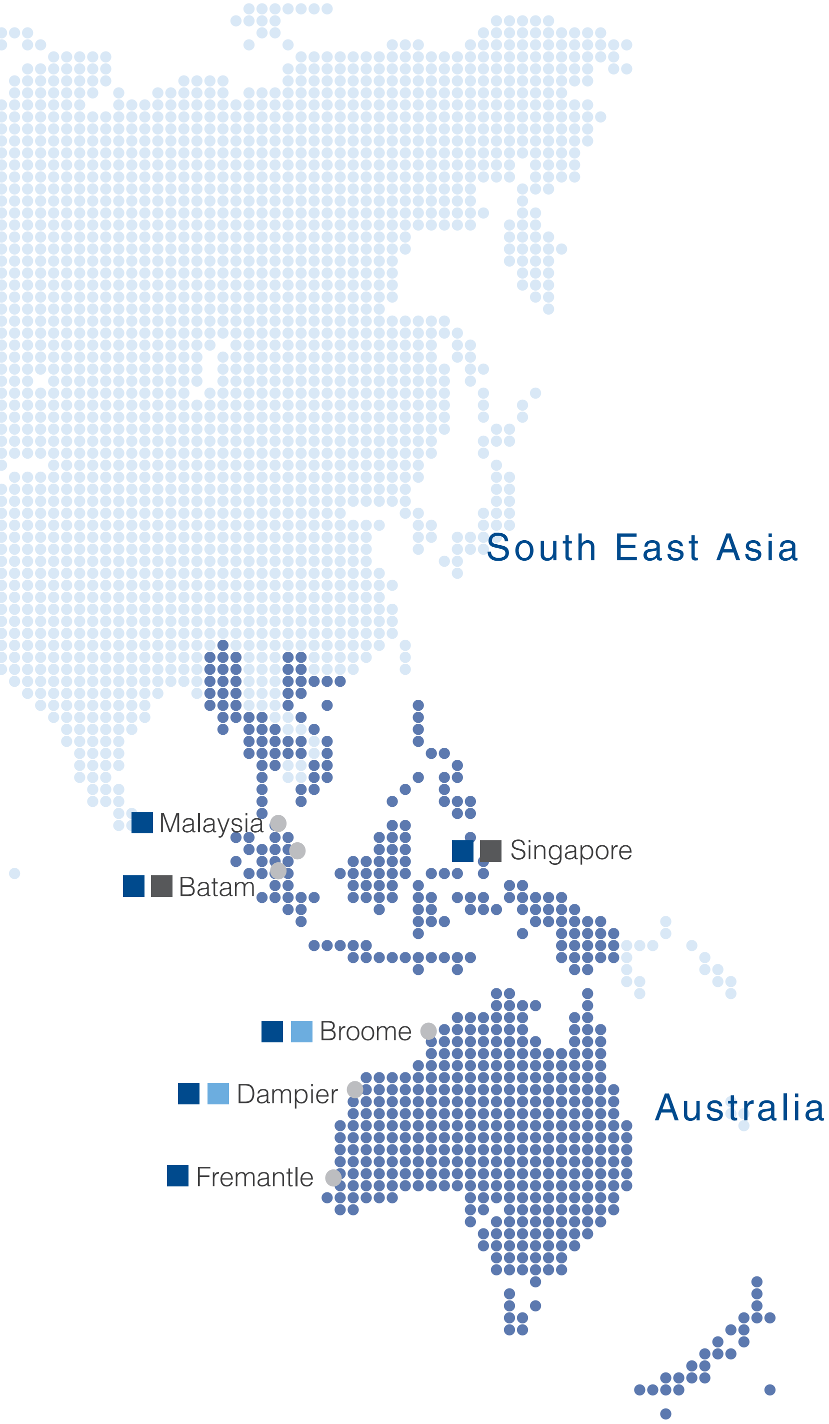
MMA Offshore Limited ("MMA" or "Company") provides global marine solutions to the offshore oil and gas industry.




Key

- Office
- Supply Base
- Onshore Facility

| 50+ | 39+ | 20+ |
|---|---|---|
| **Owned Vessels** | **Hectares of supply base area** | **Hectares of yard area** |
| We own and operate over 50 modern offshore vessels | Strategically located in Dampier and Broome | 18.1ha shipyard in Batam, Indonesia with 5 construction berths; 2.5ha oil and gas support facility in Singapore |



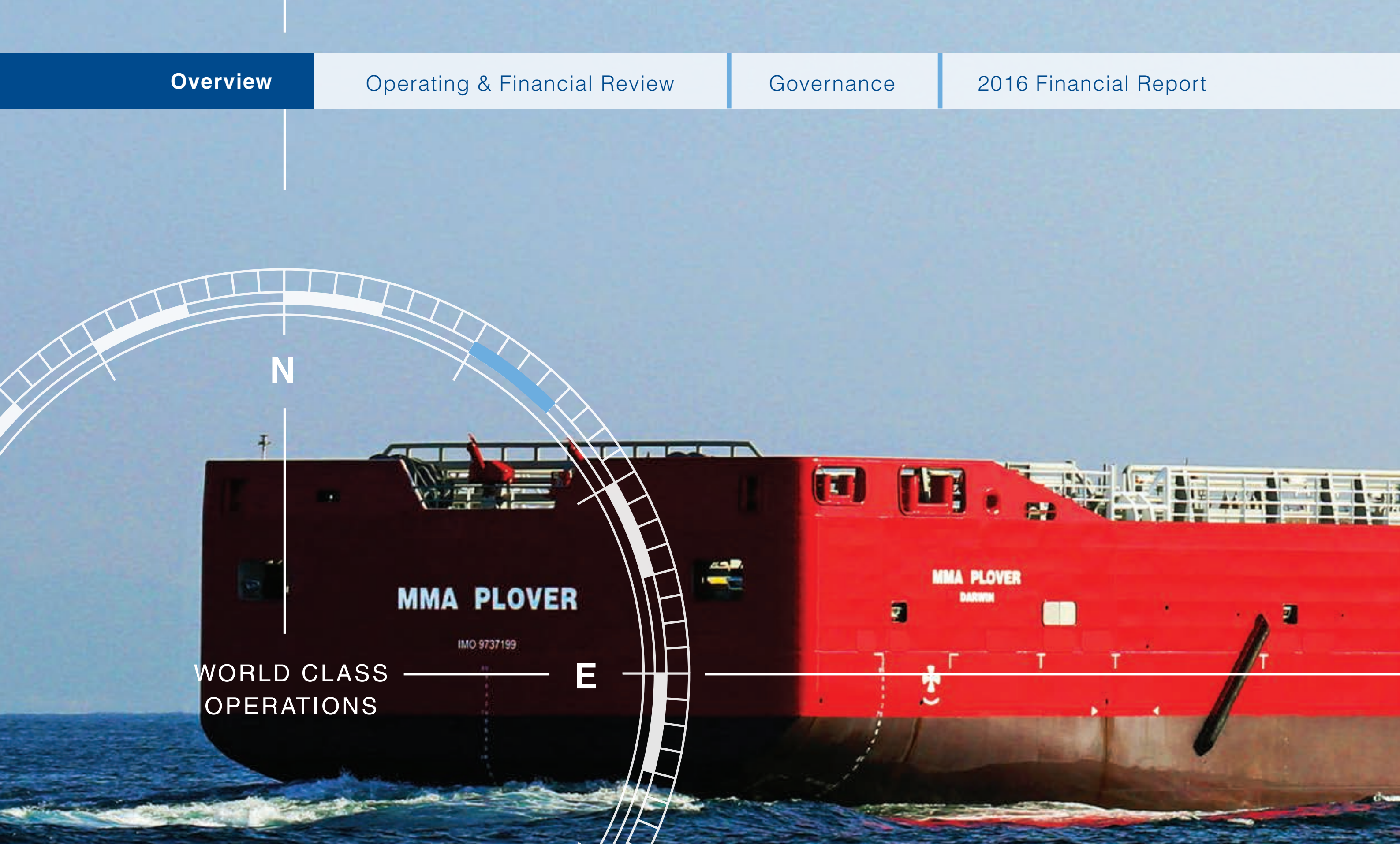

# Contents



70%

Improvement to TRCF

Total Recordable Case Frequency
("TRCF") of 0.36 in FY2016
(rate per million hours worked)




# About Us

## With its head office located in Fremantle, Western Australia and international headquarters in Singapore, MMA is one of the largest marine service providers in the Asia Pacific region

### Fleet Profile

| Type | Number in Fleet |
|---|---|
| AHT | 8 |
| AHTS (<8000 BHP) | 8 |
| AHTS (8000 BHP) | 10 |
| AHTS (>10800 BHP) | 4 |
| Barge | 3 |
| IMR | 3 |
| Multi-Purpose | 4 |
| PSV (<800m$^2$) | 4 |
| PSV (>800m$^2$) | 5 |
| Utility | 2 |
| Total | 51 |

## Vessel Operations

MMA owns and operates over 50 vessels throughout Australia and internationally.

MMA undertakes a range of offshore marine activities including:

- FPSO offtake support;
- Supply operations - drilling and production;
- Construction support;
- Survey support;
- Dive and ROV support;
- Subsea installation support;
- Subsea inspection, maintenance and repair; and
- Tug and barge operations.

MMA's key areas of operation include Australia, South East Asia, the Middle East and Africa.

## Dampier Supply Base

Spanning 28 hectares, MMA's Dampier Supply Base is strategically located and capable of servicing the array of vessels engaged in offshore support activities with its six berth multi-user wharf, open sealed laydown areas, undercover storage and office facilities.

MMA is in the unique position of being able to offer its clients on the North West Shelf high quality, safe, flexible and scalable access to the full range of marine logistics services, from vessel support and supply base services to ship repair and maintenance facilities.


## Broome Supply Base

The Broome Supply Base, operated through an incorporated joint venture between MMA and Toll Holdings Ltd, encompasses over 11 hectares of land, strategically located adjacent to the Broome Port to service exploration, production and construction activities in the Browse Basin. The Base offers clients open laydown and undercover storage, offices, casing storage and wash-down facilities.

## Dampier Slipway

MMA's Dampier Slipway is strategically located at the Dampier Supply Base and is capable of docking vessels up to 3,500 tonne displacement.

In addition to servicing MMA's own fleet, the Slipway provides services to third party operators including routine and emergency dockings, mobilisations and a wide range of marine repairs and maintenance services.

## International Onshore Facilities

MMA operates two strategically located international onshore facilities: a shipyard in Batam, Indonesia and an oil and gas support facility in Singapore.

The Batam Shipyard facility includes an 18.1 hectare yard site and five construction berths capable of building high quality commercial vessels and customised offshore support vessels. The Shipyard commenced operations in 1993 and has successfully delivered over 30 vessels in the last 23 years.

The Singapore facility, which includes a 2.5 hectare yard site focuses on vessel mobilisations and demobilisations for the oil and gas industry.


# Chairman's Address

MMA continued to face extremely challenging market conditions through FY2016

Market conditions in the offshore oil and gas industry remained extremely challenging throughout FY2016 as the ongoing low oil price resulted in massive spending cuts across the industry.

The price of Brent oil fell a further 22% over the course of the 2016 financial year from $62 per barrel to $48 per barrel with a low of $27 in February of this year. The market remains volatile which does not bode well for spending decisions by our clients who will be unlikely to resume spending until a sustainable recovery in the oil price is felt. In the current environment and with so many factors at play on both the supply and demand side, the timing and extent of recovery is very difficult to predict.

All of MMA's operating divisions were impacted by the downturn with revenue down 40% on the previous year and EBITDA down 65%.

MMA reviewed the carrying value of its assets as at 30 June 2016 in light of the further deterioration in market conditions and recognised an impairment charge against the value of the Company's assets of $139 million.

Excluding the impact of the impairment charge, MMA delivered a Net Loss after Tax of $(20.2) million, down 136.5% from the prior year and corresponding Earnings per Share ("EPS") was a loss of (5.4) cents per share.

As announced in February 2016, the Board has suspended dividends to preserve cash until trading conditions improve. Consequently no dividend has been declared for the full year.

In the current environment, MMA has undertaken a significant restructuring programme to reduce costs. Headcount has been reduced by over 50% over the past two years and we have reduced our Corporate overhead by $20 million or 24% between FY2015 and FY2016. We have also reduced our direct operating costs through a range of initiatives including renegotiations with suppliers, operational efficiency and closely managing our costs on vessels between contracts.

Our vessel sales programme is delivering results with 17 of our smaller vessels sold for a total of A$40 million to date, although difficult conditions in the vessel sale and purchase market meant that we fell short of our A$78 million target for FY2016.

We have recently refreshed our asset sales strategy to accelerate the sales programme in FY2017.

Three high specification newbuild vessels were added to the fleet during the year with the final two vessels in our newbuild programme close to completion. The three completed vessels have gone into quality long term contracts with the remaining two vessels targeting the subsea inspection maintenance and repair ("IMR") market which is seeing ongoing demand even in the current environment. This brings to an end our major capital expenditure programme which will ease the pressure on cashflow during FY2017. At this point MMA does not anticipate adding any further vessels to the fleet and as such will cease shipbuilding operations on completion of the current newbuild programme in October 2016.

In line with MMA's reduced earnings profile in the current market, the MMA Board is focused on strengthening the Balance Sheet and reducing debt as a priority. MMA's asset sales programme is core to this strategy and the Board is also looking at a range of alternatives to supplement the asset sales programme if required.

MMA's Banking Syndicate remains supportive and in February 2016, MMA 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 ongoing difficult trading conditions in the offshore oil and gas industry. On 24 August 2016, MMA received approval of some further amendments to the Facility from the Syndicate and has committed to an increase in the annual principal repayments over the remaining term of the Facility.

Importantly, whilst our earnings are currently being impacted by the downturn, the Company remains backed by a strong asset base. Net Tangible Assets as at 30 June 2016 after the impairment charge were $634 million or $1.70 per share. Gearing has increased following the impairment charge and was 53.9% as at 30 June 2016.

MMA aims to differentiate itself through the quality of its operations and its ability to deliver innovative solutions to clients to meet their needs.

This is more important than ever in the current environment where competition is fierce for every available opportunity.

MMA secured a number of significant new long term contracts during the year including a five year contract with ConocoPhillips and a key contract with Woodside supporting its production assets in the North West of Australia. These were significant contract wins in the current competitive market and are an endorsement of MMA's ability to provide innovative solutions to clients meeting their requirements for first class operational performance whilst also delivering cost savings.

MMA also signed a number of vessel sharing contracts with oil and gas operators in the North West Shelf of Australia during the year. This was an innovative approach not previously seen in the market but was a win-win in the current environment, securing utilisation for MMA's vessels whilst reducing operating costs for our clients.

Internationally the market remains tough, but we were successful in securing and extending key contracts during the year.

We are expanding our presence in the Middle East, a market which has held up comparatively well through the downturn. We opened a branch office in Dubai during the year, and have transferred additional vessels into the region.

With activity and utilisation under pressure, MMA has laid up a number of vessels to reduce operating costs. Fortunately our Singapore and Batam shipyards enable us to store vessels at a significantly reduced cost and enable us to maintain them at a high standard so that they can be brought back into operation as required.

Our safety performance continues to be a shining light through these challenging times. The Company has made a significant investment in this area though our Target 365 Strategy which is now producing sustainable improvements in safety culture and performance across the business. FY2016 was our best safety performance on record with a Total Recordable Case Frequency of 0.36 per million hours worked – a world class performance which has been recognised by our clients.

Our safety performance is our licence to operate and can differentiate us in this highly competitive market. It is also a key value of the Company that we look after the safety and welfare of our employees and we will remain focused on maintaining and improving our performance in this area.

Looking forward, there is little change to the outlook from where we stood this time last year. There is still significant uncertainty around the timing and extent of a recovery in the oil price, which means that our clients will continue to defer spending and focus on cost control. Compounding the issues facing the offshore vessel market is a significant overhang of vessel supply, which, even once oil prices recover, will take some time to absorb. With that in mind we expect subdued activity levels to continue through FY2017 with continued pressure on rates and utilisation.

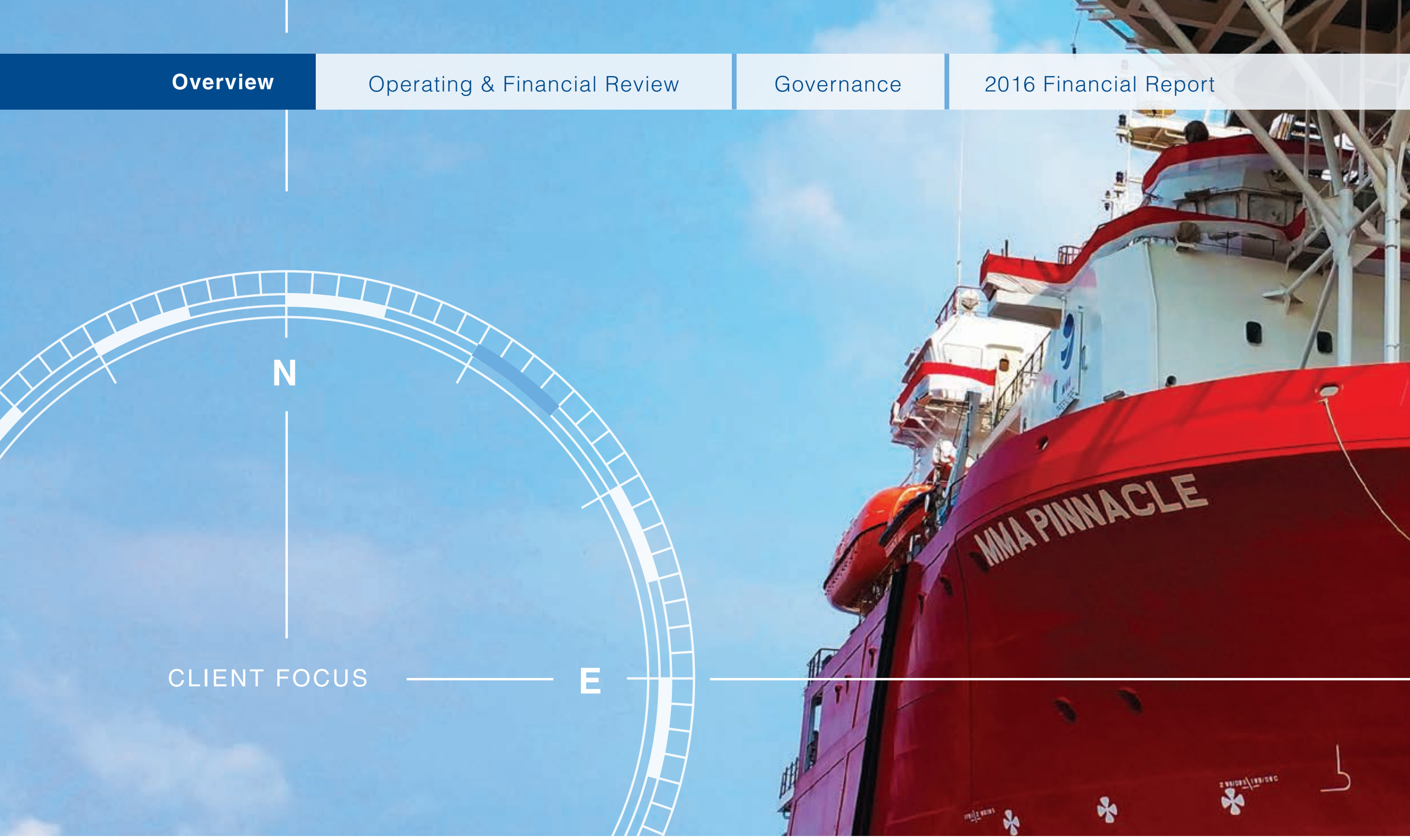
Whilst the short term outlook for the oil and gas industry is uncertain, the longer term fundamentals are sound. The current underinvestment in new supply to offset depleting reserves will eventually result in a supply shortage which should result in improved market conditions and a return to spending.

In the current environment, MMA continues to focus on the things that it can control: operational excellence, safety performance, reducing costs and increasing productivity. We are also focused on strengthening the balance sheet through asset sales and debt reduction. These actions should position the Company well to take advantage of improved market conditions when they occur.

I would like to conclude by thanking Mr Jeff Weber, Managing Director, and all management and staff for their commitment and dedication to the business through these challenging times. I would also like to thank my fellow members of the Board of Directors for their valuable contribution.

Finally, I would like to thank you, our shareholders, for your ongoing support.

Tony Howarth AO
Chairman




# Managing Director's Report

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

## Financial summary

**$481.1m**
Revenue

**$75.5m**
EBITDA

**$(13.5)m[1]**
EBIT (pre-impairment)

**$(20.2)m[1]**
NPAT (pre-impairment)

**(5.4) cps[1]**
EPS (pre-impairment)

**$(144.0)m**
Reported Net Loss after Tax

**$139.0m**
Non cash impairment charge (pre-tax)

**$120.2m**
Operating cash flow

**53.9%**
Gearing

**$49.7m**
Cash at Bank

## Operating summary

Operations severely impacted by the ongoing adverse market conditions

Rates and utilisation at historic lows

Vessel sales programme ongoing but market conditions remain difficult

Secured a number of significant contract wins during the year

Exceeded $15 million cost reduction target

Ongoing focus on operational excellence and business efficiency to position the Company for improved market conditions

Maintained excellent safety performance

[1] *MMA's Financial Report complies with Australian Accounting Standards and International Financials Reporting Standards ("IFRS"). The pre-impairment reported EBIT, NPAT and EPS are unaudited but are derived from audited accounts by removing the impact of the impairment charge from the reported IFRS audited results. MMA believes the non-IFRS disclosures reflect a more meaningful measure of the Company's underlying performance.*

## 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 returns 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.

## Adverse market conditions significantly impacted the Vessel business

Revenue fell 40.7% to $414.7 million and EBITDA fell 67.5% to $64.8 million.

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.

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.

MMA had vessels engaged on key Australian LNG construction projects during the year including the Gorgon, Wheatstone, Prelude and Ichthys projects. MMA was also active in supporting the majority of production support facilities in the North West of Australia during the year.

Importantly, MMA was successful in securing a number of significant long term contracts during the year including the Woodside Integrated Fleet contract and a five year platform supply vessel contract with ConocoPhillips. These contracts 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.

The international offshore vessel market continued to be extremely challenging with rates and utilisation at historic lows and intense competition for available work.

MMA was successful in extending a number of key international contracts during the year. Unfortunately, offsetting this, two key contracts in Malaysia were suspended due to a rig being taken out of service by a client and we recently discounted the rate on a number of key contracts to avoid cancellation. Such actions are becoming more common in the current environment, resulting in extremely difficult and unpredictable conditions for service providers to the industry.

We continue to expand our presence in the Middle East with a new regional office and a Master Services agreement signed with a major contracting company which may provide future contract opportunities for MMA's vessels in the region.

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

### Earnings from the Dampier Supply Base declined further as a result of reduced activity in the region

Revenue fell 29.7% to $62.2 million and EBITDA fell 22.8% to $20.0 million.

The Chevron Shorebase contract provided a baseload of activity for the Supply Base during the year, however activity declined during the second half in line with expected reduced freight volumes. We expect earnings from this contract to reduce significantly in FY2017.

Productivity improvement and cost reduction continue to be major focus areas for the Company given current activity levels. The workforce has been reduced by 30% and changes have been made to rostering arrangements to reduce costs. The focus on cost reduction will continue into FY2017.

Given current suppressed 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.

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

Revenue for the year was $9.8 million and EBITDA was a loss of $2.1 million, down significantly on the prior year.

The reduction in offshore activity in the North West Shelf combined with increased competition from South East Asian facilities impacted demand for the Slipway's services. In addition, vessel operators are cutting costs and reducing the amount of repairs and maintenance work being undertaken.

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.

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.

### The Broome Supply Base also experienced lower activity levels

MMA's share of earnings from the Broome Supply Base reduced by 23.5% during the year to $2.6 million.

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.

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.

### Vessel sales programme is ongoing with 17 vessels sold to date

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.

MMA has recently reviewed and refreshed its vessel sales strategy with the aim of accelerating sales through FY2017.

### Newbuild programme is close to completion

MMA's newbuild programme is almost complete with three vessels, the MMA Plover, MMA Brewster and MMA Privilege all delivered during the year and committed to long term contracts.

The remaining two vessels are close to completion and currently being tendered into a number of potential work scopes in the global Inspection, Maintenance and Repair ("IMR") market which is seeing ongoing demand albeit at lower charter rates.

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.

### Cost reduction programme delivering results

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 term bonuses paid or long term bonuses vested for the past two years.

In addition to 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.

## Asset impairment charge recognised

As at 30 June 2016, MMA recognised an impairment charge of $139 million against the carrying value of its assets reflecting 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.

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.

## Ongoing support of Banking Syndicate

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 received approval of some further amendments to the terms and financial covenants of the Facility from the Syndicate 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.

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.

## Excellent safety performance maintained

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.

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.

## Our people remain critical to our success

At MMA we recognise that our people are critical to the success of our business.

MMA is fortunate to have a highly capable and dedicated Senior Management Team to navigate the Company through the current challenging market conditions. I would like to personally thank the Senior Management Team and all MMA staff for their valuable contribution, hard work and support during what has been a very challenging period for the Company.

MMA is also fortunate to have a highly experienced Board of Directors and I would like to take this opportunity to thank the Board for their ongoing stewardship throughout the year.

## We remain focused on our Strategy

MMA's strategy continues to focus on maximising opportunities across our key service areas of oil and gas support vessels and supply bases in our key geographic locations, namely: Australia, South East Asia, the Middle East and Africa.

During the year we expanded our presence in the Middle East with a new regional office and an increased on the ground presence in the region. MMA sees the Middle East as a key platform in our future strategy.

In the current environment, MMA's focus is on maintaining utilisation, operational excellence and safe and reliable operations whilst remaining competitive on price.

We will also continue to seek opportunities to leverage our in-house marine capability to gain a competitive advantage in the current environment. MMA will continue to work with current and potential clients to achieve mutually beneficial outcomes through innovative marine solutions that deliver cost savings for clients and increased utilisation of MMA's fleet.

MMA also continues to streamline the business through its cost reduction and business efficiency initiatives.

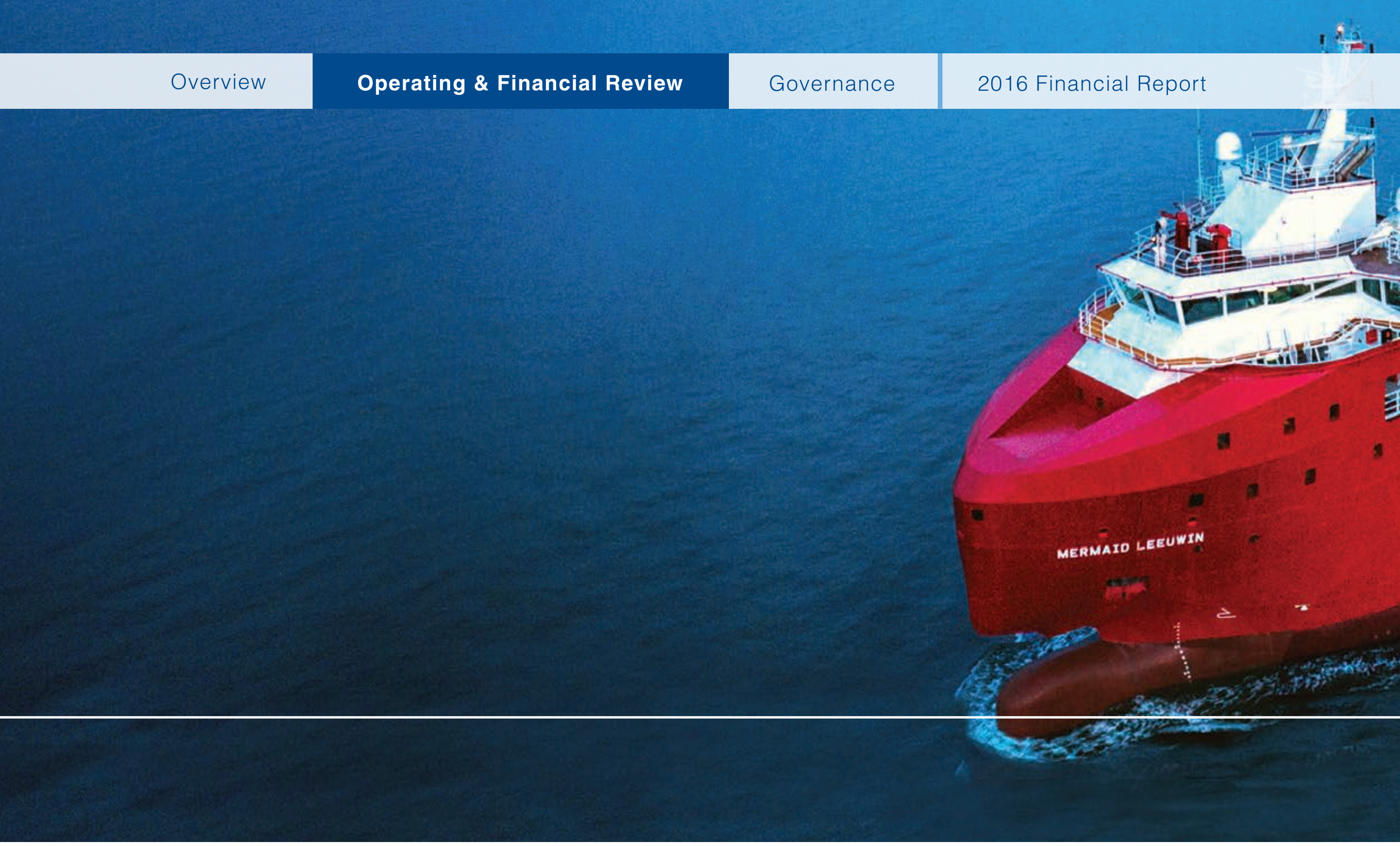
## Market Outlook

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.

Jeff Weber
Managing Director




# Financial Position

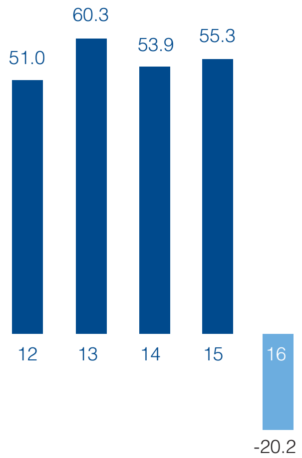
The Company reported a Net Loss after Tax for the 2016 financial year of $(144.0) million, after booking a non-cash impairment charge of $139.0 million before tax against the carrying value of the Company's Vessels, Supply Base and Slipway divisions

Excluding the impairment charge, the Company reported a Net Loss After Tax for the year of $(20.2) million.

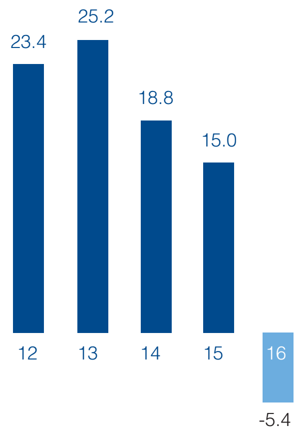
The Company reported negative Earnings per Share (EPS) for the 2016 financial year of (38.6) cents and (5.4) cents after excluding the impact of the impairment charge.

The Company reported a Net Profit After Tax for the first half of the year of $6.5 million. However, the Company recorded a Net Loss After Tax for the second half of the year of $(26.7) million, excluding the impact of the impairment charge, as a number of construction contracts in the Australian region were completed and the continued low oil price led to lower rates and reduced demand for services across the Company's Vessels, Supply Base and Slipway business divisions. The Company's operating margins also declined during the second half as a result of the difficult trading conditions.

Net Profit After Tax
(Pre-impairment charge)
-$20.2m




Earnings Per Share
(Pre-impairment charge)
-5.4c




The Company continued to work through a significant restructuring programme during the year which resulted in a $20 million reduction in overhead costs from the previous financial year.

## Impairment Charge

The Company conducted an assessment of the recoverable amounts of the assets comprising the Company's three Cash Generating Units (CGUs) – Vessels, Supply Base and Slipway at the end of the financial year, having identified the following indicators of impairment:

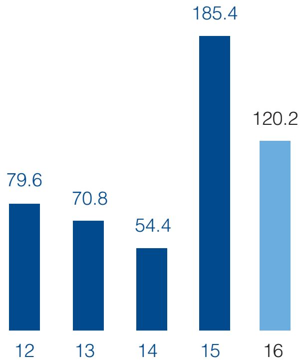
- The carrying value of the Company's net assets was greater than the Company's market capitalisation; and
- Market conditions in the offshore oil and gas support industry in both Australia and internationally remained challenging due to the continued low oil price during the year.

The Company recognised a total impairment charge of $139.0 million against the carrying value of the assets comprising an impairment charge of $100.0 million against the value of the Vessel assets, a charge of $36.0 million against the value of the Supply Base assets and a charge of $3 million against the value of the Slipway assets.

In determining the impairment amount, consideration was given to the fair market value, less cost of disposal of the assets in each of the CGUs, as at 30 June 2016, based on an independent valuation provided by a specialist valuation consultant. The impairment charge is a non-cash charge.

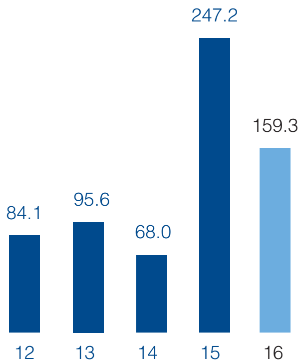
Operating Cashflow

$120.2m



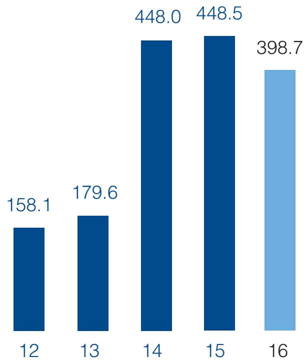

Capital Expenditure

$159.3m




Interest Bearing Liabilities

$398.7m




## Cashflow

The Company reported cash on hand at the end of the 2016 financial year of $49.7 million compared to $124.5 million at the end of the previous year. The reduction in the cash balance was a result of funds being applied during the year to meet the Company's capital expenditure commitments for the new vessels under construction, to service the Company's commitments under its debt facility and to fund the final dividend for the 2015 financial year.

The Company reported a total cashflow from operations for the 2016 financial year of $120.2 million. In addition, the Company received $35.0 million during the year, primarily from the sale of a number of the smaller vessels in the fleet and $4.0 million in dividends from the Broome Supply Base joint venture business, which it operates with Toll Holdings Ltd.

## Capital Expenditure

Capital Expenditure for the year totaled $159.3 million. The major capital expenditure items for the year were the final payments made on completion of the Company's two new Platform Supply Vessels, MMA Plover and MMA Brewster, which are contracted to INPEX and the construction costs associated with the three specialised vessels being built at the Company's Shipyard in Batam, Indonesia. The first of these vessels, MMA Privilege, was completed in March 2016 and has secured a contract operating in Cote d'Ivoire for up to two years. The remaining two vessels, MMA Prestige and MMA Pinnacle will be completed early in the 2017 financial year.

Following completion of the final two vessels, the Company does not anticipate acquiring or building any further new vessels, unless backed by long term contracts. Accordingly, the Company's capital expenditure going forward will be significantly lower than in previous years.

## Dividends

Due to the difficult trading conditions which the Company experienced during the past year, the Board has suspended the Company's dividend programme. Accordingly, the Company did not declare a dividend for the 2016 financial year. The final dividend for the 2015 financial year of 1.5 cents per share was paid to shareholders on 29 September 2015.

## Debt Management

In May 2014, the Company entered into a Syndicated Term Loan Facility Agreement with National Australia Bank ("NAB") and the Australia and New Zealand Banking Group ("ANZ") as mandated lead arrangers, underwriters and bookrunners. The Syndicated Facility comprised a A$200 million facility and a US$227 million facility. The primary purpose of the A$ facility was to refinance the Company's existing loan facilities, whilst the US$ facility was used to fund the acquisition of the Jaya business.

The Syndicated Facility has a term of five years and is fully secured by fixed and floating charges over certain controlled entities within the Group, registered ship mortgages over a number of the vessels, real property mortgages and a mortgage by way of sub-demise over the Company's Dampier Supply Base lease. The security is held by the Security Trustee on behalf of the banking members of the Syndicated Facility.

In response to the difficult trading conditions experienced during the past year, 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. On 24 August 2016, the Company received approval of some further amendments to the terms and financial covenants of the Facility and committed to an increase in the annual principal repayments over the remaining term of the Facility to $75 million, payable in six month instalments of $37.5 million, with the first payment due on 31 December 2016. The principal repayments will be funded from the proceeds of the


Company's ongoing vessel sales programme, operating earnings and any additional funding options available to the Company.

The weighted average interest rate on the Syndicated Loan Facility at 30 June 2016 was 3.77%.

Following the principal repayments during the year, the balance owing on the A$ facility and the US$ facility as at 30 June 2016 had reduced to A$153.8 million and US$181.6 million respectively.

## Balance Sheet

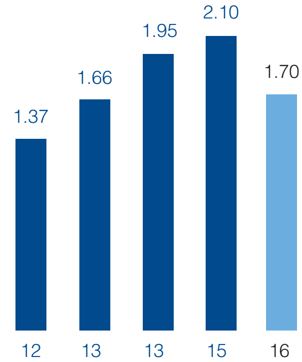
The Company continues to have a high quality asset base. At 30 June 2016, the Company reported Total Assets of $1,094.5 million, Net Assets of $634.2 million and a Net Tangible Asset backing per share ("NTA") of $1.70 per share.

At 30 June 2016 the Company had cash reserves totaling $49.7 million. However, the Company had net current liabilities of $7.6 million. As mentioned above, the Company expects to meet its ongoing commitments from the proceeds of the vessels sales programme, operating earnings and any other additional funding options available to the Company.

The Company's gearing ratio (net debt to equity) following the impairment charge at 30 June 2016 increased to 53.9%, compared to 40.8% the previous year.

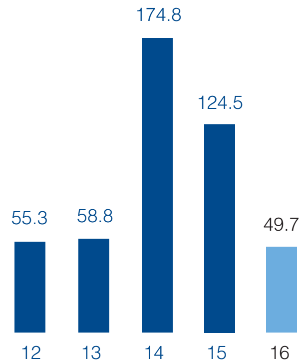
NTA Per Share

$1.70



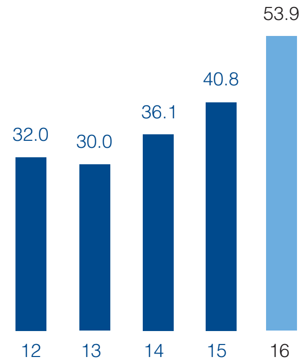

Cash At Bank

$49.7m




Gearing

53.9%



# Risks

The Company recognises that risk is an inherent part of our business. Effectively managing risk allows us to deliver on our objectives and position ourselves for competitive advantage and sustainable growth

MMA operates an enterprise risk management framework aligned to ISO 31000, the international standard for risk management.

This section describes (in no order of significance) the material risks that have been identified and are being managed in order for the Company to deliver on its objectives. It is not intended to be all encompassing, nor is any of the information intended to be taken as a statement of fact. These risks can be affected by a variety of factors which can, in turn, impact the Company's performance.

## Dependence on level of activity in the offshore oil and gas industry

The Company is dependent on the level of activity and expansion in the offshore oil and gas industry in the markets in which the Company operates (currently Australia, South East Asia, the Middle East and Africa).

The level of activity in the offshore oil and gas industry will be affected by prevailing and future oil and gas prices, economic growth, energy demand, the cost and availability of other energy sources and changes in energy technology and regulation. Any prolonged period of low offshore oil and gas activity would have an adverse effect on our business.

The Company aims to mitigate the impact of lower offshore oil and gas activity by providing a broad range of quality marine logistics services, both onshore and offshore, on a cost-competitive basis and by diversifying our geographic footprint across a number of key regional areas.

Decreases in industry activity may also increase the risk of the Company failing to comply with the terms and financial covenants of its Syndicated Loan Facility. MMA seeks to manage this risk through the controls detailed in the paragraph above, by aggressive tendering for new work scopes and by its existing divestiture programme to reduce current debt.

## Competition, vessel oversupply and fleet composition misalignment with market demand

Demand for MMA's vessels is affected by the level of activity in the offshore oil and gas industry, the number of vessels available in the market and the competitive landscape.

In recent years, a large number of offshore vessels have been constructed globally. Without a corresponding increase in demand and/or retirement of ageing vessels, the increase in supply and corresponding competition may adversely impact utilisation, rates and contract terms, thereby impacting MMA's earnings.

Decreases in industry activity also intensify competition, with an increased number of available vessels competing for fewer opportunities.

MMA seeks to manage this risk by having a clear strategic plan based on market supply and demand forecasts, with the aim of having an appropriate asset mix and capability to meet market demand. Re-balancing of the fleet through acquisitions and divestures helps to ensure that the fleet aligns with market requirements. In the current market, vessels which are not being utilised in the medium to long term are either being marketed for sale or cold/warm stacked, thereby reducing costs and vessel supply.

MMA aims to differentiate itself from its competitors through operational excellence, competitive pricing, quality service delivery, being proactive and providing innovative solutions, investing in customer relationships and providing responsive account management to meet customer expectations and needs.

## Operational risks

The Company's operations are subject to various risks inherent in servicing the offshore oil and gas industry. Our international operations widen our risk exposure in terms of both opportunities and threats.

Operational risks include (but are not limited to):

- Increases in input costs such as crewing, wages or maintenance costs, which may reduce operating margins;
- Redeployment costs of assets that are unable to be used in their current geography for a period of time;
- Health and safety incidents;
- Loss of key customers/contracts;
- Failure by customers to pay for services contracted and/or performed;
- Loss of key personnel;
- Equipment damage, technical failures or human error;
- Industrial unrest;
- Capsizing, sinking, grounding, collisions, fires and explosions, piracy, vessel seizures or arrests and acts of terrorism;
- Natural disasters and environmental and other accidents; and
- Regulatory and legislative non-compliance.

Potential consequences related to these risks include the loss of human life or serious injury, pollution, environmental damage, significant damage or loss to assets and equipment, business disruption, client dissatisfaction, damage to our reputation and legal and regulatory action, including fines. This could expose MMA to significant liabilities, a loss of utilisation, revenue and/or the incurrence of additional costs and therefore may have a materially adverse impact on the Company's financial position and profitability.

We employ a number of well executed controls to manage these risks, including, but not limited to, appropriate insurance coverage, hazard and risk management processes, quality audits, planned maintenance programmes, compliance programmes, tender and contract management processes, access to in-house and external legal expertise, industrial relations strategies, emergency preparedness and contingency plans, preferred supplier and subcontractor processes, client credit risk assessments and a host of engineering and operational controls.

## Geopolitical, government and regulatory factors

Our international operations are subject to more challenging geopolitical climates to varying degrees. Changes in the geopolitical climate in our market areas, such as the outbreak or resolution of war, nationalisation of a customer's oil and gas projects and changes to industry related legislation, protectionist measures and economic sanctions, may open up more advantageous areas to operate or could require us to discontinue operating in that area, leading to corresponding impacts on vessel and service utilisation.

MMA's strategic plan considers such risks and operationally we risk assess market areas and clients regularly to limit negative and optimise positive impacts.

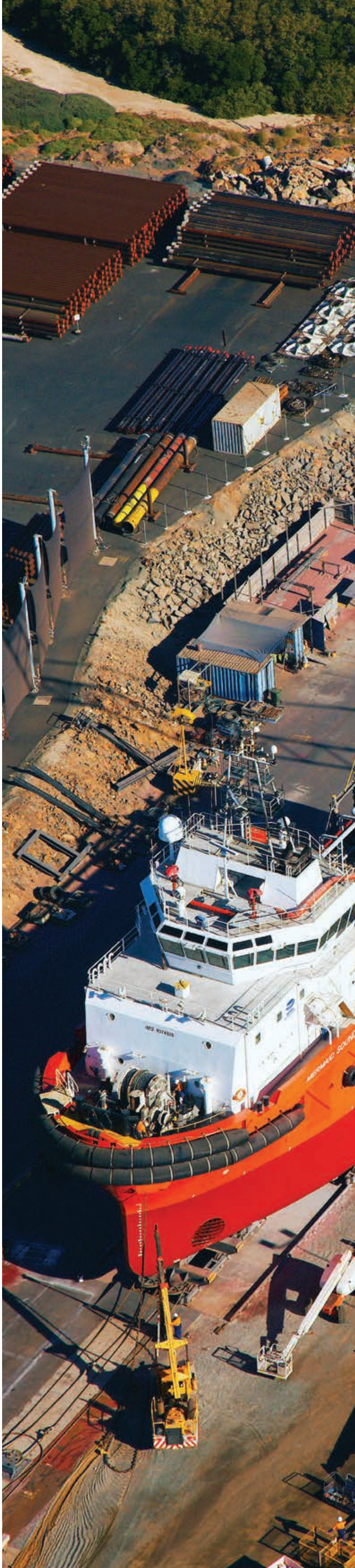
Industry news, experienced personnel and industry relationships are leveraged to ensure we base our decisions on up to date geopolitical information. Contingency plans for fast emerging geopolitical risks are used to limit business disruption.

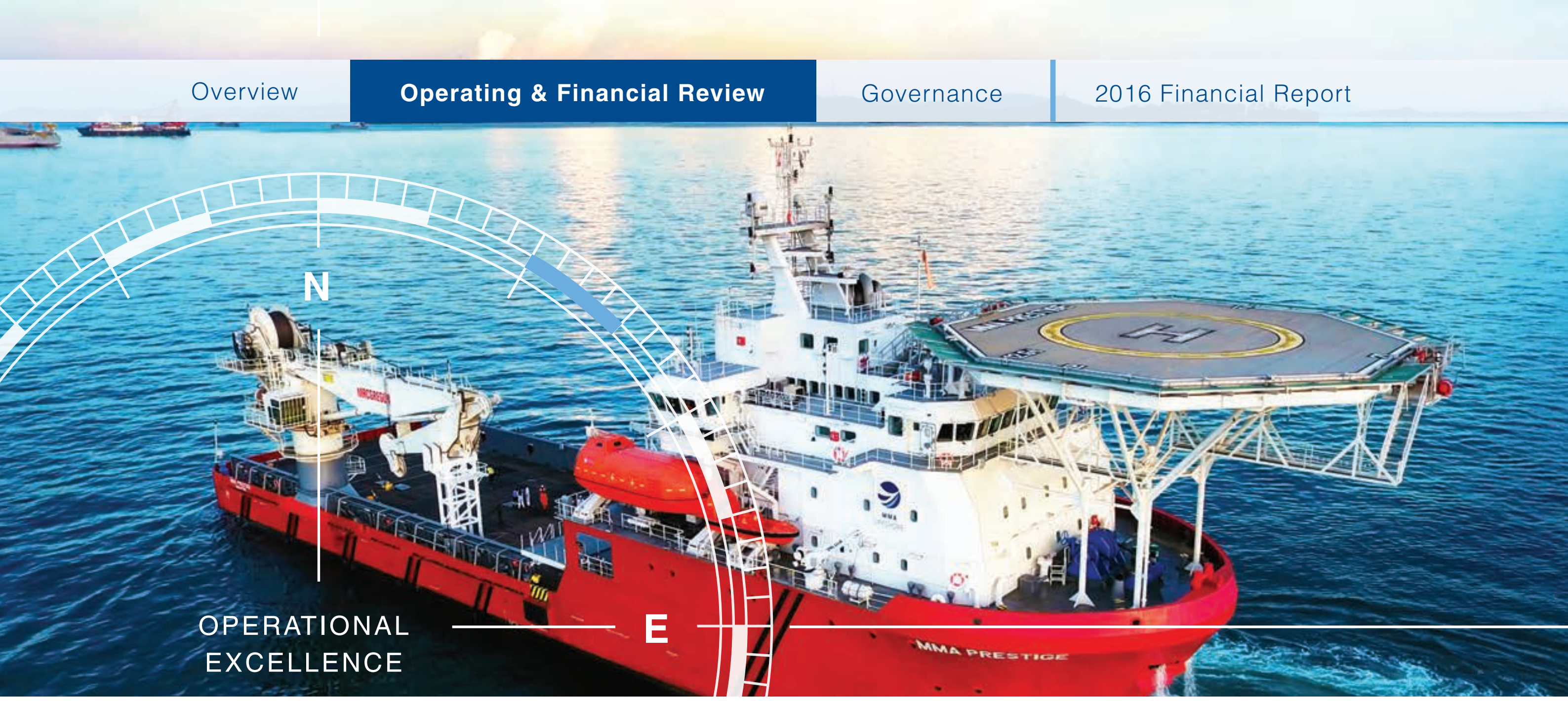
## Foreign exchange

The majority of MMA's revenues are paid in either Australian or US Dollars and the Company's operating costs are primarily denominated in a combination of Australian, Singaporean and US Dollars, providing a natural hedge for our activities. MMA also has a combination of Australian Dollar and US Dollar debt.

Adverse movements in these currencies may result in a negative impact on MMA's earnings.

MMA's treasury policy and contract management process further mitigates this risk. The Board also considers from time to time whether to manage currency fluctuation risk through appropriate hedging.

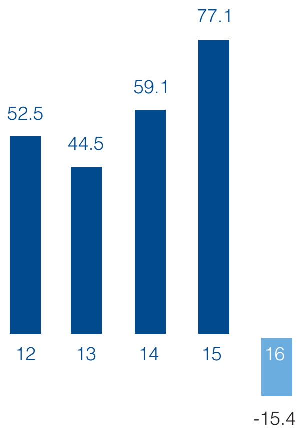





# Vessel Operations

## Adverse market conditions significantly impacted performance of the Vessel business during FY2016

Vessel EBIT[1] ($M)




### Financial overview

- Revenue down 40.7%
- EBIT down 120.0% (pre-impairment)
- Second half lower with major contracts completing
- $100m vessel impairment charge

### Operating overview

- Utilisation – average 59%
- Rates remain under pressure across all regions and vessel segments
- Secured and extended a number of key long term contracts
- Added three new high specification vessels into the fleet with two further newbuild vessels close to completion
- Vessel Sales Programme ongoing – 17 vessels sold for a total of $40m
- Expanding our presence in the Middle East

### Strategy

- Differentiation through innovative client solutions, superior service, high quality and safe operations, integrated value chain whilst remaining cost competitive
- Operating scale in key geographic regions – Australia, Asia, Middle East, Africa
- Optimising the fleet to focus on larger, more specialised vessels

### Outlook

- Oversupply and low demand conditions expected to continue through FY2017

### Financials

| | Variance | 30 Jun 2016 | 30 Jun 2015 |
|---|---|---|---|
| Revenue | 40.7% | $414.7m | $699.8m |
| EBITDA | 67.5% | $64.8m | $199.1m |
| EBITDA / Revenue | 12.9% | 15.6% | 28.5% |
| EBIT (pre-impairment)[1] | 120.0% | -$15.4m | $77.1m |
| EBIT / Revenue[1] | 14.7% | -3.7% | 11.0% |
| Segment Assets | 11.6% | $937.7m | $1,061.3m |
| ROA (pre-impairment)[1] | 8.7% | -1.5% | 7.2% |

[1] EBIT and ROA are shown excluding the impact of the $100m impairment charge against vessel assets in FY2016 and $100m impairment charge in FY2015

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 $323.6 million during FY2016, down 40% 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, enabling 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 FY2017. 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.

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.

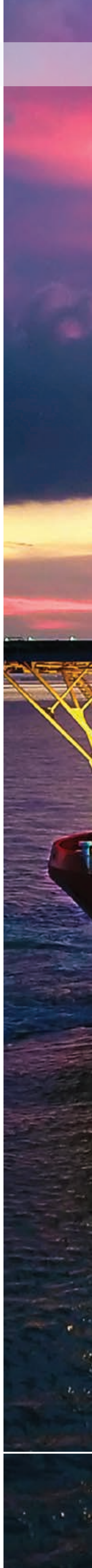
MMA was also active on the Wheatstone LNG project during the year with five tug and barge sets, two infield tug vessels and a supply vessel contracted to transport subsea equipment from Henderson to the gas field for installation. MMA also supported the Prelude LNG project, transporting subsea infrastructure 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. MMA's 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 one 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.


RELIABLE &
EFFICIENT OPERATIONS


# Dampier Supply Base

Activity levels at the Dampier Supply Base declined further during the year as a result of reduced activity in the region

## Financial overview

- Revenue down 29.7%
- EBIT down 29.6% (pre-impairment)
- Second half activity significantly lower
- Redundancy costs of $0.9m expensed
- Non-cash impairment charge of $36m

## Operating overview

- Maintaining key clients although at lower levels of activity and rates
- Drilling activity at historically low levels impacting wharf visits
- Implemented a range of cost reduction and productivity measures during the year
- Targeting alternative clients to increase land and services utilisation

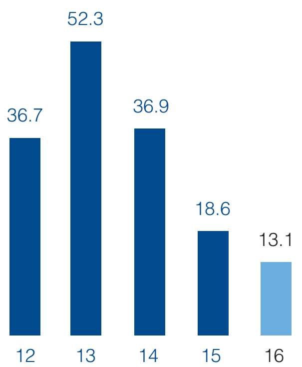
## Strategy

- Focus on exceptional client service delivery
- Maximise all opportunities at existing Supply Base and leverage skills to provide supply base services at other locations
- Expand service offering and broaden customer group
- Productivity and operational efficiency

## Outlook

Experiencing historically low demand for services across exploration, construction and production sectors of the market which will lead to a substantial reduction in earnings in FY2017

Dampier Supply Base EBIT[1] ($M)




## Financials

| | Variance | 30 Jun 2016 | 30 Jun 2015 |
|---|---|---|---|
| Revenue | 29.7% | $62.2m | $88.5m |
| EBITDA | 22.8% | $20.0m | $25.9m |
| EBITDA / Revenue | 2.9% | 32.2% | 29.3% |
| EBIT (pre-impairment)[1] | 29.6% | $13.1m | $18.6m |
| EBIT / Revenue[1] | nil | 21.0% | 21.0% |
| Segment Assets | 47.1% | $71.0m | $134.3m |
| ROA (pre-impairment)[1] | 0.7% | 10.8% | 11.5% |

[1] EBIT and ROA are shown excluding the impact of the $36m asset impairment charge in FY2016 and the $20.7m impairment charge against Supply Base goodwill in FY2015

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.

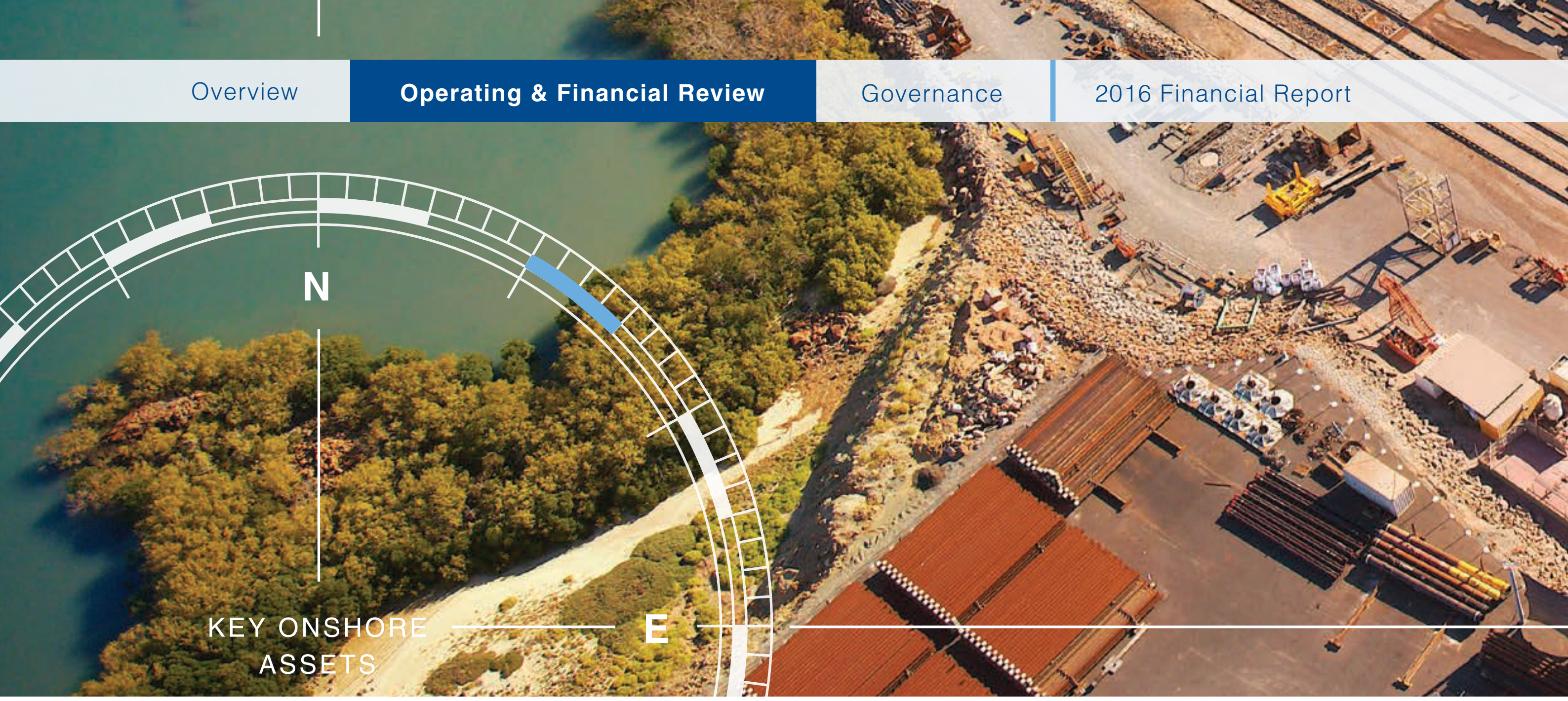
Activity in relation to the contract declined in the second half in line with expected reduced freight volumes which resulted in a reduction in the amount of rental and services income generated from the project in the second half. We expect earnings from this contract to reduce significantly in FY2017.

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 generally 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 suppressed 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.




# Broome Supply Base

## Reduced activity in the Browse Basin region resulted in reduced earnings for the Broome Supply Base

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.

# 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.

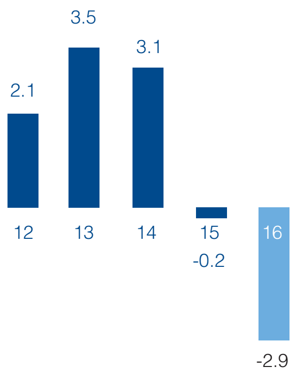
In addition to servicing offshore vessels, the Slipway continues to focus on servicing the terminal towage operators in the region. There are approximately 50 harbour tugs operating in the region which represents a solid market for the Slipway. However, as mentioned above, competition is strong for this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

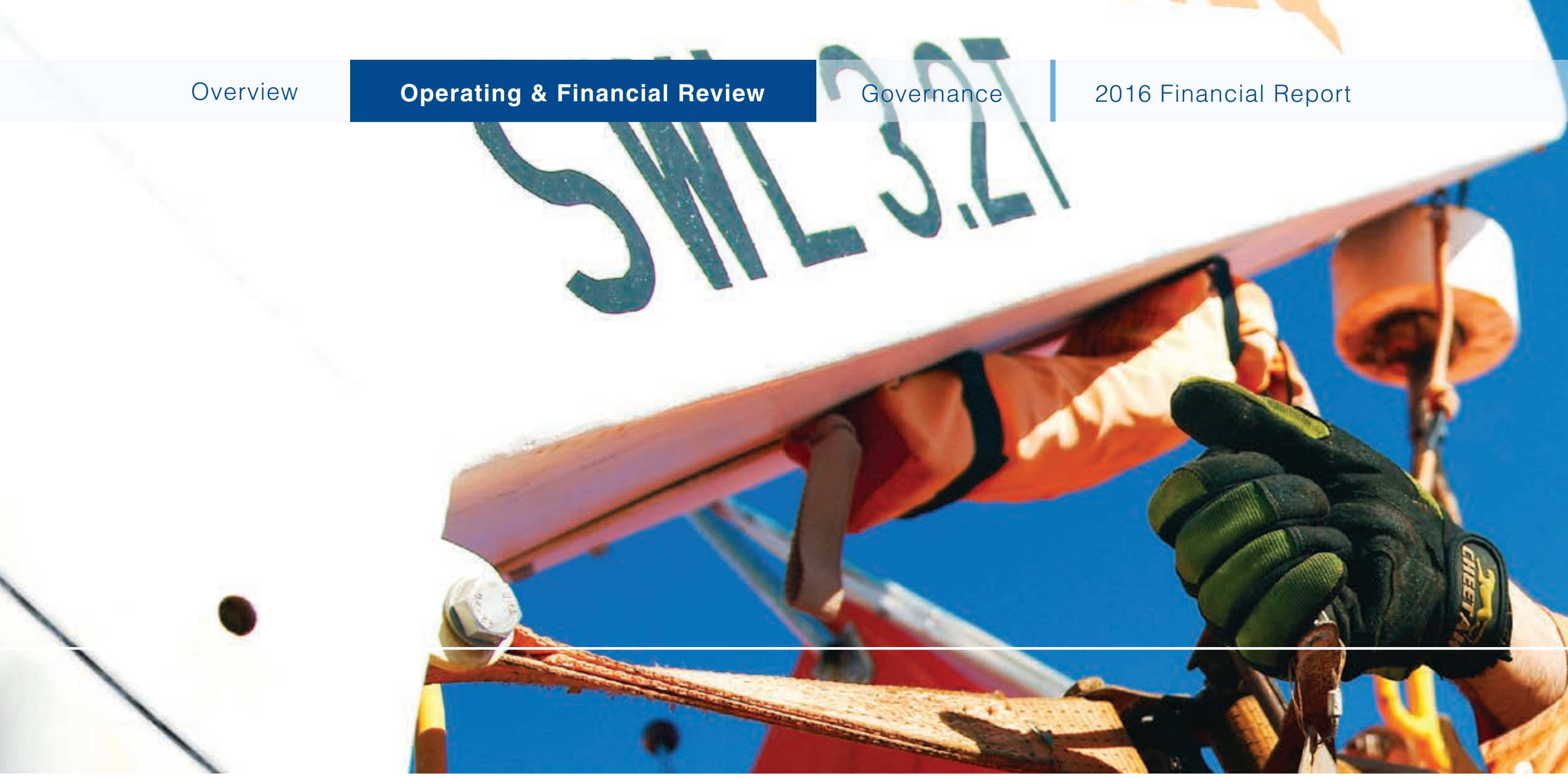
Slipway EBIT[1] ($M)




### Financials

| | | Variance | 30 Jun 2016 | 30 Jun 2015 |
|---|---|---|---|---|
| Revenue | ∨ | $12.9m | $9.8m | $22.7m |
| EBITDA | ∨ | $2.6m | -$2.1m | 0.5m |
| EBITDA / Revenue | ∨ | 23.6% | -21.4% | 2.2% |
| EBIT (pre-impairment)[1] | ∨ | $2.7m | -$2.9m | -$0.2m |
| EBIT / Revenue[1] | ∨ | 28.5% | -29.4% | -0.9% |
| Segment Assets | ∨ | 48.3% | $7.5m | $14.5m |
| ROA (pre-impairment)[1] | ∨ | 21.9% | -23.1% | -1.2% |

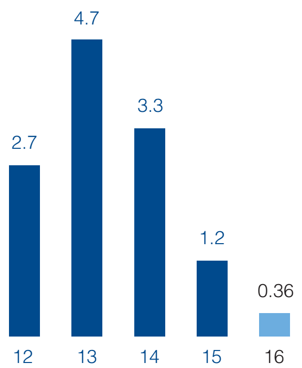
[1] EBIT and ROA are shown excluding the impact of the $3m impairment charge in FY2016




# Health, Safety, Environment & Quality

## In 2016 MMA continued to achieve improvements in its safety culture and performance

Total Recordable Case Frequency
(per million hours)




MMA continues to strive for ‘A Perfect Day Every Day’, that is a day free of recordable injuries or illness and material incidents; our “Target 365”.

During the 2016 financial year, MMA’s Total Recordable Case Frequency “TRCF” decreased from 1.2 to 0.36 incidents per million hours worked, a 70% improvement on FY2015 and MMA’s best ever Company performance.

Importantly, this performance continues a 3-year trend of significant improvement.

MMA also tracks the number of ‘Perfect Days’ across its global operations. In 2016, MMA achieved 310 Perfect Days across the whole organisation, equating to a percentage of 85%, a slight decrease in the percentage from the previous year of 89%. Whilst the number of Perfect Days has reduced there has been a decrease in the severity of incidents and an increased reporting culture. Our target is to have 365 Perfect Days each year and a number of our vessels and working groups achieved this during the year.

Looking to the future, MMA will continue to focus on continuously improving health and safety performance, maintaining excellent TRCF rates and on increasing the number of Perfect Days across the Company.

We will do this by:

- Maintaining our licence to operate and increasing reliability through a robust internal assurance programme;
- Embedding our Target 365 Critical Controls into all operations and verifying their effectiveness; and
- Improving our management systems to ensure efficient and effective global operations.



## Environment

MMA remains committed to achieving the highest standard of environmental performance across all of its business activities.

MMA undertakes a programme of environmental monitoring and has demonstrated compliance with the implementation conditions and environmental management commitments for our Supply Base (Ministerial Statement No. 535) and our licence for boat building and maintenance activities (Licence L4996/1993/8) at our Slipway.

In 2016, MMA successfully commissioned a self-contained waste water treatment plant at the Dampier Slipway. The plant is now able to capture all water runoff and treat the water to a standard where it is recycled for alternative uses.

## Quality

MMA maintained certification for its quality systems accreditation (AS/NZS ISO 9001: 2008) across global operations during the reporting period and OHSAS 18001: 2007 and ISO 14001: 2015 in our international operations.

We continue to review and refine our global management systems through a process of continuous improvement projects, legal obligations mapping and annual audit and assurance plans for both vessel and onshore operations and projects.

## Case Study: MMA Target 365 Critical Controls

Through employee feedback, risk assessment and industry benchmarking, it was identified that MMA needed to elevate the visibility of the critical controls associated with the Company's highest risk activities.

Over a 10-month period, 163 employees and management from MMA's global operations attended workshops to identify the highest risk activities across the organisation and identify the simple, non-negotiable controls, that when in place, prevent serious injury or damage to the environment from occurring.

In December 2015, MMA's "Target 365 Critical Controls" programme was launched and has been rolled out across the business. The initiative is now being actively used to manage high risk activities across MMA's operations.

MMA has received positive feedback on the initiative from employees, clients and regulators and will continue to embed Critical Controls into our operations including conducting ongoing reviews of their effectiveness.

# Our People

In a rapidly changing industry environment, our success is dependent upon our people, their capabilities and our Company's ability to remain agile

MMA strives to provide a workplace built on trust, cooperation and mutual respect, where our people care about their safety and the safety of those around them.

MMA's workforce planning principles continue to be based on a dynamic model that plans for the right person, to be in the right job, with the right skills, at the right time.

## Training and Development

MMA is committed to the development of our people through performance feedback, internal development opportunities and training programmes.

FY2016 saw the successful implementation of an innovative solution to manage the strategic planning and resource allocation of offshore crew. The process is underpinned by the competency and skills framework built into MMA's ERP system and has resulted in significant benefits and efficiencies being achieved in the areas of human resource planning and vessel crew allocation/utilisation.

MMA continues to focus on providing our people with the right skills so that they can perform their roles safely and competently.

In-house training activities increased during the year, with several new training programmes being developed to meet specific needs or risks within the business, including MMA's Target 365 Critical Controls programme.

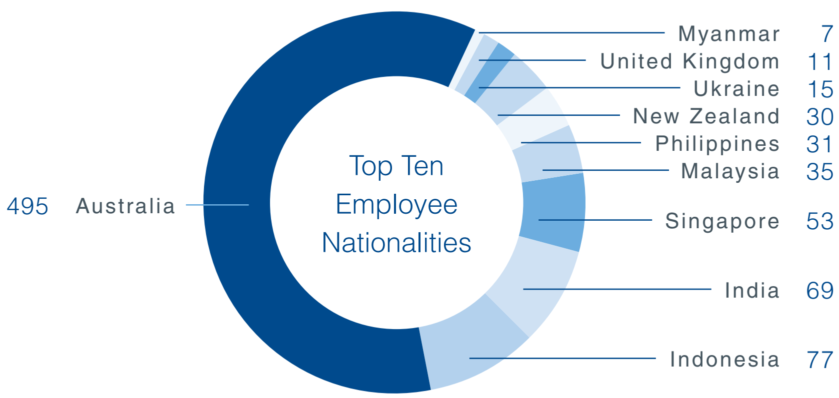
In total, 1,171 employees completed 5,895 internally developed training programmes. Of these, 74% were accessed and completed via MMA's online learning environment.

## Diversity

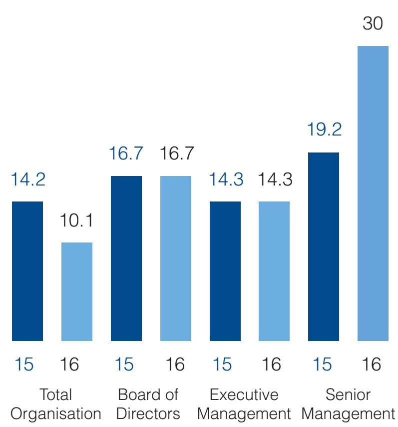
As a business with a global focus, MMA aims to have a workforce that best represents the communities in which our assets are located and our employees live.

MMA's employees are made up of 21 different nationalities, with 320 of our people coming from non-English speaking backgrounds.

Our target for FY2016 was for women to hold at least 10% of senior executive positions (14.3% currently) and at least 30% of senior management roles; a goal we have achieved this year.




% Of Women Employed




# Community

## MMA has established its reputation for community commitment, through creating and developing opportunities that have economically and socially beneficial outcomes

MMA's focus on local content, Aboriginal engagement and community sponsorship supports the dual aims of growing existing economic and social capacity and supporting and developing new capabilities in the community.

### Local Content

MMA uses a wide range of suppliers and contractors local to the places in which we operate. Over 80% of our operational spend is executed through localised supply and service agreements. Typically, we identify opportunities where local providers have the ability to directly service MMA's requirements. Where this is not possible, we work with counterparties to develop these offerings.

A leading example of this collaborative approach is our wire spooling offering in Dampier. We now partner with a local Aboriginal business to provide spooling services to support requirements of our offshore and onshore clients. This is a new service offering, with the potential of steady revenue and high local content, highlighting the possibilities of co-creative approaches.

The MMA Maritime Cadet programme in Timor-Leste is currently underway, with our first intake of STCW-rated cadets expected to graduate from Akademi Laut Malaysia in early 2017. Graduates will enter our international fleet to gain valuable sea-time and ongoing positions, adding real value to our operations and leading the way in marine career pathways for their Timorese peers.

Local content is embedded in our approach, and while many more success stories exist, these examples illustrate what can be achieved with a committed strategy.

### Aboriginal Engagement

Outside of direct and indirect employment opportunities, MMA has made considerable gains in its engagement of Aboriginal businesses in the past 12 months.

MMA's overall spend with Aboriginal enterprises since the inception of business engagement in FY2015 has surpassed $1 million and is expected to continue to grow. The range of products and services supplied by Aboriginal businesses includes waste management services, office supplies, personal protective equipment, lifting and rigging equipment and consumables, victualling supplies, facilities maintenance, graphic design, payroll and recruitment services.

MMA is proud to be a leader amongst our peers in this area.

MMA continues its support of the Local Contracting Alliance (LCA), which assists businesses in achieving their local content targets. Specifically aligned to Aboriginal business engagement, the LCA is reporting strong success in facilitating collaboration between Indigenous and non-Indigenous enterprises.

### Community Sponsorship

MMA's sponsorship of community events, clubs and charities throughout the year provides the means for organisations to extend their support of communities.

Staff organised activities like the "Big Family" event for underprivileged children in Batam, and staff book collection for Erub Island School in the Torres Strait reflect the degree to which MMA engages on a personal level with the wider community.

The continuance of MMA's Target 365 programme saw business units donate over $40,000 of their Target 365 rewards to a range of charities during FY2016 including The Salvation Army, Royal Flying Doctor Service, Legacy WA and the Motor Neurone Disease Association.

MMA is committed to the places in which it works and looks forward to continuing leadership in corporate citizenship.

# Board of Directors

Mr Anthony (Tony) John Howarth AO

Chairman
– Appointed 1 August 2006

Tony was appointed as a Director of the Company on 5 July 2001 and as Chairman of the Company on 1 August 2006. Tony is also currently a Non-Executive Director of Wesfarmers Limited, Alinta Holdings and BWP Management Limited, the responsible entity for the BWP Trust. Tony is a Life Fellow of the Financial Services Institute of Australasia and has worked in the banking and finance industry for over 30 years. He has previously held the positions of Managing Director of Challenge Bank Limited, CEO of Hartleys Limited, Chairman of Alinta Limited, Chairman of Home Building Society Limited, Deputy Chairman of the Bank of Queensland Limited and a Non-Executive Director of AWB Limited. Tony is a Fellow of the AICD. Tony is also Chairman of St John of God Health Care Inc. and an Adjunct Professor (Financial Management) at the University of Western Australia Business School.

Tony is also involved in a number of community and business organisations including being a member of the Rio Tinto WA Future Fund, the University of Western Australia Business School Advisory Board and is the Chairman of the West Australian Rugby Union Inc.

Tony is a member of the Company's Nomination and Remuneration Committee and the Audit and Risk Committee.

Mr Jeffrey Andrew Weber

Managing Director
– Appointed 31 December 2002

Jeff began his career as a Marine Engineer with BHP Transport. He went on to complete a degree in this field in 1993 and in 1994 graduated with a Master's in Engineering and Technology Management from the University of Queensland. During his 19 years with BHP, Jeff gained comprehensive project management experience and helped develop new business for BHP Transport in Australia and South East Asia. He also managed a major initiative with BHP's steel division, reviewing its logistics arrangements and developing processes to improve services and reduce costs. In 1998, Jeff joined Riverside Marine in Queensland and helped expand its operations Australia wide. This included forming a joint venture company with Wijsmuller International Towage BV, RiverWijs and negotiating with Woodside Petroleum to take over that company's harbour towage operation in Dampier, Western Australia. Jeff is also a Non-Executive Director of Maritime Super Pty Ltd, a superannuation fund dedicated to employees in the maritime industry.

As Managing Director of MMA, Jeff is responsible for the financial and operational performance of all of the Company's business lines.

Mr Mark Francis Bradley

Non-Executive Director
– Appointed 22 September 2000

A Civil Engineer with a track record in senior offshore engineering management, Mark joined the J Ray McDermott company in 1977 for service on Esso's Tuna/Mackerel project in Bass Strait. During the 14 years of technically challenging work that followed, Mark held senior positions with the company in Indonesia, Singapore, Malaysia, Dubai and Saudi Arabia. Still with McDermott, but returning to Australia, he then worked on new projects in Bass Strait and, finally, the Woodside North Rankin A and Goodwyn A platforms on the North West Shelf in Western Australia. In 1991, Mark joined Clough Offshore as Project Manager of a number of North West Shelf projects. Duties in Thailand, China and Indonesia followed, and by 1993 he was Operations/Project Manager for BHP's Griffin project. In 1994, Mark became Managing Director of Clough Offshore. He then presided over that company's fivefold growth. In 1997, Mark joined the Board of Clough Engineering as an Executive Director, retiring and becoming a Director of MMA in 2000.

Mark is the Chairman of the Company's Nomination and Remuneration Committee and a member of the Audit and Risk Committee.

The above named Directors held office during the whole of the financial year and since the end of the financial year.

Mr Hugh Andrew Jon (Andrew) Edwards

Non-Executive Director
– Appointed 18 December 2009

Andrew currently serves as a Non-Executive Director of Nido Petroleum Limited, is Non-Executive Chairman of MACA Ltd and is President of Activ Foundation Inc. Andrew is a former Managing Partner of PriceWaterhouseCoopers' Perth Office (PWC), a former National Vice President of the Securities Institute of Australia (now the Financial Services Institute of Australasia) and a former President of the Western Australian division of that Institute. He is a Fellow of the Australian Institute of Company Directors, a Fellow of the Chartered Accountants Australia and New Zealand and has served as State Chairman of the local Education Committee of that organisation and was a former member of its National Education Committee. Andrew graduated from the University of Western Australia with a Bachelor of Commerce degree.

Andrew is the Chairman of the Company's Audit and Risk Committee and a member of the Company's Nomination and Remuneration Committee.

Ms Eva Alexandra (Eve) Howell

Non-Executive Director
– Appointed 27 February 2012

Eve has over 40 years of experience in the oil and gas industry in a number of technical and managerial roles. Eve is currently a Non-Executive Director of Downer EDI Ltd and Buru Energy Ltd. She is a Senior Adviser to Miro Advisors Pty Ltd, an independent business focused on corporate advisory in the natural resources sector. She is also a Senior Adviser to African Geopolitics, a socio-political advisory group helping enterprises work successfully in Africa.

Eve is a former Executive Vice President for Woodside Energy Ltd responsible for Health, Safety & Security and before that, the North West Shelf Project. Prior to that, Eve held the position of Managing Director at Apache Energy Ltd. She has previously served on a number of Boards, including Tangiers Petroleum Limited, the Fremantle Port Authority, the Australian Petroleum Production & Exploration Association and was a Board member and President of the Australian Mines and Metals Association. Eve holds a Bachelor of Science (with Honours in Geology and Mathematics) from the University of London and an MBA from Edinburgh Business School and is a graduate of the Australian Institute of Company Directors.

Eve is a member of the Company's Nomination and Remuneration Committee and the Company's Audit and Risk Committee.

Mr Chiang Gnee Heng

Non-Executive Director
– Appointed 5 July 2012

Chiang Gnee graduated as a Marine Engineer in July 1977 from the University of Newcastle Upon Tyne (UK) and spent almost 30 years working in Singapore government linked companies and in various industries including shipyards, ordnance equipment manufacturing, aircraft engine component manufacturing, amusement and lifestyle businesses and environment management.

In June 1989, Chiang Gnee attended the Sloan School of Management at MIT (USA) and graduated with a Masters in Management in July 1990. He was formerly the CEO of Sembawang Shipyard for 10 years and CEO of Sembcorp Environment Management Pte Ltd for 2 years until August 2007. Chiang Gnee is currently the Executive Director of Singapore Maritime Institute (SMI) which focuses on the development of the Singapore maritime industry - with special focus on training and education, research and development, and policy formulation. Chiang Gnee is also engaged in workplace health and safety management and in vocational technical education. He is Chairman of the Singapore Workplace Safety and Health Council and Deputy Chairman of the Institute of Technical Education (ITE) Board of Governors.

Chiang Gnee is also a Director of MMA Offshore Asia Pte Ltd (Singapore) and all of its subsidiaries/related companies in Singapore, Malaysia and Indonesia.

# Corporate Governance

### Corporate Governance

The Board of Directors ("Board") of MMA Offshore Limited ("Company" or "MMA") is responsible for the corporate governance of the consolidated entity. The Board is a strong advocate of good corporate governance. The Board regularly reviews and updates the Company's governance policies and practices with reference to corporate governance developments and best practice.

### Compliance with Australian Corporate Governance Standards

In accordance with the disclosure requirements of the ASX Listing Rules, the Board believes that the governance policies and practices adopted by the Company for the year ended 30 June 2016 follows the 3rd edition of the Corporate Governance Principles and Recommendations ("3rd Edition ASX Principles") set by the ASX Corporate Governance Council.

### Access to Corporate Governance Statement

The Company's Corporate Governance Statement which outlines the Company's corporate governance policies and practices for the year ended 30 June 2016, can be found on the Company's website at www.mmaoffshore.com/company/corporate_governance.phtml.

The Company's Corporate Governance Statement is current as at 19 September 2016 and has been approved by the Board.

### ASX Corporate Governance Council Recommendations Checklist

ASX Listing Rule 4.10.3 requires companies to disclose the extent to which they have complied with the 3rd Edition ASX Principles.

The table below lists each of the 3rd Edition ASX Principles and the Company's assessment of its compliance with these for the year ended 30 June 2016, with reference to the section of the Corporate Governance Statement where further details can be found.

| | 3rd Edition ASX Corporate Governance Principles and Recommendations | Comply | Reference in Corporate Governance Statement |
|---|---|---|---|
| **Principle 1: Lay solid foundations for management and oversight** | | | |
| 1.1 | A listed entity should disclose: | | |
| | (a) the respective roles and responsibilities of its board and management; and | Yes | Recommendation 1.1 |
| | (b) those matters expressly reserved to the board and those delegated to management. | Yes | Recommendation 1.1 |
| 1.2 | A listed entity should: | | |
| | (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election as a director; and | Yes | Recommendation 1.2 |
| | (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director. | Yes | Recommendation 1.2 |
| 1.3 | A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment. | Yes | Recommendation 1.3 |
| 1.4 | The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board. | Yes | Recommendation 1.4 |

| 3rd Edition ASX Corporate Governance Principles and Recommendations | | Comply | Reference in Corporate Governance Statement |
|---|---|---|---|
| 1.5 | A listed entity should: | | |
| | (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; | Yes | Recommendation 1.5 |
| | (b) disclose that policy or a summary of it; and | Yes | Recommendation 1.5 |
| | (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: | Yes | Recommendation 1.5 |
| | (1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or | Yes | Recommendation 1.5 |
| | (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act. | Yes | Recommendation 1.5 |
| 1.6 | A listed entity should: | | |
| | (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and | Yes | Recommendation 1.6 |
| | (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. | Yes | Recommendation 1.6 |
| 1.7 | A listed entity should: | | |
| | (a) have and disclose a process for periodically evaluating the performance of its senior executives; and | Yes | Recommendation 1.7 |
| | (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. | Yes | Recommendation 1.7 |
| Principle 2: Structure the Board to add value | | | |
| 2.1 | The board of a listed entity should: | | |
| | (a) have a nomination committee which: | Yes | Recommendation 2.1 |
| | (1) has at least three members, a majority of whom are independent directors; and | Yes | Recommendation 2.1 |
| | (2) is chaired by an independent director, | Yes | Recommendation 2.1 |
| | and disclose: | | |
| | (3) the charter of the committee; | Yes | Recommendation 2.1 |
| | (4) the members of the committee; and. | Yes | Recommendation 2.1 |
| | (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or | Yes | Recommendation 2.1 |
| | (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively. | N/A | N/A |

| 3rd Edition ASX Corporate Governance Principles and Recommendations | | Comply | Reference in Corporate Governance Statement |
|---|---|---|---|
| 2.2 | A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership. | Yes | Recommendation 2.2 |
| 2.3 | A listed entity should disclose: | | |
| | (a) the names of the directors considered by the board to be independent directors; | Yes | Recommendation 2.3 |
| | (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 (Factors relevant to assessing the independence of a director) but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and. | Yes | Recommendation 2.3 |
| | (c) the length of service of each director. | Yes | Recommendation 2.3 |
| 2.4 | A majority of the board of a listed entity should be independent directors. | Yes | Recommendation 2.4 |
| 2.5 | The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity. | Yes | Recommendation 2.5 |
| 2.6 | A listed entity should have a programme for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively. | Yes | Recommendation 2.6 |
| **Principle 3: Act Ethically and Responsibly** | | | |
| 3.1 | A listed entity should: | | |
| | (a) have a code of conduct for its directors, senior executives and employees; and | Yes | Recommendation 3.1 |
| | (b) disclose that code or a summary of it. | Yes | Recommendation 3.1 |
| **Principle 4: Safeguard Integrity in Corporate Reporting** | | | |
| 4.1 | The board of a listed entity should: | | |
| | (a) have an audit committee which: | Yes | Recommendation 4.1 |
| | (1) has a least three members, all of whom are non-executive directors and a majority of whom are independent directors; and | Yes | Recommendation 4.1 |
| | (2) is chaired by an independent director who is not the chair of the board, | Yes | Recommendation 4.1 |
| | and disclose: | | |
| | (3) the charter of the committee; | Yes | Recommendation 4.1 |
| | (4) the relevant qualifications and experience of the members of committee; and | Yes | Recommendation 4.1 |
| | (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or | Yes | Recommendation 4.1 |
| | (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner. | N/A | N/A |

| 3rd Edition ASX Corporate Governance Principles and Recommendations | | Comply | Reference in Corporate Governance Statement |
|---|---|---|---|
| 4.2 | The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively. | Yes | Recommendation 4.2 |
| 4.3 | A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit. | Yes | Recommendation 4.3 |
| Principle 5: Make timely and balanced disclosure | | | |
| 5.1 | A listed entity should: | | |
| | (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and | Yes | Recommendation 5.1 |
| | (b) disclose that policy or a summary of it. | Yes | Recommendation 5.1 |
| Principle 6: Respect the rights of shareholders | | | |
| 6.1 | A listed entity should provide information about itself and its governance to investors via its website. | Yes | Recommendation 6.1 |
| 6.2 | A listed entity should design and implement an investor relations programme to facilitate effective two-way communications with investors. | Yes | Recommendation 6.2 |
| 6.3 | A listed entity should disclose the policies and procedures it has in place to facilitate and encourage participation at meetings of security holders. | Yes | Recommendation 6.3 |
| 6.4 | A listed entity should give security holders the option to receive communication from and send communications to, the entity and its security registry electronically. | Yes | Recommendation 6.4 |
| Principle 7: Recognise and manage risk | | | |
| 7.1 | The board of a listed entity should: | | |
| | (a) have a committee or committees to oversee risk, each of which: | Yes | Recommendation 7.1 |
| | (1) has at least three members, a majority of whom are independent directors; and; | Yes | Recommendation 7.1 |
| | (2) is chaired by an independent director, | Yes | Recommendation 7.1 |
| | and disclose: | | |
| | (3) the charter of the committee; | Yes | Recommendation 7.1 |
| | (4) the members of the committee; and; | Yes | Recommendation 7.1 |
| | (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or | Yes | Recommendation 7.1 |
| | (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework. | N/A | N/A |

| 3rd Edition ASX Corporate Governance Principles and Recommendations | | Comply | Reference in Corporate Governance Statement |
|---|---|---|---|
| 7.2 | The board or a committee of the board should: | | |
| | (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and | Yes | Recommendation 7.2 |
| | (b) disclose, in relation to each reporting period, whether such a review has taken place. | Yes | Recommendation 7.2 |
| 7.3 | A listed entity should disclose: | | |
| | (a) if it has an internal audit function, how the function is structured and what role it performs; or | Yes | Recommendation 7.3 |
| | (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes. | N/A | N/A |
| 7.4 | A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks, and if it does, how it manages or intends to manage those risks. | Yes | "Risks" under the Operating & Financial Review section of the 2016 Annual Report. |
| Principle 8: Remunerate fairly and responsibly | | | |
| 8.1 | The board of a listed entity should: | | |
| | (a) have a remuneration committee which: | Yes | Recommendation 8.1 |
| | (1) has at least three members, a majority of whom are independent directors; and | Yes | Recommendation 8.1 |
| | (2) is chaired by an independent director, | Yes | Recommendation 8.1 |
| | and disclose: | | |
| | (3) the charter of the committee; | Yes | Recommendation 8.1 |
| | (4) the members of the committee; and; | Yes | Recommendation 8.1 |
| | (5) as at the end of the each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or | Yes | Recommendation 8.1 |
| | (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive. | N/A | N/A |
| 8.2 | A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives. | Yes | Recommendation 8.2 |
| 8.3 | A listed entity which has an equity-based remuneration scheme should: | | |
| | (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and | Yes | Recommendation 8.3 |
| | (a) disclose that policy or a summary of it. | Yes | Recommendation 8.3 |

L-R Mr Tony Howarth (Chairman), Ms Eve Howell, Mr Jeff Weber (Managing Director), Mr Mark Bradley, Mr Chiang Gnee Heng and Mr Andrew Edwards.

The Board of Directors of MMA Offshore Limited is responsible for the corporate governance of the consolidated entity. The Board is a strong advocate of good corporate governance. The Board regularly reviews and updates the Company's governance policies and practices with reference to corporate governance developments and best practice.

# Directors' Report

The Directors of MMA Offshore Limited ("Company" or "MMA") submit herewith the annual financial report of the Company for the financial year ended 30 June 2016. In order to comply with the provisions of the Corporations Act 2001 (Cth), the Directors report as follows:

## Directors

The names and details of the Company's Directors in office during the financial year and until the date of this report are set out on pages 28 to 29 (including their qualifications, experience and special responsibilities). The Directors were in office during the whole of the financial year.

## Directorships of Other Listed Companies

Directorships of other listed companies held by the Directors in the three years immediately before and since the end of the financial year are as follows:

| Name | Company | Period of Directorship |
|---|---|---|
| Mr A Howarth | Wesfarmers Limited | Since July 2007 |
| | BWP Management Limited | Since October 2012 |
| Mr A Edwards | Nido Petroleum Limited | Since December 2009 |
| | MACA Limited | Since October 2010 |
| | Aspire Mining Limited | July 2011 – May 2014 |
| Ms E Howell | Downer EDI Limited | Since January 2012 |
| | Tangiers Petroleum Limited | September 2012 – February 2014 |
| | Buru Energy Limited | Since July 2014 |

## Directors' Shareholdings

The following table sets out each Director's relevant interest in the securities of the Company as at the date of this report:

| Name | Fully paid ordinary shares direct | Fully paid ordinary shares indirect | Performance rights direct |
|---|---:|---:|---:|
| Mr A Howarth | 384,146 | 781,756 | - |
| Mr J Weber | - | 1,907,958 | 2,431,507 |
| Mr M Bradley | 2,823,819 | - | - |
| Mr A Edwards | - | 115,680 | - |
| Ms E Howell | - | 123,529 | - |
| Mr C G Heng | - | - | - |

The Directors do not have any interests in shares, options or rights of any related body corporate of the Company as at the date of this report.

## Remuneration of Key Management Personnel

Information about the remuneration of key management personnel is set out in the Remuneration Report section of this Directors' Report on pages 40 to 52. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, either directly or indirectly, including any Director (whether executive or otherwise) of the consolidated entity.

## Rights Granted to Directors and Senior Management

During and since the end of the financial year, an aggregate of 4,936,502 performance rights were granted to the following Director and to the six highest remunerated officers of the Company as part of their remuneration:

| Name | Number of rights granted | Issuing entity | Number of ordinary shares under rights |
|---|---|---|---|
| Mr J Weber | 2,001,432 | MMA Offshore Limited | 2,001,432 |
| Mr D Ross | 941,850 | MMA Offshore Limited | 941,850 |
| Mr P Raynor | 941,850 | MMA Offshore Limited | 941,850 |
| Mr D Lofthouse | 304,290 | MMA Offshore Limited | 304,290 |
| Mr D Roberts | 252,126 | MMA Offshore Limited | 252,126 |
| Mr M Gillett | 252,126 | MMA Offshore Limited | 252,126 |
| Mr D Thomas | 242,828 | MMA Offshore Limited | 242,828 |

## Company Secretary

Dylan Darbyshire-Roberts was appointed as Company Secretary of MMA Offshore Limited on 19 August 2008 and held this position at the end of the financial year.

Dylan joined the Company in May 2007 in the role of Commercial Manager. Previously, he was a Senior Associate with the law firm DLA Piper where he practised in the areas of insurance, corporate and marine law. After obtaining a Bachelor of Commerce degree (1995) and a LLB degree (1997) at the University of Natal (PMB), Dylan qualified as a Solicitor in South Africa, New South Wales and Western Australia. Dylan has worked in a legal capacity in all of these jurisdictions as well as the UK over the past 18 years. He holds a Graduate Diploma of Applied Corporate Governance and is an Associate of the Institute of Chartered Secretaries and Administrators and The Governance Institute of Australia.

## Principal Activities

The consolidated entity's principal activities during the course of the financial year were the provision of marine logistics and supply base services to the offshore oil and gas industry.

There were no significant changes in the nature of the activities of the consolidated entity during the financial year.

## Review of Operations

A review of, and information about the operations of the consolidated entity for the financial year and the results of those operations are set out in the Chairman's Address and the Managing Director's Report in this Annual Report.

## Changes in State of Affairs

The Chairman's Address and the Managing Director's Report (in this Annual Report) set out a number of matters which have had a significant effect on the state of affairs of the consolidated entity. Other than those matters, there was no significant change in the state of affairs of the consolidated entity.

## Subsequent Events

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

## Future Developments

The Chairman's Address and the Managing Director's Report (in this Annual Report) give an indication, in general terms, of likely developments in the Company's operations in future financial years, and the expected results of those operations.

## Environmental Regulations

The Company continues to conduct its operations within the parameters of the Department of Environmental and Conservation Licence and Ministerial requirements. There were no known breaches of licence conditions for the year ended 30 June 2016.

## Dividends

In respect of the financial year ended 30 June 2015, as detailed in the Directors' Report for that financial year, a final dividend of 1.5 cents per share franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 29 September 2015.

In respect of the financial year ended 30 June 2016, the Directors have suspended the payment of dividends (both interim and final) in order to retain cash to support business operations until market conditions improve.

Accordingly, no interim or final dividend has been recommended, declared or paid for the 2016 financial year.

## Unissued Shares under Rights

Details of unissued shares under rights as at the date of this report are:

| Issuing entity | Number of unissued shares under rights | Class of shares | Exercise price of rights $ | Expiry date of rights |
|---|---|---|---|---|
| MMA Offshore Limited | 938,146 | Ordinary | 0.00(a) | 1 Jul 2017 |
| MMA Offshore Limited | 430,075 | Ordinary | 0.00(a) | 1 Jul 2017 |
| MMA Offshore Limited | 7,554,228 | Ordinary | 0.00(b) | 1 Jul 2020 |
| MMA Offshore Limited | 2,001,432 | Ordinary | 0.00(b) | 1 Jul 2020 |

(a) These performance rights vest on 1 July 2017 subject to the performance criteria as detailed in note 24.
(b) These performance rights vest on 1 July 2018 subject to the performance criteria as detailed in note 24 and have a 2 year exercise period to 1 July 2020.

The holders of these rights do not have the right, by virtue of the issue of the right, to participate in any share issue of the Company.

## Shares Issued on Vesting of Rights

Details of shares issued during or since the end of the financial year as a result of the vesting of rights are:

| Issuing entity | Number of shares issued | Class of shares | Amount paid for shares $ | Amount unpaid on shares $ |
|---|---|---|---|---|
| MMA Offshore Limited | 121,546 | Ordinary | 0.00 | Nil |

## Insurance and Indemnification of Directors and Officers

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company, the Company Secretary and all Executive Officers of the Company and of any related body corporate against a liability incurred in acting in their capacity as a Director, Company Secretary or Executive Officer of the Company to the extent permitted by the Corporations Act 2001 (Cth). The relevant contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company's Constitution requires the Company, so far as permitted under applicable law and to the extent the person is not otherwise indemnified, to indemnify each officer of the Company and its wholly owned subsidiaries, and may indemnify its auditors, against a liability incurred as such an officer or auditor to any person (other than the Company or a related body corporate) including a liability incurred as a result of appointment or nomination by the Company or subsidiary as trustee or as an officer of another corporation, unless the liability arises out of conduct involving a lack of good faith. The Company has entered into Deeds of Indemnity, Insurance and Access with each of the Directors of the Company and its wholly owned subsidiaries in terms of the indemnity provided under the Company's Constitution.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against any liability incurred in acting in their capacity as such an officer of the Company.

No indemnity payment has been made under any of the documents referred to above during or since the end of the financial year.

## Indemnification of Auditors

The Company's auditor is Deloitte.

The Company has agreed with Deloitte, as part of its terms of engagement, to indemnify Deloitte against certain liabilities to third parties arising from the audit engagement. The indemnity does not extend to any liability resulting from the wilful misconduct or fraudulent act or omission by Deloitte.

During the financial year:

- The Company has not paid any premium in relation to any insurance for Deloitte or a body corporate related to Deloitte; and
- There were no officers of the Company who were former partners or directors of Deloitte, whilst Deloitte conducted audits of the Company.

## Directors' Meetings

The following table sets out the number of Directors' meetings (including meetings of Committees of Directors) held during the financial year and the number of meetings attended by each Director (while they were a Director or Committee member).

| | Board of Directors | | Audit and Risk Committee | | Nomination and Remuneration Committee | |
|---|---|---|---|---|---|---|
| Name | Held | Attended | Held | Attended | Held | Attended |
| Mr A Howarth | 12 | 12 | 4 | 4 | 3 | 3 |
| Mr J Weber | 12 | 12 | 4 | 4 | 3 | 3 |
| Mr M Bradley | 12 | 12 | 4 | 4 | 3 | 3 |
| Mr A Edwards | 12 | 12 | 4 | 4 | 3 | 3 |
| Ms E Howell | 12 | 12 | 4 | 4 | 3 | 3 |
| Mr CG Heng | 12 | 11 | 4 | 4 | 3 | 3 |

## Proceedings on Behalf of the Company

No proceedings have been brought on behalf of the Company, nor has any application been made in respect of the Company under section 237 of the Corporations Act 2001 (Cth).

## Non-Audit Services

Details of the amounts paid or payable to the external auditor for non-audit services provided during the year are outlined in note 27 to the Financial Statements.

The Directors are satisfied that the provision of non-audit services during the year by the external auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 (Cth).

In view of the above, the Directors are of the opinion that the services as disclosed in note 27 to the Financial Statements do not compromise the external auditors' independence, based on advice received from the Audit and Risk Committee, for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 'Code of Ethics for Professional Accountants' issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing economic risks and rewards.

## Auditor's Independence Declaration

The Auditor's Independence Declaration is included on page 53 of this Annual Report.

## Rounding

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 that Corporations Instrument, amounts in the Directors' Report and the Financial Statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

## Remuneration Report

This Remuneration Report, which forms part of the Directors' Report, sets out information about the remuneration of the Company's key management personnel for the financial year ended 30 June 2016. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Company, either directly or indirectly, including any Director (whether executive or otherwise) of the Company.

The prescribed details for each person covered by this Remuneration Report are detailed below under the following headings:

- Key Management Personnel;
- Remuneration Policy;
- Relationship between the Remuneration Policy and Company Performance;
- Remuneration of Key Management Personnel;
- Bonus and share based payments granted as compensation for the current financial year; and
- Key Terms of Employment Contracts.

## Key Management Personnel

The Directors and other key management personnel of the Company during and since the end of the financial year were:

| Executives | Non-Executive Directors |
|---|---|
| Executive Director | Mr A Howarth (Chairman) |
| Mr J Weber (Managing Director) | Mr M Bradley |
| | Mr A Edwards |
| | Ms E Howell |
| | Mr CG Heng |
| **Other Key Management Personnel** | |
| Mr D Ross (Chief Operating Officer) | |
| Mr P Raynor (Chief Financial Officer) | |
| Mr D Lofthouse (General Manager Business Development) | |
| Mr D Roberts (General Manager Legal/Company Secretary) | |
| Mr M Gillett (General Manager Human Resources) | |
| Ms L Buckey (General Manager Corporate Development) | |
| Mr D Thomas (General Manager HSEQ) | |

The above named persons held their current position for the whole of the financial year and since the end of the financial year.

## Remuneration Policy

The Company's Remuneration Policy is focused on driving a performance culture within the Group by linking key management personnel remuneration to the achievement of the Company's strategic and business objectives, and ultimately, increasing shareholder value.

The Nomination and Remuneration Committee is delegated responsibility by the Board for reviewing the remuneration packages of all Directors and key management personnel on an annual basis and making recommendations to the Board in this regard. The specific responsibilities of the Nomination and Remuneration Committee are set out in the Committee's Charter, which is to be found under Appendix C of the Board Charter.

Remuneration packages are typically reviewed and determined with due regard to current market rates and are benchmarked against comparable industry salaries, and are adjusted to reflect changes in the performance of the Company.

In carrying out its review of the remuneration packages of the Managing Director and non-director key management personnel for the 2016 financial year, the Nomination and Remuneration Committee engaged the services of an independent remuneration consultant, Godfrey Remuneration Group Pty Ltd, to provide current market rates and industry benchmarking. Godfrey Remuneration Group Pty Ltd were engaged directly by the Chairman of the Nomination and Remuneration Committee and were paid the sum of $20,000 (excluding GST) in consideration for providing their remuneration recommendations.

As the independent remuneration consultant was engaged directly by and provided their advice directly to the Chairman of the Nomination and Remuneration Committee (without management involvement), the Board is satisfied that the remuneration recommendations made were free from undue influence by any member of the key management personnel to whom the recommendations relate.

### Key Remuneration Outcomes

The key remuneration outcomes for the Company's key management personnel in 2016 were as follows:

- Having regard to the overall performance of the Company during the 2016 financial year and current market conditions, the Board has exercised its discretion to:
    - Freeze the Fixed Annual Remuneration (FAR) component for the Managing Director and other key management personnel for the 2016 financial year and again for the 2017 financial year;
    - Suspend the Short-term Incentive (STI) component in relation to the Managing Director and other key management personnel for the 2016 financial year and again for the 2017 financial year; and
    - Grant Long-term Incentive (LTI) performance rights to the Managing Director and other key management personnel of the Company for the 2016 financial year and to suspend the LTI component for the 2017 financial year.
- Following a review by the Nomination and Remuneration Committee:
    - There was no increase in Non-Executive Directors' fees for the 2016 financial year; and
    - Again, there has been no increase in Non-Executive Directors' fees for the 2017 financial year.

### Remuneration Report 2015

MMA Offshore Limited's Remuneration Report for 2015 was adopted at the Annual General Meeting on 18 November 2015 with a clear majority of 94,991,344 votes in favour of the motion (representing 92% of the votes received).

### Non-Executive Directors' Remuneration

Non-Executive Directors' fees are determined within an aggregate Directors' fee pool which is periodically recommended for approval by shareholders. The maximum fees payable to Non-Executive Directors are currently $950,000 per annum in aggregate (as approved by shareholders at the Company's AGM on 22 November 2012).

Fees paid to Non-Executive Directors are set at levels which reflect both the responsibilities of, and time commitments required from each Non-Executive Director to discharge their duties. Non-Executive Directors' fees are reviewed annually by the Board to ensure they are appropriate for the duties performed, including Board committee duties, and are in line with the market. Non-Executive Directors do not receive performance-based remuneration. Other than statutory superannuation, Directors are not entitled to retirement allowances.

Following a review by the Nomination and Remuneration Committee there was no increase in Non-Executive Directors' fees for the 2016 financial year and again, there has been no increase in Non-Executive Directors' fees for the 2017 financial year.

### Other Key Management Personnel

Remuneration of the Managing Director and other executive key management personnel comprises both a fixed component and an at-risk component, which is designed to remunerate key management personnel for increasing shareholder value and for achieving financial targets and business strategies set by the Board. It is also designed to attract and retain high calibre executives.

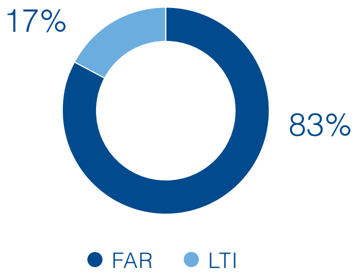
The remuneration of the Managing Director and other key management personnel has the following three components:

| No. | Remuneration Component | Details |
|---|---|---|
| 1 | Fixed Annual Remuneration (FAR) | • Comprising base salary and superannuation.<br>• In setting FAR, consideration is given to current market rates and industry benchmarking against appropriate comparator groups (including the median market rates within the sector and industry peers), Company performance and individual performance.<br>• As previously reported, given the performance of the Company and current market conditions, the Board determined that the Managing Director and Senior Management would not receive any increase in FAR for the 2016 financial year.<br>• Once again, the Board has determined that the Managing Director and Senior Management will not receive any increase in FAR for the 2017 financial year. |
| 2 | Short-term incentive (STI) | • An annual “at-risk” cash component designed to reward performance against the achievement of key performance indicators (KPIs) set by the Board.<br>• The invitation to participate in the STI is at the absolute discretion of the Board and is subject to such conditions which the Board may prescribe from time to time.<br>• As previously reported, given the performance of the Company and current market conditions, the Board exercised its discretion to suspend the STI component for the 2016 financial year.<br>• Once again, the Board has exercised its discretion to suspend the STI component for the 2017 financial year (subject always to the Board’s discretion to reinstate the STI component if market conditions change). |
| 3 | Long-term incentive (LTI) | • The Company grants rights over its ordinary shares under the LTI.<br>• The vesting of these rights is based on the achievement of stipulated performance criteria targets over a 3 year period.<br>• During the 2016 financial year, these performance criteria targets comprised of an absolute share price hurdle and a growth in TSR hurdle (with each having a 50% weighting) to ensure a strong link with both the creation of shareholder value and with the Company’s long-term strategy.<br>• The LTI also aims to align executives’ long-term interests with those of shareholders.<br>• Further details of the LTI plan and the number of performance rights granted to the Managing Director and Senior Management during the 2016 financial year are set out under the “Remuneration of Key Management Personnel” section of this Report.<br>• Given the performance of the Company and current market conditions, the Board has exercised its discretion to suspend the LTI component for the 2017 financial year. |

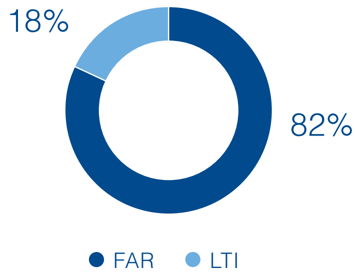
Allocation of Executive Remuneration between Fixed and Variable Remuneration

The allocation of total executive remuneration between fixed and variable remuneration for the 2016 financial year is as follows:

Managing Director




Other Executives (Maximum)




## Relationship between the Remuneration Policy and Company Performance

The table below summarises information about the Company's earnings for the 2016 financial year and the Company's earnings and movements in shareholder wealth for the five years to 30 June 2016, which is an important indicator of performance and a key measure when assessing both the STI and LTI remuneration components.

Having regard to the overall performance of the Company during the 2016 financial year, the Board has exercised its discretion to:

- Freeze the FAR component for the Managing Director and other key management personnel for the 2016 financial year;
- Suspend the STI component in relation to the Managing Director, other key management personnel and all employees of the Company for the 2016 financial year; and
- Grant LTI performance rights to the Managing Director and other key management personnel of the Company for the 2016 financial year as detailed below.

| | 30 June 2016 $'000 | 30 June 2015 $'000 | 30 June 2014 $'000 | 30 June 2013 $'000 | 30 June 2012 $'000 |
|---|---|---|---|---|---|
| Revenue | 481,123 | 796,666 | 594,597 | 449,490 | 380,358 |
| Net profit/(loss) before tax | (155,262)[3] | (48,219)[3] | 77,112 | 83,755 | 71,602 |
| Net profit/(loss) after tax | (143,962) | (51,291) | 53,884 | 60,298 | 51,036 |
| Share price at start of the year | $0.54 | $2.06 | $3.52 | $2.82 | $3.19 |
| Share price at end of the year | $0.31 | $0.54 | $2.06 | $3.52 | $2.82 |
| Interim dividend [1] | 0cps | 4.0cps | 5.5cps | 5.5cps | 5.0cps |
| Final dividend [1] | 0cps | 1.5cps | 7.0cps | 7.0cps | 6.0cps |
| Basic earnings per share | (38.64 cps) | (13.91 cps) | 18.78cps | 25.17cps | 23.44cps |
| Diluted earnings per share | (38.64 cps) | (13.91 cps) | 18.76cps | 24.78cps | 22.93cps |
| 3 year compound annual TSR [2] | (46%) | (32%) | (9%) | 15% | 19% |

[1] Franked to 100% at 30% corporate income tax rate.
[2] TSR comprises share price growth and dividends.
[3] This includes a non-cash impairment charge of $139 million against the carrying value of the Company's assets as at 30 June 2016 (2015: $120.7 million).

## Remuneration of Key Management Personnel

In this Annual Report, remuneration outcomes are presented based on the requirements of accounting standards (which has the benefit of being readily comparable with other companies) rather than the actual “take-home” pay received by executive key management personnel (being cash, other benefits and the value of equity vesting during the relevant financial year).

An example of this includes LTI awards which are recognised and accounted for over the performance period (3 years) based on their assessed value when originally granted to the executive. This may be significantly different to their value, if and when the incentive vests to that executive.

The following tables disclose:

(A) The actual remuneration of the Directors and other key management personnel of the Company for the 2016 financial year (i.e. the actual “take-home” pay received by key management personnel for the 2016 financial year); and

(B) The statutory presentation of the remuneration of the Directors and other key management personnel of the Company for the 2016 financial year and for the previous financial year based on the requirements of accounting standards.

*Please note that while there were no salary or fee increases during the 2016 financial year, there was an additional pay cycle during the 2016 financial year which caused the resultant increases.*

(A) Key Management Personnel Remuneration (Actual)

| | Short-term employee benefits | | | Post-employment benefits | Share based payment | Total |
|---|---|---|---|---|---|---|
| 2016 | Salary & fees[1] | Cash bonus | Non-monetary[2] | Superannuation | Rights[3] | |
| | $ | $ | $ | $ | $ | $ |
| Directors | | | | | | |
| Mr A Howarth | 235,900 | - | 1,537 | 19,307 | - | 256,744 |
| Mr J Weber | 961,290 | - | 2,266 | 36,346 | - | 999,902 |
| Mr M Bradley | 115,892 | - | - | 11,009 | - | 126,901 |
| Mr A Edwards | 115,892 | - | - | 11,009 | - | 126,901 |
| Ms E Howell | 105,507 | - | - | 9,652 | - | 115,159 |
| Mr CG Heng | 105,706 | - | - | 6,411 | - | 112,117 |
| Senior Management | | | | | | |
| Mr D Ross | 555,691 | - | 4,776 | 31,153 | 13,402 | 605,022 |
| Mr P Raynor | 560,883 | - | 5,830 | 25,961 | 13,402 | 606,076 |
| Mr D Lofthouse | 391,285 | - | 1,848 | 19,307 | - | 412,440 |
| Mr D Roberts | 320,863 | - | 2,642 | 19,307 | - | 342,812 |
| Mr M Gillett | 320,863 | - | - | 19,307 | - | 340,170 |
| Ms L Buckey[4] | 205,944 | - | - | 19,307 | - | 225,251 |
| Mr D Thomas | 308,310 | - | - | 19,307 | - | 327,617 |
| Total | 4,304,026 | - | 18,899 | 247,383 | 26,804 | 4,597,112 |

(B) Key Management Personnel Remuneration (Statutory Presentation)

| 2016 | Short-term employee benefits | | | Post-employment benefits | Share based payment | Total |
|---|---|---|---|---|---|---|
| | Salary & fees | Cash bonus | Non-monetary[2] | Superannuation | Rights[3] | |
| | $ | $ | $ | $ | $ | $ |
| **Directors** | | | | | | |
| Mr A Howarth | 235,900 | - | 1,537 | 19,307 | - | 256,744 |
| Mr J Weber | 961,290 | - | 2,266 | 36,346 | 200,495 | 1,200,398 |
| Mr M Bradley | 115,892 | - | - | 11,009 | - | 126,901 |
| Mr A Edwards | 115,892 | - | - | 11,009 | - | 126,901 |
| Ms E Howell | 105,507 | - | - | 9,652 | - | 115,159 |
| Mr CG Heng | 105,706 | - | - | 6,411 | - | 112,117 |
| **Senior Management** | | | | | | |
| Mr D Ross | 555,691 | - | 4,776 | 31,153 | 126,481 | 718,101 |
| Mr P Raynor | 560,883 | - | 5,830 | 25,961 | 126,481 | 719,155 |
| Mr D Lofthouse | 391,285 | - | 1,848 | 19,307 | 38,839 | 451,278 |
| Mr D Roberts | 320,863 | - | 2,642 | 19,307 | 32,181 | 374,992 |
| Mr M Gillett | 320,863 | - | - | 19,307 | 32,181 | 372,351 |
| Ms L Buckey[4] | 205,944 | - | - | 19,307 | 20,030 | 245,281 |
| Mr D Thomas | 308,310 | - | - | 19,307 | 30,994 | 358,611 |
| **Total** | 4,304,026 | - | 18,899 | 247,383 | 607,681 | 5,177,989 |

| 2015 | | | | | | |
|---|---|---|---|---|---|---|
| **Directors** | | | | | | |
| Mr A Howarth | 227,164 | - | 1,103 | 18,783 | - | 247,050 |
| Mr J Weber | 925,687 | - | 18,928 | 35,000 | 440,789 | 1,420,404 |
| Mr M Bradley | 111,600 | - | - | 10,602 | - | 122,202 |
| Mr A Edwards | 111,600 | - | - | 10,602 | - | 122,202 |
| Ms E Howell | 101,600 | - | - | 9,652 | - | 111,252 |
| Mr CG Heng | 105,079 | - | - | 6,173 | - | 111,252 |
| **Senior Management** | | | | | | |
| Mr D Ross | 535,110 | - | 1,049 | 35,000 | 277,012 | 848,171 |
| Mr P Raynor | 540,110 | - | 2,354 | 25,000 | 277,012 | 844,476 |
| Mr D Lofthouse | 390,189 | - | 2,010 | 18,783 | 72,088 | 483,070 |
| Mr D Roberts | 308,980 | - | 2,866 | 18,783 | 59,730 | 390,359 |
| Mr M Gillett | 308,980 | - | - | 18,783 | 59,730 | 387,493 |
| Ms L Buckey[4] | 171,452 | - | - | 19,295 | 34,790 | 225,537 |
| Mr D Thomas | 296,892 | - | - | 18,783 | 26,371 | 342,046 |
| **Total** | 4,134,443 | - | 28,310 | 245,239 | 1,247,522 | 5,655,514 |

[1] Salaries & Fees for FY2016 included an additional payment cycle – there were 27 fortnightly pay cycles in FY2016.
[2] These non-monetary benefits comprise the provision of motor vehicle, fuel, travel and other benefits, as applicable.
[3] The value of the rights granted to key management personnel as part of their remuneration is calculated as at the grant date using the binomial pricing model. The amounts disclosed as part of remuneration for the financial year have been determined by allocating the grant date value on a straight-line basis over the period from the grant date to the vesting date (i.e. 3 years).
[4] Ms Buckey is employed on a part-time basis.

The table below sets out the relative proportions of the elements of remuneration of key management personnel linked to performance:

| | Fixed Remuneration | | Remuneration linked to Performance | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| **Non-Executive Directors** | | | | |
| Ms A Howarth | 100% | 100% | 0% | 0% |
| Mr M Bradley | 100% | 100% | 0% | 0% |
| Mr A Edwards | 100% | 100% | 0% | 0% |
| Ms E Howell | 100% | 100% | 0% | 0% |
| Mr CG Heng | 100% | 100% | 0% | 0% |
| **Executive Directors** | | | | |
| Mr J Weber | 83% | 69% | 17% | 31% |
| **Senior Management** | | | | |
| Mr D Ross | 82% | 67% | 18% | 33% |
| Mr P Raynor | 82% | 67% | 18% | 33% |
| Mr D Lofthouse | 91% | 85% | 9% | 15% |
| Mr D Roberts | 91% | 85% | 9% | 15% |
| Mr M Gillett | 91% | 85% | 9% | 15% |
| Ms L Buckey | 92% | 85% | 8% | 15% |
| Mr D Thomas | 91% | 92% | 9% | 8% |

## Bonus and Share based payments granted as compensation for the current financial year

### STI (Cash Bonuses)

Having regard to the overall performance of the Company and current market conditions, the Board has, in relation to the Managing Director and other key management personnel, exercised its discretion to:

- Suspend the STI component for the 2016 financial year; and
- Once again, suspend the STI component for the 2017 financial year (subject to the Board's discretion to reinstate the STI component if market conditions change).

### LTI (Performance Rights)

Under its LTI remuneration component, the Company operates performance rights plans for the Managing Director, Senior Management and other employees. Each right converts into one ordinary share of MMA Offshore Limited on vesting. No amounts are paid or payable by the recipient upon grant of the rights. The rights carry neither rights to dividends nor voting rights. Please refer to the tables below for details of the performance criteria for the rights granted during the financial year.

The table below sets out the relevant performance criteria for the performance rights granted to the Managing Director, Chief Operating Officer and Chief Financial Officer during the financial year:

| Performance Criteria | Performance Period | Percentage of LTI subject to Performance Criteria | Performance Criteria Targets | Percentage of Performance Rights which vest if Target met |
|---|---|---|---|---|
| Share Price Target(1) | Beginning 1 July 2015 and ending 30 June 2018 | 50% | Lower than $1.60 | Nil |
| | | | Equal to $1.60 | 50% |
| | | | Between $1.60 and $2.40 | 50% to 100% (pro-rata) |
| | | | Equal to or greater than $2.40 | 100% |
| Company's Total Shareholder Return (TSR)(2) percentile ranking over the Performance Period relative to a selected Peer Group(3) | Beginning 1 July 2015 and ending 30 June 2018 | 50% | Below the 50th percentile | Nil |
| | | | At the 50th percentile | 50% |
| | | | Between the 50th and 90th percentile | 50% to 100% (pro-rata) |
| | | | At the 90th percentile | 100% |

The table below sets out the relevant performance criteria for the performance rights granted to other key management personnel (i.e. excluding the Managing Director, Chief Operating Officer and Chief Financial Officer) during the financial year:

| Performance Criteria | Performance Period | Percentage of LTI subject to Performance Criteria | Performance Criteria Targets | Percentage of Performance Rights which vest if Target met |
|---|---|---|---|---|
| Share Price Target(1) | Beginning 1 July 2015 and ending 30 June 2018 | 50% | Lower than $1.60 | Nil |
| | | | Equal to $1.60 | 50% |
| | | | Between $1.60 and $2.40 | 50% to 100% (pro-rata) |
| | | | Equal to or greater than $2.40 | 100% |
| Company's Total Shareholder Return ("TSR")(2) percentile ranking over the Performance Period relative to a selected Peer Group(3) | Beginning 1 July 2015 and ending 30 June 2018 | 50% | Below the 50th percentile | 0% |
| | | | Between the 50th percentile and the 75th percentile | 50% to 100% (on a straight line basis) |
| | | | Above the 75th percentile | 100% |

(1) **Share Price Target** means the closing price of MMA Offshore Limited's (ASX: MRM) fully paid ordinary shares on the last day of the Performance Period.

(2) **Total Shareholder Return (TSR)** means broadly, the increase in the share price plus dividends paid (calculated in Australian Dollars), excluding franking credits and taxation, over the Performance Period, to be determined in a manner decided by the Board in its absolute discretion.

(3) **Peer Group** means the peer group comprising the following ASX-listed companies, the composition of which may be changed by the Board in its absolute discretion: XJO 200 Industrial (ASX: XNJ), Asciano Limited (ASX: AIO), ALS Limited (ASX: ALQ), Aurizon Holdings Limited (ASX: AZJ), Bradken Limited (ASX: BKN), Brambles Limited (ASX: BXB), Cabcharge Australia Ltd (ASX: CAB), Cardno Limited (ASX: CDD), CIMIC Group Ltd (ASX:CIM), Credit Corp Group Ltd (ASX:CCP), Downer EDI Limited (ASX: DOW), GWA Group Limited (ASX: GWA), Mineral Resources Limited (ASX: MIN), McMillan Shakespeare Ltd. (ASX: MMS), Monadelphous Group Limited (ASX: MND), Macquarie Atlas Roads Group (ASX: MQA), Qantas Airways Limited (ASX: QAN), Qube Holdings Limited (ASX: QUB), Recall Holdings Limited (ASX: REC), SAI Global Limited (ASX: SAI), SEEK Limited (ASX: SEK), Spotless Group Holdings Limited (ASX: SPO), Seven Group Holdings Limited (ASX: SVW), Sydney Airport Limited (ASX: SYD), Transurban Group (ASX: TCL), Transpacific Industries Group Ltd. (ASX: TPI), Transfield Services Limited (ASX: TSE), UGL Limited (ASX: UGL) and Veda Group Limited (ASX: VED).

During the financial year, the following rights schemes were in existence:

| Series | Number issued | Grant date | Expiry date | Exercise price $ | Fair value at grant date $ | Vesting date |
|---|---|---|---|---|---|---|
| (1) 25 Oct 2012 (a) | 311,634 | 25 Oct 2012 | 1 Jul 2015 | 0.00 | 2.28 | 1 Jul 2015 |
| (2) 25 Oct 2012 (a) | 283,254 | 25 Oct 2012 | 1 Jul 2015 | 0.00 | 2.42 | 1 Jul 2015 |
| (3) 22 Nov 2012 (a) | 317,865 | 22 Nov 2012 | 1 Jul 2015 | 0.00 | 2.47 | 1 Jul 2015 |
| (4) 20 Dec 2012 (a) | 20,981 | 20 Dec 2012 | 1 Jul 2015 | 0.00 | 2.42 | 1 Jul 2015 |
| (5) 22 Oct 2014 (b) | 51,546 | 22 Oct 2014 | 1 Jul 2015 | 0.00 | 1.94 | 1 Jul 2015 |
| (6) 22 Oct 2014 (c) | 70,000 | 22 Oct 2014 | 5 Jun 2016 | 0.00 | 1.76 | 5 Jun 2016 |
| (7) 3 Dec 2013 (d) | 1,092,384 | 11 Oct 2013 | 1 Jul 2016 | 0.00 | 2.14 | 1 Jul 2016 |
| (8) 3 Dec 2013 (d) | 339,238 | 11 Oct 2013 | 1 Jul 2016 | 0.00 | 2.02 | 1 Jul 2016 |
| (9) 3 Dec 2013 (d) | 346,023 | 21 Nov 2013 | 1 Jul 2016 | 0.00 | 1.71 | 1 Jul 2016 |
| (10) 22 Oct 2014 (e) | 1,052,625 | 22 Oct 2014 | 1 Jul 2017 | 0.00 | 1.09 | 1 Jul 2017 |
| (11) 1 Dec 2014 (e) | 11,382 | 1 Dec 2014 | 1 Jul 2017 | 0.00 | 1.09 | 1 Jul 2017 |
| (12) 1 Dec 2014 (e) | 430,075 | 18 Nov 2014 | 1 Jul 2017 | 0.00 | 0.75 | 1 Jul 2017 |
| (13) 10 Feb 2016 (f) | 2,001,432 | 18 Nov 2015 | 1 Jul 2020 | 0.00 | 0.02 | 1 Jul 2018 |
| (14) 10 Feb 2016 (f) | 8,037,836 | 7 Dec 2015 | 1 Jul 2020 | 0.00 | 0.02 | 1 Jul 2018 |
| (15) 7 Jun 2016 (f) | 220,284 | 18 Apr 2016 | 1 Jul 2020 | 0.00 | 0.02 | 1 Jul 2018 |

(a) In accordance with the terms of the Mermaid Marine Australia Limited Performance Rights Plan – 2012 (issued by the Board on 25 October 2012 and 20 December 2012) and the Mermaid Marine Australia Limited Managing Director's Performance Rights Plan – 2012 (as approved by shareholders at the Company's AGM on 22 November 2012), the number of performance rights which vest on 1 July 2015 will depend on the growth in the Earnings per Share of MMA Offshore Limited and the total shareholder return of the Company relative to a selected peer group of companies as set out in note 24 of the Financial Statements.

No portion of the stipulated growth in Earnings per Share of the Company was achieved during the performance period, resulting in none of the rights subject to this performance criteria vesting. The Company's total shareholder return relative to the selected peer group of companies did meet the minimum level required during the performance period resulting in 52% (Managing Director, Chief Financial Officer and Chief Operating Officer) and 58% (other senior executives) of the total performance rights granted under the respective 2012 plans being eligible for vesting (a total of 480,318 performance rights). However, the Board exercised its discretion under the relevant plan rules to defer the vesting of these eligible performance rights until 1 July 2016, subject to the continued employment of each Participant by a Group member until 1 July 2016. Having regard to the overall performance of the Company and the current market conditions, the Board again exercised its discretion that these performance rights would not vest on 1 July 2016. As such, the remaining 480,318 performance rights have lapsed in accordance with the terms of the relevant plan rules.

(b) In accordance with the terms of Mermaid Marine Australia Limited Performance Rights Plan – 2014 (issued by the Board on 22 October 2014), the performance rights issued to the Chief Financial Officer and Chief Operating Officer (being the deferred equity portion of their 2014 financial year bonus) which vested on 1 July 2015 is conditional upon the holders' continued employment by a Group member during the 1 year performance period as set out in note 24 of the Financial Statements. This performance hurdle has been met.

(c) In accordance with the terms of the Mermaid Marine Australia Limited Performance Rights Plan – 2014 (issued by the Board on 22 October 2012), the performance rights issued to the President – Offshore & Business Development (Singapore) which vested on 4 June 2016 is conditional upon the holder's continued employment by a Group member during the 2 year performance period as set out in note 24 of the Financial Statements. This performance hurdle has been met.

(d) In accordance with the terms of the Mermaid Marine Australia Limited Performance Rights Plan – 2013 (issued by the Board on 11 October 2013) and the Mermaid Marine Australia Limited Managing Director's Performance Rights Plan – 2013 (as approved by shareholders at the Company's AGM on 21 November 2013), the number of performance rights which vest on 1 July 2016 will depend on the growth in the Earnings per Share of MMA Offshore Limited and the total shareholder return of the Company relative to a selected peer group of companies as set out in note 24 of the Financial Statements. These performance hurdles have not been met. As such, the performance rights have lapsed in accordance with the terms of the relevant plan rules.

(e) In accordance with the terms of the Mermaid Marine Australia Limited Performance Rights Plan – 2014 (issued by the Board on 22 October 2014 and 1 December 2014) and the Mermaid Marine Australia Limited Managing Director's Performance Rights Plan – 2014 (as approved by the shareholders at the Company's Annual General Meeting on 18 November 2014) the number of performance rights which vest on 1 July 2017 will depend on growth in the Earnings per Share of MMA Offshore Limited and the total shareholder return of the Company relative to a selected peer group of companies as set out in note 24 of the Financial Statements.

(f) In accordance with the terms of the MMA Offshore Limited Performance Rights Plan – 2015 (issued by the Board on 7 December 2015 and 18 April 2016) and the MMA Offshore Limited Managing Director's Performance Rights Plan – 2015 (as approved by the shareholders at the Company's Annual General Meeting on 18 November 2015) the number of performance rights which vest on 1 July 2018 will depend on the Company achieving the specified share price target(s) for MMA Offshore Limited and the total shareholder return of the Company relative to a selected peer group of companies as set out in note 24 of the Financial Statements. Subject to the performance rights vesting on 1 July 2018, the vested performance rights must be exercised within a 2 year period from the vesting date (i.e. by 1 July 2020) or such other time as determined by the Board in its sole and absolute discretion.

Except as detailed in (a) above, there has been no alteration of the terms and conditions of the above share-based payment arrangements since the grant date.

The following share-based payments were granted as compensation to the Managing Director and executive key management personnel during the current financial year:

| Name | Performance rights issued | Number granted | Number vested | % of grant vested | % of grant forfeited | % of compensation for the year consisting of share based payment |
|---|---|---|---|---|---|---|
| Mr J Weber | 10 Feb 2016 | 2,001,432 | - | - | - | 17% |
| Mr D Ross | 10 Feb 2016 | 941,850 | 25,773 | - | - | 18% |
| Mr P Raynor | 10 Feb 2016 | 941,850 | 25,773 | - | - | 18% |
| Mr D Lofthouse | 10 Feb 2016 | 304,290 | - | - | - | 9% |
| Mr D Roberts | 10 Feb 2016 | 252,126 | - | - | - | 9% |
| Mr M Gillett | 10 Feb 2016 | 252,126 | - | - | - | 9% |
| Mr D Thomas | 10 Feb 2016 | 242,828 | - | - | - | 9% |
| Ms L Buckey | 10 Feb 2016 | 217,350 | - | - | - | 8% |

During the financial year, the following key management personnel had performance rights vest that were granted to them as part of their compensation. Each performance right converts into one ordinary share of MMA Offshore Limited.

| Name | Number of rights vested | Number of ordinary shares | Amount paid $ | Amount unpaid $ |
|---|---|---|---|---|
| Mr D Ross | 25,773 | 25,773 | Nil | Nil |
| Mr P Raynor | 25,773 | 25,773 | Nil | Nil |

The following table summarises the value of performance rights to key management personnel which were granted or vested during the financial year as part of their remuneration:

| Name | Value of rights granted at grant date $ | Value of rights at vesting date $ |
|---|---|---|
| Mr J Weber | 43,031 | - |
| Mr D Ross | 20,250 | 13,402 |
| Mr P Raynor | 20,250 | 13,402 |
| Mr D Lofthouse | 5,934 | - |
| Mr D Roberts | 4,916 | - |
| Mr M Gillett | 4,916 | - |
| Ms L Buckey | 4,238 | - |
| Mr D Thomas | 4,735 | - |

The following table summarises the number of performance rights that lapsed during the financial year, in relation to performance rights granted to key management personnel as part of their remuneration:

| Name | Financial year in which rights were granted | No. of rights lapsed during the current year |
|---|---|---|
| Mr J Weber | 2012 | 152,066 |
| Mr D Ross | 2012 | 74,543 |
| Mr P Raynor | 2012 | 74,543 |
| Mr D Lofthouse | 2012 | 20,443 |
| Mr D Roberts | 2012 | 16,939 |
| Mr M Gillett | 2012 | 16,939 |
| Ms L Buckey | 2012 | 8,762 |
| Mr D Thomas | - | - |

### Key Management Personnel Equity Holdings

Details of the fully paid ordinary shares of the Company held by key management personnel are as follows:

| 2016 | Balance at 1 July 2015 | Granted as compensation | Received on vesting of Performance Rights | Net other change | Balance at 30 June 2016 | Balance held nominally |
|---|---|---|---|---|---|---|
| Mr A Howarth | 965,902 | - | - | 200,000 | 1,165,902 | - |
| Mr J Weber | 1,907,958 | - | - | - | 1,907,958 | - |
| Mr M Bradley | 1,573,819 | - | - | 1,250,000 | 2,823,819 | - |
| Mr A Edwards | 15,431 | - | - | 100,249 | 115,680 | - |
| Ms E Howell | 120,000 | - | - | 3,529 | 123,529 | - |
| Mr CG Heng | - | - | - | - | - | - |
| Mr D Ross | 740,012 | - | 25,773 | - | 765,785 | - |
| Mr P Raynor | 178,223 | - | 25,773 | 996 | 204,992 | - |
| Mr D Lofthouse | 315,083 | - | - | (90,873) | 224,210 | - |
| Mr D Roberts | - | - | - | - | - | - |
| Mr M Gillett | 59,903 | - | - | - | 59,903 | - |
| Ms L Buckey | 1,475 | - | - | - | 1,475 | - |
| Mr D Thomas | - | - | - | - | - | - |

| 2015 | Balance at 1 July 2014 | Granted as compensation | Received on vesting of Performance Rights | Net other change | Balance at 30 June 2015 | Balance held nominally |
|---|---|---|---|---|---|---|
| Mr A Howarth | 865,902 | - | - | 100,000 | 965,902 | - |
| Mr J Weber | 1,779,484 | - | 28,474 | 100,000 | 1,907,958 | - |
| Mr M Bradley | 573,819 | - | - | 1,000,000 | 1,573,819 | - |
| Mr A Edwards | 14,750 | - | - | 681 | 15,431 | - |
| Ms E Howell | - | - | - | 120,000 | 120,000 | - |
| Mr CG Heng | - | - | - | - | - | - |
| Mr D Ross | 726,054 | - | 13,958 | - | 740,012 | - |
| Mr P Raynor | 161,551 | - | 13,958 | 2,714 | 178,223 | - |
| Mr D Lofthouse | 222,386 | - | 4,803 | 87,894 | 315,083 | - |
| Mr D Roberts | - | - | 3,980 | (3,980) | - | - |
| Mr M Gillett | 55,923 | - | 3,980 | - | 59,903 | - |
| Ms L Buckey | 15,349 | - | 1,475 | (15,349) | 1,475 | - |
| Mr D Thomas | - | - | - | - | - | - |

Details of the performance rights held by executive key management personnel are as follows:

| 2016 Executives | Balance at 1 July 2015 | Granted as compensation | Vested | Net other change (lapsed) | Balance at 30 June 2016 | Vested but not exercisable | Rights vested during year |
|---|---|---|---|---|---|---|---|
| Mr J Weber | 1,093,963 | 2,001,432 | - | (152,066) | 2,943,329 | - | - |
| Mr D Ross | 553,597 | 941,850 | (25,773) | (74,543) | 1,395,131 | - | 25,773 |
| Mr P Raynor | 553,597 | 941,850 | (25,773) | (74,543) | 1,395,131 | - | 25,773 |
| Mr D Lofthouse | 169,226 | 304,290 | - | (20,443) | 453,073 | - | - |
| Mr D Roberts | 140,216 | 252,126 | - | (16,939) | 375,403 | - | - |
| Mr M Gillett | 140,216 | 252,126 | - | (16,939) | 375,403 | - | - |
| Ms L Buckey | 91,656 | 217,350 | - | (8,762) | 300,244 | - | - |
| Mr D Thomas | 95,979 | 242,828 | - | 0 | 338,807 | - | - |

| 2015 Executives | Balance at 1 July 2014 | Granted as compensation | Vested | Net other change (lapsed) | Balance at 30 June 2015 | Vested but not exercisable | Rights vested during year |
|---|---|---|---|---|---|---|---|
| Mr J Weber | 995,030 | 430,075 | (28,474) | (302,668) | 1,093,963 | - | 28,474 |
| Mr D Ross | 949,005 | 228,161 | (13,958) | (609,611) | 553,597 | - | 13,958 |
| Mr P Raynor | 487,761 | 228,161 | (13,958) | (148,367) | 553,597 | - | 13,958 |
| Mr D Lofthouse | 153,632 | 66,954 | (4,803) | (46,557) | 169,226 | - | 4,803 |
| Mr D Roberts | 127,296 | 55,476 | (3,980) | (38,576) | 140,216 | - | 3,980 |
| Mr M Gillett | 127,296 | 55,476 | (3,980) | (38,576) | 140,216 | - | 3,980 |
| Ms L Buckey | 59,607 | 47,825 | (1,475) | (14,301) | 91,656 | - | 1,475 |
| Mr D Thomas | 42,548 | 53,431 | - | - | 95,979 | - | - |

All performance rights issued to key management personnel during the financial year were made in accordance with the terms of the respective rights plans.

During the financial year, 51,546 performance rights (2015: 70,628) vested in favour of key management personnel at a weighted average exercise price of $nil per right. A total of 51,546 (2015: 70,628) ordinary shares in MMA Offshore Limited were issued on vesting of these rights.

No amounts remain unpaid on the rights vested during the financial year at year end.

Further details of the share based payment arrangements during the 2016 and 2015 financial years are contained in note 24 of the Financial Statements.

### Loans to Key Management Personnel

The Company has provided a member of its key management personnel with a short-term loan at rates comparable to the average commercial rate of interest. This loan is unsecured.

The following table outlines aggregate amounts in respect of loans made to key management personnel of the Group.

| Balance as at 1 July 2015 | Interest charged | Arm's length interest differential[1] | Allowance for doubtful receivables | Balance as at 30 June 2016 | Number of key management personnel |
|---|---|---|---|---|---|
| - | 1,248 | - | - | 34,870 | 1 |

[1] The arm's length interest differential refers to the difference between the amount of interest paid and payable in the reporting period and the amount of interest that would have been charged on an arms-length basis.

Share Trading Restrictions

The Company's Share Trading Policy requires key management personnel proposing to enter into arrangements that limit the economic risk of a vested holding in the Company's securities to first obtain approval from the Chairman of the Board (for directors), approval of the Chairman of the Audit and Risk Committee (for the Chairman of the Board), and approval from the Managing Director (for other executives), and subsequently provide details of the dealing within five business days of the dealing taking place. Any breach of the Share Trading Policy is taken very seriously by the Company and is subject to disciplinary action, including possible termination of a person's employment or appointment. A copy of the Company's Share Trading Policy can be found on the Corporate Governance page of our website at www.mmaoffshore.com/company/corporate_governance.phtml.

## Key Terms of Employment Contracts

As at the date of this report, the Managing Director and other executive key management personnel are all employed by the Company under an employment contract, none of which are of fixed-term duration.

These employment contracts may be terminated by either party giving the required notice and subject to termination payments as detailed in the table below:

| Name | Termination notice period | Termination benefits payable |
|---|---|---|
| Mr J Weber | 6 months | Yes[1] |
| Mr D Ross | 6 months | Yes[1] |
| Mr P Raynor | 6 months | Yes[1] |
| Mr D Lofthouse | 6 weeks | No |
| Mr D Roberts | 6 weeks | No |
| Mr M Gillett | 8 weeks | No |
| Ms L Buckey | 30 days | No |
| Mr D Thomas | 12 weeks | No |

[1] If the employee is made redundant as a result of a material diminution in the nature and level of responsibilities or functions of the employee's position in a publicly listed company located in Perth, Western Australia, including without limitation through a change in control of the Company, the employee will be entitled to a payment being the lesser of either:
- 1.5 times the Fixed Annual Remuneration in the relevant year (excluding any short-term incentives or long-term incentives); or
- The maximum amount that may be paid to the employee under the Corporations Act and ASX Listing Rules without prior shareholder approval.

Under these employment contracts, the remuneration package for:

- The Managing Director, Chief Operating Officer and Chief Financial Officer consists of an annual base salary and a short-term incentive component and a long-term incentive component at the discretion of the Nomination and Remuneration Committee and the Board; and
- Other executive key management personnel consists of an annual base salary and statutory superannuation contributions. Participation in the Company's incentive schemes is at the discretion of the Board.

This Directors' Report is signed in accordance with a resolution of Directors made pursuant to section 298(2) of the Corporations Act 2001 (Cth).

On behalf of the Directors,

Tony Howarth AO
Chairman
Fremantle, 19 September 2016

# Auditor's Independence Declaration

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Tower 2
Brookfield Place
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The Board of Directors
MMA Offshore Limited
1 Mews Road
Fremantle WA 6160

19 September 2016

Dear Board Members

**Auditor's Independence Declaration to 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 audit of the financial report of MMA Offshore Limited for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit
- any applicable code of professional conduct in relation to the audit.

Yours faithfully

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

**John Sibenaler**
Partner
Chartered Accountants

# Audit Report

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

### Report on the Financial Report

We have audited the accompanying financial report of MMA Offshore Limited, which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the 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 year's end or from time to time during the financial year as set out on pages 56, and 58 to 105.

*Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Auditor's Independence Declaration*

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

# Audit Report

Deloitte.

*Opinion*

In our opinion:

(a) the financial report of MMA Offshore Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 40 to 52 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Opinion*

In our opinion the Remuneration Report of MMA Offshore Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

**John Sibenaler**
Partner
Chartered Accountants
Perth, 19 September 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;

(b) in the Directors' opinion, the attached Financial Statements are in compliance with International Financial Reporting Standards, as stated in note 2 to the Financial Statements;

(c) 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; and

(d) the Directors have been given the declarations required by section 295A of the Corporations Act 2001 (Cth).

At the date of this declaration, the Company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company, which is party to the deed, guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the Directors' opinion, there are reasonable grounds to believe that the Company and the companies to which the ASIC Class Order applies, as detailed in note 28 to the Financial Statements will, as a Group, be able to meet any obligations or liabilities to which they are, or may become, liable for by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the Directors made pursuant to section 295(5) of the Corporations Act 2001 (Cth).

On behalf of the Directors,

Tony Howarth AO
Chairman

Fremantle, 19 September 2016

# Financial Report 2016

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

## For the year ended 30 June 2016

| | Note | 2016 $'000 | 2015 $'000 |
|---|---|---|---|
| Revenue | 4(e) | 481,123 | 796,666 |
| Investment income | | 937 | 709 |
| Other gains | 5(a) | 12,354 | 4,366 |
| Share of profits of jointly controlled entity | 12 | 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 | 14 | (139,000) | (120,710) |
| Finance costs | | (17,685) | (18,489) |
| Loss before tax | | (155,262) | (48,219) |
| Income tax benefit/(expense) | 7(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 | 19 | 25,152 | 167,041 |
| Reclassification of exchange differences on disposal of entities | 19 | (1,835) | - |
| Loss on hedge of net investment in a foreign operation | 19 | (8,829) | (53,309) |
| Gain on cashflow hedges | 19 | 6,294 | 13,350 |
| Transfer of cashflow hedge gain to initial carrying amount of hedged items | 19 | (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 | 6 | (38.64) | (13.91) |
| Diluted | 6 | (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 | 21(a) | 49,725 | 124,482 |
| Trade and other receivables | 9 | 66,676 | 200,615 |
| Inventories | 10 | 4,263 | 4,724 |
| Other financial assets | 11 | - | 11,545 |
| Current tax assets | 7(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 | 12 | 8,966 | 10,355 |
| Property, plant and equipment | 13 | 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 | 15 | 43,940 | 129,173 |
| Unearned revenue | | 3,489 | 38,226 |
| Borrowings | 16 | 73,083 | 49,592 |
| Provisions | 17 | 14,633 | 19,270 |
| Current tax liabilities | 7(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 | 16 | 318,742 | 392,881 |
| Provisions | 17 | 806 | 612 |
| Deferred tax liabilities | 7(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 | 18 | 556,566 | 555,681 |
| Reserves | 19 | 119,553 | 115,858 |
| Retained earnings/(Accumulated losses) | 20 | (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 |
| Recognition of share based payments | - | 915 | - | - | - | 915 |
| Related income tax benefit | - | (163) | - | - | - | (163) |
| Balance at 30 June 2016 | 556,566 | 5,704 | (58,345) | 172,194 | (41,953) | 634,166 |

| 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 |
| Recognition of share based payments | - | 1,828 | - | - | - | 1,828 |
| Related income tax benefit | - | (792) | - | - | - | (792) |
| 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 | 21(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 Financial Statements

For the year ended 30 June 2016

## 1. Application of New and Revised Accounting Standards

### Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

In the current year, the Group has applied the following new and revised AASBs issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 July 2015 and, therefore, relevant to the current year end:

| | |
|---|---|
| AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality' | This amendment completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn. |

### Standards and Interpretations in issue not yet adopted

At the date of authorisation of the Financial Statements, the Standards and Interpretations listed below were issued but not yet effective:

| Standard/Interpretation | Effective for annual reporting periods beginning on or after | Expected to be initially applied in the financial year ending |
|---|---|---|
| AASB 9 'Financial Instruments', and the relevant amending standards[(i)] | 1 January 2018 | 30 June 2019 |
| AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15' | 1 January 2018 | 30 June 2019 |
| AASB 16 Leases | 1 January 2019 | 30 June 2020 |
| AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle' | 1 January 2016 | 30 June 2017 |
| AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101' | 1 January 2016 | 30 June 2017 |
| AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments AASB 107' | 1 January 2017 | 30 June 2018 |

(i) Part E of the AASB is applicable to reporting periods beginning on or after 1 January 2015.

The potential effect of the revised Standards/Interpretations on the Group's Financial Statements has not yet been determined. Assessments are currently being undertaken to estimate the potential impacts of the material pronouncements in issue but not yet effective.

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were in issue but not yet effective:

| Standard/Interpretation | Effective for annual reporting periods beginning on or after | Expected to be initially applied in the financial year ending |
|---|---|---|
| Clarifications to IFRS 15 'Revenue from Contracts with Customers' | 1 January 2018 | 30 June 2019 |

## 2. Significant Accounting Policies

### Statement of Compliance

These Financial Statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001 (Cth), Accounting Standards and Interpretations, and comply with other requirements of the law.

The Financial Statements comprise the consolidated financial statements of the Group. For the purposes of preparing the Consolidated Financial Statements, the Company is a for profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with the Australian Accounting Standards ensures that the Financial Statements and notes of the Company and the Group comply with International Financial Reporting Standards ('IFRS').

The Financial Statements were authorised for issue by the Directors on 19 September 2016.

### 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 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.

#### 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 programme, operating earnings and any additional funding options available to the Company. The amended Facility Agreement and supporting documents were fully executed on 16 September 2016. Refer to note 16 for further details on the Company's borrowings.

The Directors believe that at the date of approving the Annual 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.

# Notes to the Financial Statements

For the year ended 30 June 2016

## 2. Significant Accounting Policies (continued)

The following significant accounting policies have been adopted in the preparation and presentation of the Financial Report:

### a. Basis of consolidation

The Consolidated Financial Statements incorporate the Financial Statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

### b. Interests in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these Consolidated Financial Statements using the equity method of accounting. Under the equity method, an investment in a joint venture is initially recognised in the Consolidated Statement of Financial Position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's Consolidated Financial Statements only to the extent of interests in the joint venture that are not related to the Group.

### c. Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purposes of the Consolidated Financial Statements, the results and financial position of each group entity are expressed in Australian Dollars ($), which is the functional currency of the Company, and the presentation currency for the Consolidated Financial Statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the exchange rate prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see note 2(o)); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in a foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

## 2. Significant Accounting Policies (continued)

For the purpose of presenting Consolidated Financial Statements, the assets and liabilities of the Group's foreign operations are translated into Australian Dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised through other comprehensive income and recognised in equity.

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

### d. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

#### (i) Rendering of services

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

#### (ii) Rental income

Rental income from operating leases is recognised in accordance with the Group's accounting policy outlined in note 2(e) below.

#### (iii) Dividend and interest income

Dividend income from investments is recognised when the Group's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding at the effective interest rate applicable.

### e. Leasing

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### (i) Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

#### (ii) Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### f. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

# Notes to the Financial Statements

For the year ended 30 June 2016

## 2. Significant Accounting Policies (continued)

### g. Employee benefits

#### (i) Short-term and long-term employee benefits

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

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

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

#### (ii) Retirement benefits costs

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

#### (iii) Termination benefit

A liability for termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

### h. Share based payments

Equity settled share based payments to employees and others providing similar services are measured at fair value of the equity instrument at grant date. Details regarding the determination of fair value of equity settled share based transactions are set out in note 24.

The fair value determined at the grant date of the equity settled share based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with corresponding adjustment to the employee equity settled benefits reserve.

### i. Taxation

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

#### (i) Current Tax

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

#### (ii) Deferred Tax

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

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

## 2. Significant Accounting Policies (continued)

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

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

(iii) Current and deferred tax for the period

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

### j. Inventories

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

### k. Property, plant and equipment

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

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

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

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period.

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

The following rates are used in the calculation of depreciation:

| | |
|---|---|
| Leasehold buildings and improvements | 2% - 39% straight-line |
| Vessels | 4% - 8.33% straight-line |
| Vessel refits | 20% - 40% straight-line |
| Plant and equipment | 1% - 100% straight-line |

### l. Impairment of tangible assets

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

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

# Notes to the Financial Statements

For the year ended 30 June 2016

## 2. Significant Accounting Policies (continued)

### m. Financial assets

All financial assets are initially measured at fair value.

Financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### (i) Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. They are recorded at amortised cost less impairment.

#### (ii) Impairment of financial assets

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

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

#### (iii) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the assets expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

### n. Financial liabilities and equity instruments issued by the Group

All financial liabilities are initially measured at fair value.

#### (i) Classification as debt or equity

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

#### (ii) Equity instrument

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

#### (iii) Financial liabilities

Financial liabilities are classified as other financial liabilities.

#### (iv) Other financial liabilities

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

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

#### (v) Derecognition of financial liabilities

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

## 2. Significant Accounting Policies (continued)

### o. Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate and interest rate risk. Further details of derivative financial instruments are disclosed in note 30 to the Financial Statements.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit and loss immediately unless the derivative is designated and effective as a hedging instrument in which event, the timing of the recognition in profit and loss depends on the nature of the hedge relationship.

#### (i) Hedge accounting

Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item. Note 30 contains details of the fair values of the derivative instruments used for hedging purposes.

#### (ii) Cash flow Hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line as the recognised hedged item.

However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss.

#### (iii) Hedges of net investment in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated under the heading of foreign currency translation reserve.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal of the foreign operation.

# Notes to the Financial Statements

For the year ended 30 June 2016

## 2. Significant Accounting Policies (continued)

### p. Provisions

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

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

#### (i) Restructurings

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

#### (ii) Warranties

Provision for warranties represents the best estimate of the Group's liabilities to repair or replace products still under warranty at the end of the reporting period. The provision is based on past experience of the level of repairs and claims.

#### (iii) Cancellation Costs

Provisions are recognised for the expected cash outflows for the cancellation of certain committed purchase orders which is in relation to the Group's effort in rationalising and optimising the Group's vessel-build programme in prior years. Assumptions used to estimate the provision were based on current negotiations with key suppliers.

# Notes to the Financial Statements

For the year ended 30 June 2016

## 3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

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

### Critical judgements in applying accounting policies

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

#### Allowance for doubtful debts

The Directors has reviewed the carrying value of the Group's trade debtors and associated allowance for doubtful debts. In making their judgement on the appropriateness of the allowance for doubtful debts they have considered the outcomes of regular meetings with customers, ongoing contractual arrangements and regularity of receipts from the customers. After assessing these facts the Directors have concluded that the allowance for doubtful debts is appropriate.

### 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.

An impairment charge of $139 million on property, plant & equipment was recognised during the year. Please refer to note 14 for further details.

#### Useful lives of property, plant and equipment

As described in note 2(k), 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.

# Notes to the Financial Statements

For the year ended 30 June 2016

## 4. 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

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

| | Revenue from external customers | | Inter-segment revenue[i] | | 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 |

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

| | 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 income | | | | | 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 |
| Finance costs | | | | | (17,685) | (18,489) |
| Loss before income tax | | | | | (155,262) | (48,219) |

Segment profit represents the profit earned by each segment without allocation of investment income, 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.

## 4. Segment Information (continued)

### (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, current tax 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 | 156,403 | 239,566 | - | - |
| Supply Base | 6,942 | 7,304 | 2,504 | 3,916 | - | - |
| Slipway | 779 | 746 | 413 | 1,085 | - | - |
| Unallocated | 1,024 | 1,324 | - | 2,670 | 8,966 | 10,355 |
| Total | 89,031 | 131,297 | 159,320 | 247,237 | 8,966 | 10,355 |

### (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(i) | |
|---|---|---|---|---|
| | 2016 $'000 | 2015 $'000 | 2016 $'000 | 2015 $'000 |
| Location | | | | |
| Australia | 390,015 | 639,433 | 340,597 | 361,878 |
| Other | 91,108 | 157,233 | 615,185 | 684,200 |
| Total | 481,123 | 796,666 | 955,782 | 1,046,078 |

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

# Notes to the Financial Statements

For the year ended 30 June 2016

## 4. Segment Information (continued)

### (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: $67.5 million) which arose from sales to the Group's third largest customer.

## 5. 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.

| (b) Profit/(loss) for the year | 2016 $'000 | 2015 $'000 |
|---|---|---|
| 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 |

## 6. 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 used in the calculation 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 |

# Notes to the Financial Statements

For the year ended 30 June 2016

## 7. Income Taxes

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| **(a) Income tax recognised in profit or loss** | | |
| Tax (benefit)/expense comprises: | | |
| Current tax expense in respect of the current year | 2,635 | 16,778 |
| Deferred tax benefit 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 (benefit)/expense for the year can be reconciled to accounting loss as follows: | | |
| Loss from operations | (155,262) | (48,219) |
| Income tax benefit 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) |

## 7. 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) |

# Notes to the Financial Statements

For the year ended 30 June 2016

## 7. Income Taxes (continued)

| (e) Unrecognised deferred tax assets | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognised are attributable to the following: | | |
| Tax losses (revenue in nature) | 10,057 | 2,629 |
| Tax losses (capital in nature) | 837 | - |
| Deductible temporary differences | 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.

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.

## 8. 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 |

## 9. 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.

| | 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 | 18,096 | 9,225 |
| Total | 29,273 | 66,386 |
| | | |
| 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 uncollectable | - | (47) |
| Amounts recovered during the year | (1) | (557) |
| Foreign exchange translation | 192 | 126 |
| 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.

## 10. 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 |

# Notes to the Financial Statements

For the year ended 30 June 2016

## 11. Other Financial Assets

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Derivatives | | |
| Hedge contracts on vessels under construction | - | 11,545 |

## 12. Investments Accounted For Using The Equity Method

| | | | Ownership Interest | | 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.

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).

## 13. 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 |
| 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 16 to the financial statements, all non-current assets of the Group have been pledged as security.

# Notes to the Financial Statements

For the year ended 30 June 2016

## 14. 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:

| | | | Impairment charge |
|---|---|---|---|
| Segment/CGU | Class of asset | Method | 2016<br>$'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 |

| | | | Impairment charge |
|---|---|---|---|
| Segment/CGU | Class of asset | Method | 2015<br>$'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 |

In the current year, the inputs used in deriving the recoverable amount of each CGU are categorised within the following level of the fair value hierarchy:

| CGU | Level 2 (i)<br>$'000 | Recoverable Amount<br>$'000 |
|---|---|---|
| Vessels | 885,000 | 885,000 |
| Supply Base | 62,000 | 62,000 |
| Slipway | 6,900 | 6,900 |

(i) 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.

## 14. Impairment of Non-current Assets (continued)

### 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.

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 transactions 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 considered included 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 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 cash flows 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 Supply 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.

# Notes to the Financial Statements

For the year ended 30 June 2016

## 14. Impairment of Non-current Assets (continued)

### 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 approach 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.

## 15. 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.

## 16. 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 6.41% (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.

## 16. Borrowings (continued)

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 programme, operating earnings and any additional funding options available to the Company. The amended Facility Agreement and supporting documents were fully executed on 16 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.

## 17. 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 |

## 18. 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 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.

# Notes to the Financial Statements

For the year ended 30 June 2016

## 19. Reserves

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Employee equity settled benefits(i) | 5,704 | 4,952 |
| Hedging(ii) | (58,345) | (37,971) |
| Foreign currency translation(iii) | 172,194 | 148,877 |
| Balance at end of financial year | 119,553 | 115,858 |

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| (i) 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 rights to executives and employees under the Company's share rights plans. Amounts are transferred out of the reserve and into issued capital when the rights vest.

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| (ii) 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 |
|---|---|---|
| (iii) 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.

## 20. Retained Earnings/(Accumulated Losses)

| | 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 |

# Notes to the Financial Statements

For the year ended 30 June 2016

## 21. 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.

| | 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.

### (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

| | | |
|---|---|---|
| Secured loan facilities with various maturity dates through to 2019 and which may be extended by mutual agreement: | | |
| Amount used | 397,755 | 446,015 |
| Amount unused | - | - |
| Total | 397,755 | 446,015 |
| Secured bank overdraft: | | |
| Amount used | - | - |
| Amount unused | 4,000 | 4,000 |
| Total | 4,000 | 4,000 |

# Notes to the Financial Statements

For the year ended 30 June 2016

## 22. Commitments for Expenditure

### (a) Lease commitments

Hire purchase liabilities and non-cancellable operating lease commitments are disclosed in note 23.

### (b) Capital expenditure commitments

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

## 23. Leases

### (a) Finance lease liabilities

| | Minimum Lease Payments | | Present Value of Minimum Lease Payments | |
|---|---|---|---|---|
| | 2016 $'000 | 2015 $'000 | 2016 $'000 | 2015 $'000 |
| Not later than 1 year | 475 | 1,701 | 432 | 1,571 |
| Later than 1 year and not later than 5 years | 513 | 970 | 491 | 904 |
| Minimum future payments | 988 | 2,671 | 923 | 2,475 |
| Less future finance charges | (65) | (196) | - | - |
| Present value of minimum lease payments | 923 | 2,475 | 923 | 2,475 |
| Included in the Financial Statements as: | | | | |
| Borrowings – current (note 16) | | | 432 | 1,571 |
| Borrowings – non-current (note 16) | | | 491 | 904 |
| Total | | | 923 | 2,475 |

Finance leases relate to various equipment with lease terms of up to 5 years. The Group has options to purchase the equipment for a nominated amount at the conclusion of the lease agreements.

### (b) Operating leases

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Payments recognised as an expense: | | |
| Minimum lease payment | 118,222 | 218,398 |
| Non-cancellable operating lease commitments: | | |
| Not later than 1 year | 10,309 | 66,163 |
| Later than 1 year and not later than 5 years | 13,585 | 20,594 |
| Later than 5 years | - | 1,661 |
| Aggregate lease expenditure contracted for at balance date | 23,894 | 88,418 |
| Aggregate operating lease commitments comprise: | | |
| Office rental commitments (i) | 7,153 | 9,765 |
| Supply Base rental commitments (ii) | 11,919 | 18,798 |
| Vessel charter fee commitments (iii) | 3,788 | 57,443 |
| Other (iv) | 1,034 | 2,412 |
| Total | 23,894 | 88,418 |

## 23. Leases (continued)

(i) Office rental commitments:
In the prior year, the Company exercised a 5 year option on the head office premises lease at Fremantle, Australia and is committed under the arrangement until 4 August 2020, with an option to extend for a further 5 year term. The Group also has a 3 year lease agreement in place for the Singapore office expiring on 31 January 2018.

(ii) Supply Base rental commitments:
Supply Base rental commitments relate primarily to the lease of the Dampier Supply Base for a term of 21 years commencing 1 January 1999, with an option to renew the lease for a further period of 21 years. The Group also has a rental commitment for the lease of the Singapore Onshore Facility for a term expiring on 15 April 2021.

(iii) Vessel charter commitments:
As of 30 June 2016, the Company had 1 vessel under a bare boat charter agreement. Vessel charter commitments represent charter fee payments to be made to the owners of these vessels.

(iv) Other lease commitments:
The Group has leases over a number of residential properties and various items of machinery and equipment. These leases are all on commercial terms for periods up to 5 years.

### (c) The Group as lessor

The Group has entered into sub lease agreements and equipment rental agreements with clients at the Dampier Supply Base for periods of up to 2 years, with options to extend. The Group also entered into bareboat charter agreements with clients, relating to certain vessels with terms up to 4 years.

| | 2016<br>$'000 | 2015<br>$'000 |
|---|---|---|
| Non-cancellable operating lease receivables: | | |
| Not later than 1 year | 12,652 | 15,110 |
| Later than 1 year and not later than 5 years | 23,335 | 32,464 |
| Total | 35,987 | 47,574 |

## 24. Share Based Payments

### 24.1 Share rights incentive plans

The Group has established ownership based compensation plans whereby executives and employees of the Group have been issued rights over ordinary shares of MMA Offshore Limited.

Upon exercise, each share right, converts into one ordinary share of MMA Offshore Limited. No amounts are paid or are payable by the recipient on receipt of the rights. The rights carry no entitlement to dividends and no voting rights. Holders of rights do not have the entitlement, by virtue of the right, to participate in any share issue of the Company. The rights may be exercised at any time from their vesting date to the date of their expiry.

The rights are not quoted on the ASX.

# Notes to the Financial Statements

For the year ended 30 June 2016

## 24. Share Based Payments (continued)

The following share based payment arrangements were in existence during the current reporting period:

| Series | Number issued | Grant Date | Expiry Date | Exercise price $ | Fair Value at Grant date $ |
|---|---|---|---|---|---|
| (1) Issued 25 October 2012 (a) | 311,634 | 25 Oct 2012 | 1 Jul 2015 | 0.00 | 2.28 |
| (2) Issued 25 October 2012 (a) | 304,235 | 25 Oct 2012 | 1 Jul 2015 | 0.00 | 2.42 |
| (3) Issued 22 November 2012 (a) | 317,865 | 22 Nov 2012 | 1 Jul 2015 | 0.00 | 2.47 |
| (4) Issued 03 December 2013 (b) | 1,092,384 | 11 Oct 2013 | 1 Jul 2016 | 0.00 | 2.14 |
| (5) Issued 03 December 2013 (b) | 339,238 | 11 Oct 2013 | 1 Jul 2016 | 0.00 | 2.02 |
| (6) Issued 03 December 2013 (b) | 346,023 | 21 Nov 2013 | 1 Jul 2016 | 0.00 | 1.71 |
| (7) Issued 22 October 2014 (c) | 1,052,625 | 22 Oct 2014 | 1 Jul 2017 | 0.00 | 1.09 |
| (8) Issued 1 December 2014 (c) | 11,382 | 1 Dec 2014 | 1 Jul 2017 | 0.00 | 1.09 |
| (9) Issued 1 December 2014 (c) | 430,075 | 18 Nov 2014 | 1 Jul 2017 | 0.00 | 0.75 |
| (10) Issued 22 October 2014 (d) | 51,546 | 22 Oct 2014 | 1 Jul 2015 | 0.00 | 1.94 |
| (11) Issued 22 October 2014 (e) | 70,000 | 22 Oct 2014 | 5 Jun 2016 | 0.00 | 1.76 |
| (12) Issued 10 February 2016 (f) | 2,001,432 | 18 Nov 2015 | 1 Jul 2020 | 0.00 | 0.02 |
| (13) Issued 10 February 2016 (f) | 1,883,700 | 7 Dec 2015 | 1 Jul 2020 | 0.00 | 0.02 |
| (14) Issued 10 February 2016 (f) | 6,154,136 | 7 Dec 2015 | 1 Jul 2020 | 0.00 | 0.02 |
| (15) Issued 07 June 2016 (f) | 220,284 | 18 Apr 2015 | 1 Jul 2020 | 0.00 | 0.02 |

(a) In accordance with the terms of the Mermaid Marine Australia Limited Performance Rights Plan – 2012 and the Mermaid Marine Australia Limited Managing Director's Performance Rights Plan – 2012 (as approved by the shareholders at the Company's AGM on 22 November 2012), the number of performance rights which vest to Executive and Senior Management following the end of the Performance Period depended on the growth in the Earning per Share of the Company and the Total Shareholder Return relative to a selected Peer Group of companies.

The performance period for this series finished at the end of the previous reporting period. The actual performance and resulting vesting of rights was:

| Performance Criteria | Actual Performance % | Vesting MD/COO/CFO % | Vesting Other % |
|---|---|---|---|
| EPS | (12.6) | Nil | Nil |
| TSR percentile rank | 61.5 | 64.4 | 73.1 |

Following the end of the previous financial year, the Board exercised its discretion under the Plan rules to defer the vesting of these performance rights until 1 July 2016.

Having regard to the overall performance of the Company and the current market conditions, the Board again exercised its discretion that these rights would not vest at 1 July 2016. As such the rights have lapsed in accordance with the terms of the Plan rules.

### 24. Share Based Payments (continued)

(b) In accordance with the terms of the Mermaid Marine Australia Limited Performance Rights Plan – 2013 and the Mermaid Marine Australia Limited Managing Director's Performance Rights Plan – 2013 (as approved by the shareholders at the Company's AGM on 21 November 2013), the number of performance rights which vest to the Managing Director, Chief Operating Officer and Chief Financial Officer following the end of the Performance Period will depend on the growth in the Earning per Share of the Company and the Total Shareholder Return relative to a selected peer group of companies in accordance with the table below:

| Performance Criteria | Performance Period | Percentage of LTI subject to Performance Criteria | Performance Criteria targets | Percentage of Performance Rights which vest if target met |
|---|---|---|---|---|
| Normalised Earnings per Share (EPS) growth | Beginning 1 July 2013 and ending 30 June 2016 | 25% | Less than 6% | Nil |
| | | | Equal to 6% | 50% |
| | | | Between 6% and 12.5% | 50% to 100% (pro-rata) |
| | | | Equal to 12.5% | 100% |
| Company's Total Shareholder Return (TSR) percentile ranking over the Performance Period relative to a selected Peer Group | Beginning 1 July 2013 and ending 30 June 2016 | 75% | Below the 50th percentile | Nil |
| | | | At the 50th percentile | 50% |
| | | | Between the 50th percentile and the 90th percentile | 50% to 100% (pro-rata) |
| | | | At the 90th percentile | 100% |

The table below sets out the relevant Performance Criteria for the performance rights granted to other employees (i.e. excluding the Managing Director, Chief Operating Officer and Chief Financial Officer):

| Performance Criteria | Performance Period | Percentage of LTI subject to Performance Criteria | Performance Criteria Targets | Percentage of Performance Rights which vest if target met |
|---|---|---|---|---|
| Normalised Earnings per Share (EPS) growth | Beginning 1 July 2013 and ending 30 June 2016 | 25% | Below 6% | Nil |
| | | | Between 6% and 10% | 50% to 100% (pro-rata) |
| | | | Above 10% | 100% |
| Company's Total Shareholder Return (TSR) percentile ranking over the Performance Period relative to a selected Peer Group | Beginning 1 July 2013 and ending 30 June 2016 | 75% | Below the 50th percentile | Nil |
| | | | Between the 50th percentile and the 75th percentile | 50% to 100% (pro-rata) |
| | | | Above the 75th percentile | 100% |

None of the Performance Criteria were met. As such, all the rights have lapsed in accordance with the terms of the Plan rules.

# Notes to the Financial Statements

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## 24. Share Based Payments (continued)

(c) In accordance with the terms of the Mermaid Marine Australia Limited Performance Rights Plan – 2014 and the Mermaid Marine Australia Limited Managing Director's Performance Rights Plan – 2014 (as approved by the shareholders at the Company's AGM on 18 November 2014), the number of performance rights which vest to the Managing Director, Chief Operating Officer and Chief Financial Officer following the end of the Performance Period will depend on the growth in the Earning per Share of the Company and the Total Shareholder Return relative to a selected peer group of companies in accordance with the table below:

| Performance Criteria | Performance Period | Percentage of LTI subject to Performance Criteria | Performance Criteria targets | Percentage of Performance Rights which vest if target met |
|---|---|---|---|---|
| Normalised Earnings per Share (EPS) growth | Beginning 1 July 2014 and ending 30 June 2017 | 25% | Less than 6% | Nil |
| | | | Equal to 6% | 50% |
| | | | Between 6% and 12.5% | 50% to 100% (pro-rata) |
| | | | Equal to 12.5% | 100% |
| Company's Total Shareholder Return (TSR) percentile ranking over the Performance Period relative to a selected Peer Group | Beginning 1 July 2014 and ending 30 June 2017 | 75% | Below the 50th percentile | Nil |
| | | | At the 50th percentile | 50% |
| | | | Between the 50th percentile and the 90th percentile | 50% to 100% (pro-rata) |
| | | | At the 90th percentile | 100% |

The table below sets out the relevant Performance Criteria for the performance rights granted to other employees (i.e. excluding the Managing Director, Chief Operating Officer and Chief Financial Officer):

| Performance Criteria | Performance Period | Percentage of LTI subject to Performance Criteria | Performance Criteria targets | Percentage of Performance Rights which vest if target met |
|---|---|---|---|---|
| Normalised Earnings per Share (EPS) growth | Beginning 1 July 2014 and ending 30 June 2017 | 25% | Below 6% | Nil |
| | | | Between 6% and 10% | 50% to 100% (pro-rata) |
| | | | Above 10% | 100% |
| Company's Total Shareholder Return (TSR) percentile ranking over the Performance Period relative to a selected Peer Group | Beginning 1 July 2014 and ending 30 June 2017 | 75% | Below the 50th percentile | Nil |
| | | | Between the 50th percentile and the 75th percentile | 50% to 100% (pro-rata) |
| | | | Above the 75th percentile | 100% |

(d) In accordance with the terms of Mermaid Marine Australia Limited Performance Rights Plan – 2014 (granted 22 October 2014), the performance rights issued to the Chief Financial Officer and Chief Operating Officer (being the deferred equity portion of their financial year 2014 bonus) vested on 1 July 2015 subject to the holders' continued employment by a Group member during the 1 year performance period. This condition was met and the corresponding shares were issued on 19 August 2015.

(e) In accordance with the terms of the Mermaid Marine Australia Limited Performance Rights Plan – 2014 (granted 22 October 2014), the performance rights issued to the President – Offshore & Business Development (Singapore) vested on 4 June 2016 conditional upon the holder's continued employment by a Group member during the 2 year performance period. This condition was met and the corresponding shares were issued on 10 June 2016.

## 24. Share Based Payments (continued)

(f) In accordance with the terms of the MMA Offshore Limited Performance Rights Plan – 2015 and the MMA Offshore Limited Managing Director's Performance Rights Plan – 2015 (as approved by the shareholders at the Company's AGM on 18 November 2015), the number of performance rights which vest to the Managing Director, Chief Operating Officer and Chief Financial Officer following the end of the Performance Period will depend on achieving a Share Price Target for the Company and the Total Shareholder Return relative to a selected peer group of companies in accordance with the table below:

| Performance Criteria | Performance Period | Percentage of LTI subject to Performance Criteria | Performance Criteria targets | Percentage of Performance Rights which vest if target met |
|---|---|---|---|---|
| Share Price Target | Beginning 1 July 2015 and ending 30 June 2018 | 50% | Lower than $1.60 | Nil |
| | | | Equal to $1.60 | 50% |
| | | | Between $1.60 and $2.40 | 50% to 100% (pro-rata) |
| | | | Equal to or greater than $2.40 | 100% |
| Company's Total Shareholder Return (TSR) percentile ranking over the Performance Period relative to a selected Peer Group | Beginning 1 July 2015 and ending 30 June 2018 | 50% | Below the 50th percentile | Nil |
| | | | Equal to the 50th percentile | 50% |
| | | | Between the 50th percentile and the 90th percentile | 50% to 100% (pro-rata) |
| | | | Equal to or greater than 90th percentile | 100% |

The table below sets out the relevant Performance Criteria for the performance rights granted to other employees (i.e. excluding the Managing Director, Chief Operating Officer and Chief Financial Officer) during the financial year:

| Performance Criteria | Performance Period | Percentage of LTI subject to Performance Criteria | Performance Criteria targets | Percentage of Performance Rights which vest if target met |
|---|---|---|---|---|
| Share Price Target | Beginning 1 July 2015 and ending 30 June 2018 | 50% | Lower than $1.60 | Nil |
| | | | Equal to $1.60 | 50% |
| | | | Between $1.60 and $2.40 | 50% to 100% (pro-rata) |
| | | | Equal to or greater than $2.40 | 100% |
| Company's Total Shareholder Return (TSR) percentile ranking over the Performance Period relative to a selected Peer Group | Beginning 1 July 2015 and ending 30 June 2018 | 50% | Below the 50th percentile | Nil |
| | | | Between the 50th percentile and the 75th percentile | 50% to 100% (pro-rata) |
| | | | Above the 75th percentile | 100% |

# Notes to the Financial Statements

For the year ended 30 June 2016

## 24. Share Based Payments (continued)

### 24.2 Fair value of share rights granted in the year

The weighted average fair value of the rights granted during the year was $0.02 (2015: $1.05). The rights were priced using a binomial option pricing model. Where relevant, the fair value of the rights has been adjusted for any market related vesting conditions.

The following table shows the inputs into the model for the rights granted during the year:

| Inputs into the model | Series (12) | Series (13) | Series (14) | Series (15) |
|---|---|---|---|---|
| Grant date share price | $0.25 | $0.25 | $0.23 | $0.23 |
| Exercise price | $0.00 | $0.00 | $0.00 | $0.00 |
| Expected volatility | 40% | 40% | 40% | 40% |
| Life of rights | 2.6 years | 2.6 years | 2.6 years | 2.6 years |
| Dividend yield | 6.9% | 6.9% | 7.6% | 7.6% |
| Risk free rate | 2.14% | 2.14% | 2.20% | 2.20% |

### 24.3 Movement in share rights during the period

The following reconciles the outstanding share rights at the beginning and end of the financial year:

| | 2016 | | 2015 | |
|---|---|---|---|---|
| Employee Share Right Plans | Number of rights | Weighted average exercise price $ | Number of rights | Weighted average exercise price $ |
| Balance at the beginning of the financial year | 4,172,468 | 0.00 | 5,539,257 | 0.77 |
| Granted during the financial year | 10,259,552 | 0.00 | 1,615,628 | 0.00 |
| Exercised during the financial year | (121,546) | 0.00 | (115,643) | 0.00 |
| Forfeited during the financial year | - | 0.00 | (1,466,772) | 0.00 |
| Expired during the financial year | (591,696) | 0.00 | (1,400,002) | 3.01 |
| Balance at the end of the financial year | 13,718,778 | 0.00 | 4,172,468 | 0.00 |
| Exercisable at end of the financial year | - | 0.00 | - | 0.00 |

### 24.4 Share rights exercised during the year

The following share rights were exercised during the financial year:

| Series | | Number exercised | Exercise date | Share price at exercise date $ |
|---|---|---|---|---|
| (10) | Issued 22 October 2014 | 51,546 | 19 Aug 2015 | 0.52 |
| (11) | Issued 22 October 2014 | 70,000 | 10 Jun 2016 | 0.40 |

### 24.5 Share rights outstanding at the end of the year

The following share rights were outstanding at the end of the financial year:

| Series | | Number | Exercise price $ | Expiry Date |
|---|---|---|---|---|
| (1) & (2) | Issued 25 October 2012 | 314,519 | 0.00 | 1 Jul 2015 |
| (3) | Issued 22 November 2012 | 165,799 | 0.00 | 1 Jul 2015 |
| (4) & (5) | Issued 03 December 2013 | 1,153,150 | 0.00 | 1 Jul 2016 |
| (6) | Issued 03 December 2013 | 346,023 | 0.00 | 1 Jul 2016 |
| (7) | Issued 22 October 2014 | 1,038,278 | 0.00 | 1 Jul 2017 |
| (8) | Issued 01 December 2014 | 11,382 | 0.00 | 1 Jul 2017 |
| (9) | Issued 01 December 2014 | 430,075 | 0.00 | 1 Jul 2017 |
| (12) | Issued 10 February 2016 | 2,001,432 | 0.00 | 1 Jul 2020 |
| (13) | Issued 10 February 2016 | 1,883,700 | 0.00 | 1 Jul 2020 |
| (14) | Issued 10 February 2016 | 6,154,136 | 0.00 | 1 Jul 2020 |
| (15) | Issued 07 June 2016 | 220,284 | 0.00 | 1 Jul 2020 |
| Total | | 13,718,778 | | |

# Notes to the Financial Statements

For the year ended 30 June 2016

## 25. Key Management Personnel Compensation

Please refer to the Remuneration Report for details of key management personnel.

### Key management personnel compensation

The aggregate compensation made to the Directors and other key management personnel of the Company and the Group is set out below:

| | 2016<br>$ | 2015<br>$ |
|---|---|---|
| Short-term employee benefits | 4,322,925 | 4,162,753 |
| Post employment benefits | 247,383 | 245,239 |
| Share based payments | 607,681 | 1,247,522 |
| Total | 5,177,989 | 5,655,514 |

## 26. Related Party Transactions

The immediate parent and ultimate controlling party of the Group is MMA Offshore Limited.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

### 26.1 Trading transactions

During the year, Group entities entered into the following trading transactions with related parties that are not members of the Group:

| | Sale of Goods | | Purchase of Goods | |
|---|---|---|---|---|
| | 2016<br>$ | 2015<br>$ | 2016<br>$ | 2015<br>$ |
| Jointly controlled entity | 65,505 | 37,752 | 2,191 | 289,845 |

The following balances were outstanding at the end of the reporting period:

| | Amounts owed by related party | | Amounts owed to related party | |
|---|---|---|---|---|
| | 2016<br>$ | 2015<br>$ | 2016<br>$ | 2015<br>$ |
| Jointly controlled entity | 17,893 | 3,704 | - | - |

Sales and purchases of services to and from related parties were made at normal commercial rates.

Amounts outstanding were unsecured and were settled in cash. No guarantees have been given or received. No expense has been recognised in the current or prior periods for bad or doubtful debts in respect of amounts owed by related parties.

### 26.2 Loans to related parties

The Group provided a member of its key management personnel with a short term loan during the year, at a rate comparable to the average commercial rate of interest. The outstanding balance at end of the year was $34,870 (2015: nil).

# Notes to the Financial Statements

For the year ended 30 June 2016

## 26. Related Party Transactions (continued)

### 26.3 Other related party transactions

(a) Equity interests in related parties

Equity interests in subsidiaries:

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 28.

Equity interests in jointly controlled entities:

Details of interests in jointly controlled entities are disclosed in note 12.

Equity interests in other related parties:

There are no equity interests in other related parties.

(b) Transaction with key management personnel

Key management personnel compensation:

Details of key management personnel compensation are disclosed in note 25.

Loans to key management personnel:

Details are provided in note 26.2 and the Remuneration Report.

(c) Transactions with other related parties

Other transactions that occurred during the financial year between entities in the wholly owned Group were the charter of vessels and the provision of Supply Base and Slipway services. These are all provided at commercial rates.

## 27. Remuneration of Auditors

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Auditor of the Parent Entity | | |
| Audit or review of the financial report | 361,725 | 330,750 |
| Taxation compliance services | - | 1,838 |
| Total | 361,725 | 332,588 |
| Network firms of the Parent Entity auditor | | |
| Audit or review of the financial report | 382,566 | 410,058 |
| Taxation compliance services | 43,652 | 39,782 |
| Total | 426,218 | 449,840 |

The auditor of MMA Offshore Limited is Deloitte Touche Tohmatsu ("Deloitte").

Following a detailed review by the Audit and Risk Committee of the nature of the non-audit services provided by the external auditor during the year, the Board has determined that the services provided, and the amount paid for those services, are compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 (Cth) and that the auditor's independence has not been compromised.

## 28. Subsidiaries

The Group's material subsidiaries at the end of the reporting period are as follows:

| | Note | Country of Incorporation | Ownership Interest 2016 % | Ownership Interest 2015 % |
|---|---|---|---|---|
| Parent Entity | | | | |
| MMA Offshore Limited | (i) | Australia | | |
| Subsidiaries | | | | |
| MMA Offshore Vessel Operations Pty Ltd | (ii) (iii) | Australia | 100 | 100 |
| MMA Offshore Charters Pty Ltd | (ii) (iii) | Australia | 100 | 100 |
| MMA Offshore Supply Base Pty Ltd | (ii) (iii) | Australia | 100 | 100 |
| MMA Offshore Asia Pte Ltd | | Singapore | 100 | 100 |
| MMA Offshore Logistics Pty Ltd | (ii) (iii) | Australia | 100 | 100 |
| MMA Offshore Vessel Holdings Pte Ltd | (ii) | Singapore | 100 | 100 |
| MMA Offshore Malaysia Sdn Bhd | | Malaysia | 100 | 100 |
| Java Marine Lines Pte Ltd | (iv) | Singapore | - | 100 |
| MMA Offshore Shipyard and Engineering Services Pte Ltd | | Singapore | 100 | 100 |
| Airia Jaya Marine (S) Pte Ltd | | Singapore | 100 | 100 |
| MMA Offshore Asia Vessel Operations Pte Ltd | | Singapore | 100 | 100 |
| JSE Offshore Shipping Pte Ltd | | Singapore | 100 | 100 |
| JSE Offshore (Labuan) Pte Ltd | | Malaysia | 100 | 100 |
| Concord Offshore (Labuan) Ltd | | Malaysia | 100 | 100 |
| PT Jaya Asiatic Shipyard | | Indonesia | 100 | 100 |

(i) MMA Offshore Limited is the head entity within the tax consolidated group.

(ii) These companies are members of the tax consolidated group.

(iii) Pursuant to ASIC Class Order 98/1418, relief has been granted to these wholly owned controlled entities from the Corporations Law requirements for preparation, audit and lodgement of the financial report. As a condition of the Class Order, MMA Offshore Limited and the controlled entities entered into a Deed of Cross Guarantee on 15 February 2012.

(iv) Company was sold on 6 January 2016.

The consolidated statements of comprehensive income and financial position of entities which are party to the deed of cross guarantee are as follows:

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Statement of Comprehensive Income | | |
| Revenue | 390,015 | 638,768 |
| Investment income | 2,696 | 599 |
| Dividend income | 50,025 | 104,344 |
| Other losses | (10,258) | (52,275) |
| Share of profits of jointly controlled entity | 2,611 | 3,385 |
| Vessel expenses | (307,563) | (506,760) |
| Supply Base expenses | (47,432) | (67,366) |
| Slipway expenses | (8,634) | (12,267) |
| Administrative expenses | (9,365) | (11,862) |
| Impairment charge | (124,866) | (49,970) |
| Finance costs | (17,075) | (18,489) |
| Profit/(loss) before income tax expense | (79,846) | 28,107 |
| Income tax expense | (682) | (3,508) |
| Profit/(loss) for the year | (80,528) | 24,599 |
| Other Comprehensive Income | | |
| Gain on cashflow hedges | 6,294 | 13,350 |
| Transfer of cashflow hedge gain to initial carrying amount of hedged items | (17,839) | - |
| Other comprehensive income/(loss) for the year, net of tax | (11,545) | 13,350 |
| Total Comprehensive Income/(Loss) for the year | (92,073) | 37,949 |

# Notes to the Financial Statements

For the year ended 30 June 2016

## 28. Subsidiaries (continued)

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Statement of Financial Position | | |
| Current Assets | | |
| Cash and cash equivalents | 35,767 | 57,737 |
| Trade and other receivables | 33,487 | 152,308 |
| Inventories | 3,063 | 2,859 |
| Other financial assets | - | 11,545 |
| Prepayments | 2,474 | 26,326 |
| Current tax assets | 11,128 | 17,276 |
| Total Current Assets | 85,919 | 268,051 |
| Non-Current Assets | | |
| Investments accounted for using the equity method | 8,966 | 10,355 |
| Other financial assets | 748,071 | 809,519 |
| Property, plant and equipment | 235,880 | 251,609 |
| Total Non-Current Assets | 992,917 | 1,071,483 |
| Total Assets | 1,078,836 | 1,339,534 |
| Current Liabilities | | |
| Trade and other payables | 34,143 | 105,388 |
| Unearned revenue | 1,980 | 34,977 |
| Borrowings | 73,083 | 49,592 |
| Provisions | 9,955 | 13,626 |
| Total Current Liabilities | 119,161 | 203,583 |
| Non-Current Liabilities | | |
| Unearned revenue | 311 | 393 |
| Borrowings | 318,742 | 392,881 |
| Provisions | 806 | 557 |
| Deferred tax liabilities | - | 4,252 |
| Total Non-Current Liabilities | 319,859 | 398,083 |
| Total Liabilities | 439,020 | 601,666 |
| Net Assets | 639,816 | 737,868 |
| Equity | | |
| Issued capital | 556,566 | 555,681 |
| Reserves | 4,448 | 17,288 |
| Retained earnings | 78,802 | 164,899 |
| Total Equity | 639,816 | 737,868 |
| Retained earnings | | |
| Retained earnings at beginning of the financial year | 164,899 | 180,720 |
| Net profit/(loss) | (80,528) | 24,599 |
| Dividend provided for or paid | (5,569) | (40,420) |
| Retained earnings at end of the financial year | 78,802 | 164,899 |

## 29. Parent Company Information

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the Consolidated Financial Statements. Refer to note 2 for a summary of the significant accounting policies relating to the Group.

| Financial Position | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Assets | | |
| Current assets | 39,599 | 59,372 |
| Non-current assets | 1,030,163 | 1,101,027 |
| Total assets | 1,069,762 | 1,160,399 |
| Liabilities | | |
| Current liabilities | 73,220 | 48,022 |
| Non-current liabilities | 324,549 | 398,686 |
| Total liabilities | 397,769 | 446,708 |
| Net Assets | 671,993 | 713,691 |
| Equity | | |
| Issued capital | 556,579 | 555,694 |
| Retained earnings | 114,122 | 156,502 |
| Employee equity settled benefits reserve | 1,292 | 1,495 |
| Total Equity | 671,993 | 713,691 |
| Financial Performance | | |
| Profit/(loss) for the year | (36,811) | 18,971 |
| Other comprehensive gain | - | - |
| Total comprehensive income/(loss) | (36,811) | 18,971 |
| Guarantees provided under the deed of cross guarantee | 41,251 | 154,957 |
| Commitments for the acquisition of property, plant and equipment by the parent entity | - | 83,285 |

# Notes to the Financial Statements

For the year ended 30 June 2016

## 30. Financial Instruments

### 30.1 Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns, while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2015.

The capital structure of the Group consists of net debt (borrowings as detailed in note 16 offset by cash at bank balances) and equity of the Group (comprising issued capital, reserves and retained earnings as detailed in notes 18, 19 and 20).

The Group is not subject to any externally imposed capital requirements.

Based on recommendations of management and the Board, the Group will balance its overall capital structure through payment of dividends, new share issues as well as the establishment of new borrowing facilities or repayment of existing facilities. The Group uses its gearing ratio to manage its capital. The ratio is monitored on a monthly basis by the Board and management and is measured as net debt to equity.

Gearing Ratio

The gearing ratio at the end of the reporting period was as follows:

| | 2016<br>$'000 | 2015<br>$'000 |
|---|---|---|
| Debt (i) | 391,825 | 442,473 |
| Cash and cash equivalents | (49,725) | (124,482) |
| Net debt | 342,100 | 317,991 |
| Equity (ii) | 634,166 | 779,117 |
| Net debt to equity | 54% | 41% |

(i) Debt is defined as long and short-term borrowings, as detailed in note 16.

(ii) Equity includes all capital and reserves of the Group that are managed as capital.

### 30.2 Categories of financial instruments

| | 2016<br>$'000 | 2015<br>$'000 |
|---|---|---|
| Financial assets | | |
| Cash and cash equivalents | 49,725 | 124,482 |
| Derivative instrument in designated hedge accounting relationship | - | 11,545 |
| Loans and receivables | 66,676 | 200,615 |
| Financial liabilities | | |
| Payables and borrowings at amortised cost | 435,765 | 571,646 |

### 30.3 Financial risk management objectives

The Group's treasury function includes the management of the Group's financial assets and commitments including ensuring adequate procedures and controls are in place to manage financial risks. These risks include market risk (including currency and interest rate risk) credit risk and liquidity risk.

A Treasury Policy has been approved by the Board and provides guidelines for conducting treasury activities. Compliance with this Policy is monitored through internal audit procedures and subsequent reporting to the Audit and Risk Committee.

The Group seeks to minimise the effects of these risks, by using, where considered appropriate, derivative financial instruments to hedge these risk exposures. The allowable financial derivatives and conditions for their use are documented in the Treasury Policy. The Group does not enter into or trade financial instruments including derivative financial instruments for speculative purposes.

## 30. Financial Instruments (continued)

### 30.4 Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. Where required, the Group can enter into a range of derivative financial instruments to manage its exposure to these risks.

At a Group level, market risks are managed through sensitivity analysis. There is no change in the manner in which these risks are managed and measured in the current year.

### 30.5 Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies. Consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the financial year are as follows:

| | Liabilities | | Assets | |
|---|---|---|---|---|
| | 2016 $'000 | 2015 $'000 | 2016 $'000 | 2015 $'000 |
| US Dollars | 28,473 | 49,390 | 63,394 | 119,785 |
| Singapore Dollars | 10,626 | 22,977 | 3,494 | 4,668 |
| Euro | 937 | 48,784 | 59 | 54,140 |
| Norwegian Kroner | 629 | 83 | - | 22 |
| Other | 2,235 | 2,690 | 1,443 | 1,208 |

Foreign currency sensitivity analysis

The Group is mainly exposed to US Dollars (USD), Singapore Dollars (SGD) and Euro (EUR).

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian Dollar against the relevant foreign currencies. The 10% sensitivity represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit or equity where the Australian dollar strengthens 10% against the relevant currency. For a 10% weakening of the Australian Dollar against the relevant currency, there would be an equal and opposite impact on the profit or equity.

| | Profit or Loss | | Equity (i) | |
|---|---|---|---|---|
| | 2016 $'000 | 2015 $'000 | 2016 $'000 | 2015 $'000 |
| US Dollar Impact | (103) | 1,680 | (3,072) | (15,623) |
| Singapore Dollar Impact | 75 | 56 | 573 | 1,608 |
| Euro Impact | 14 | (633) | 66 | 146 |
| Norwegian Kroner Impact | 5 | 5 | 52 | 1 |

(i) The current year USD impact relates to the translation from the functional currencies of the Group's foreign entities into Australian Dollars. The prior year USD impact is attributable to the translation from the functional currencies of the Group's foreign entities into Australian Dollars of $8.1 million and to changes in fair value of derivative instruments designated as hedging instruments in cash flow hedges of $7.5 million.

The Group's profit and loss and equity sensitivity to foreign currency has decreased at the end of the current period due to a smaller variance between the total value of foreign currency assets and liabilities.

# Notes to the Financial Statements

For the year ended 30 June 2016

## 30. Financial Instruments (continued)

Forward foreign exchange contracts

In prior years, the Group entered into forward foreign exchange contracts to cover specific foreign currency payments required under vessel construction contracts denominated in US Dollars.

The following table details the forward foreign exchange contracts outstanding at the end of the financial year:

| | Average exchange rate | | Foreign currency | | Contract value | | Fair value | |
|---|---|---|---|---|---|---|---|---|
| Outstanding Contracts | 2016 $ | 2015 $ | 2016 FC'000 | 2015 FC'000 | 2016 $'000 | 2015 $'000 | 2016 $'000 | 2015 $'000 |
| Buy US Dollars | | | | | | | | |
| 3 to 6 months | - | 0.888 | - | 31,982 | - | 36,007 | - | 5,905 |
| 6 to 12 months | - | 0.883 | - | 31,982 | - | 36,211 | - | 5,640 |
| Total | | | | | | | - | 11,545 |

At reporting date the aggregate amount of unrealised profits/(losses) under forward foreign exchange contracts is nil (2015: profit of $11,544,571).

### 30.6 Interest rate risk management

The Group is exposed to interest rate risk because it borrows funds primarily at floating interest rates. The risk is managed by the Group by the use of interest rate swap contracts when considered appropriate. Hedging activities are evaluated regularly to align with interest rate views ensuring the most cost-effective hedging strategies are applied, if required.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

At reporting date, if interest rates had been 100 basis points higher / lower and all other variables were held constant, the impact on the net profit of the Group would be as follows:

- Net profit would decrease / increase by $3,977,559 (2015: decrease / increase by $4,460,156). This is attributable to the Group's exposure to interest rates on its variable borrowings.

The Group's sensitivity to interest rates has decreased during the current year due to the decrease in the carrying value of the variable rate debt instruments as a result of the principal repayments made during the year.

30. Financial Instruments (continued)

## 30.7 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with credit worthy counterparties. The Group's exposures to its counterparties are continuously monitored by management. Where appropriate, the Group obtains guarantees from customers. Cash terms, advance payments or letters of credit are required from customers of lower credit standing.

Trade receivables consist of a large number of customers spread across the offshore oil and gas exploration, development and production industries and across diverse geographical areas. Ongoing credit evaluation is performed on the financial condition of trade receivables.

Apart from the largest and second largest trade receivables (refer note 9), the Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. The credit risk on the largest and second largest receivables is managed through regular meetings with the customers, on-going contractual arrangements and regular receipts for the balances outstanding.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The carrying amount of financial assets recognised in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

## 30.8 Liquidity risk management

The Group manages liquidity risk by maintaining adequate cash reserves, overdraft facilities and borrowing facilities, by continuously monitoring forecast and actual cash flows and managing credit terms with customers and suppliers. Note 21(d) sets out details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non- derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amount is derived from current interest rates at the end of the reporting period. The contractual maturity is based on the earliest date on which the Group may be required to pay.

| | Weighted average effective interest rate % | Less than 1 month $'000 | 1-3 months $'000 | 3 months to 1 year $'000 | 1-5 years $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| 30 June 2016 | | | | | | |
| Non-interest bearing | - | 43,940 | - | - | - | 43,940 |
| Finance lease liability | 6.41 | 62 | 124 | 290 | 518 | 994 |
| Variable interest rate instruments | 3.77 | 1,435 | 2,503 | 85,471 | 342,409 | 431,818 |
| Total | | 45,437 | 2,627 | 85,761 | 342,927 | 476,752 |
| 30 June 2015 | | | | | | |
| Non-interest bearing | - | 93,662 | - | 35,511 | - | 129,173 |
| Finance lease liability | 6.98 | 112 | 293 | 1,296 | 970 | 2,671 |
| Variable interest rate instruments | 3.30 | 1,252 | 14,853 | 47,581 | 429,050 | 492,736 |
| Total | | 95,026 | 15,146 | 84,388 | 430,020 | 624,580 |

# Notes to the Financial Statements

For the year ended 30 June 2016

## 30. Financial Instruments (continued)

The following table details the Group's expected maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets.

| | Weighted average effective interest rate % | Less than 1 month $'000 | 1-3 months $'000 | 3 months to 1 year $'000 | 1-5 years $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| 30 June 2016 | | | | | | |
| Non-interest bearing | - | 8,638 | 4,521 | 49,868 | 3,649 | 66,676 |
| Variable interest rate instruments | 1.22 | 49,776 | - | - | - | 49,776 |
| Total | | 58,414 | 4,521 | 49,868 | 3,649 | 116,452 |
| 30 June 2015 | | | | | | |
| Non-interest bearing | - | 71,936 | 30,411 | 98,268 | - | 200,615 |
| Variable interest rate instruments | 0.71 | 124,556 | - | - | - | 124,556 |
| Total | | 196,492 | 30,411 | 98,268 | - | 325,171 |

The Group has access to financing facilities as described in note 21(d), of which $4.0 million were unused at the end of the reporting period (2015: $4.0 million). The Group expects to meet its other obligations from the proceeds of the ongoing vessel sales programme, operating cash flows and proceeds of maturing financial assets.

The following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows on the derivative instruments that settle on a net basis.

| | Less than 1 month $'000 | 1-3 months $'000 | 3 months to 1 year $'000 | 1-5 years $'000 | 5+ years $'000 |
|---|---|---|---|---|---|
| 30 June 2016 | | | | | |
| Net settled: | | | | | |
| Foreign exchange contracts | - | - | - | - | - |
| Total | - | - | - | - | - |
| 30 June 2015 | | | | | |
| Net settled: | | | | | |
| Foreign exchange contracts | - | - | 11,067 | - | - |
| Total | - | - | 11,067 | - | - |

## 30. Financial Instruments (continued)

### 30.9 Fair value of financial instruments

Fair value of financial instruments carried at amortised cost

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair values of derivative instruments are calculated using quoted prices. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Fair value measurements recognised in the Consolidated Statement of Financial Position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| | Level 1<br>$'000 | Level 2<br>$'000 | Level 3<br>$'000 | Total<br>$'000 |
|---|---|---|---|---|
| 30 June 2016 | | | | |
| Financial assets at fair value: | | | | |
| Derivative (cashflow hedge) | - | - | - | - |
| Total | - | - | - | - |
| 30 June 2015 | | | | |
| Financial assets at fair value: | | | | |
| Derivative (cashflow hedge) | - | 11,545 | - | 11,545 |
| Total | - | 11,545 | - | 11,545 |

There were no transfers between Level 1 and 2 in the period.

## 31. Events After the Reporting Period

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

As disclosed in note 16 Borrowings, on 24 August 2016 the Company received approval of some further amendments to the terms and financial covenants of the Syndicated Facility Agreement from the Syndicate members. The amended Facility Agreement and supporting documents were executed on 16 September 2016.

# Additional Securities Exchange Information

For the year ended 30 June 2016

## Ordinary Share Capital (as at 9 September 2016)

373,076,993 fully paid ordinary shares are held by 8,958 individual shareholders. All issued ordinary shares carry one vote per share.

| Substantial shareholders | Number of Shares | % of Issued Capital |
|---|---|---|
| Halom Investments Pte Ltd | 57,282,144 | 15.35 |
| Mr Hassan El Ali | 19,849,123 | 5.32 |
| Black Crane Asia Opportunities Fund | 18,974,282 | 5.09 |

## Distribution of Holders of Ordinary Shares (as at 31 August 2016)

| Size of Holding | Number of ordinary shareholders |
|---|---|
| 1 to 1,000 | 1,812 |
| 1,001 to 5,000 | 2,732 |
| 5,001 to 10,000 | 1,544 |
| 10,001 to 100,000 | 2,621 |
| 100,001 and over | 274 |
| Total | 8,983 |

## Twenty Largest Shareholders (as at 9 September 2016)

| | | Number of Shares | % of Issued Capital |
|---|---|---|---|
| 1 | HSBC Custody Nominees (Australia) Limited | 76,439,123 | 20.49 |
| 2 | Citicorp Nominees Pty Limited | 55,010,107 | 14.74 |
| 3 | ABN AMRO Clearing Sydney Nominees Pty Ltd <Custodian A/C> | 18,410,506 | 4.93 |
| 4 | J P Morgan Nominees Australia Limited | 16,260,953 | 4.36 |
| 5 | Argo Investments Limited | 13,862,997 | 3.72 |
| 6 | Evelin Investments Pty Limited | 4,580,000 | 1.23 |
| 7 | BNP Paribas Nominees Pty Ltd <DRP> | 2,476,801 | 0.66 |
| 8 | CVC Limited | 2,301,712 | 0.62 |
| 9 | Hishenk Pty Ltd | 2,300,000 | 0.62 |
| 10 | Mr Mark Francis Bradley | 2,250,000 | 0.60 |
| 11 | Mr Michael Sydney Simm <Simm Family A/C> | 2,194,659 | 0.59 |
| 12 | Ms Jennifer Ann Weber & Mr Jeffrey Andrew Weber [JAWS Family A/C] | 1,907,958 | 0.51 |
| 13 | National Nominees Limited | 1,813,892 | 0.49 |
| 14 | UBS Nominees Pty Ltd | 1,799,610 | 0.48 |
| 15 | Buttonwood Nominees Pty Ltd | 1,563,588 | 0.42 |
| 16 | Dental Union Of Australia Pty Ltd <Ian Weatherlake S/F A/C> | 1,500,000 | 0.40 |
| 17 | Mrs Elizabeth Aprieska <Tap Money Family A/C> | 1,444,553 | 0.39 |
| 18 | Ms Suzanne Margaret Buckley + Mr Kevin John Higgs <Golden Sunset R/F A/C> | 1,400,000 | 0.38 |
| 19 | Mr Yong Zheng | 1,309,080 | 0.35 |
| 20 | Akir Pty Ltd | 1,270,924 | 0.34 |
| Total | | 210,096,463 | 56.31 |

# Additional Securities Exchange Information

For the year ended 30 June 2016 (continued)

## Unmarketable Parcels (as at 31 August 2016)

The number of holders holding less than a marketable parcel of the Company's shares is as follows:

| Minimum Parcel Size | Number of ordinary shareholders | Number of shares |
|---|---|---|
| 1,471 | 2,194 | 1,177,631 |

## Voting Rights

All ordinary shares carry one vote per share without restriction.

## Unquoted Rights (as at 9 September 2016)

10,923,881 unlisted rights are held by 70 individual rights holders.

## Shareholder Enquiries

Shareholders can obtain information about their shareholding by contacting the Company's share registry:

Computershare Investor Services Pty Ltd

GPO Box 2975
Melbourne
Victoria 3000 Australia
Enquiries:
(within Australia) 1300 727 014
(outside Australia) 61 3 9946 4439
Facsimile: 61 3 9473 2500
web.queries@computershare.com.au
www.computershare.com.au

## Change of Address

Shareholders should notify the share registry immediately if there is a change to their registered address.

## Securities Exchange Listing

Shares in MMA Offshore Limited are listed on the Australian Securities Exchange.

## Publications

The Annual Report is the main source of information for shareholders.

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# Corporate Directory

## Directors

Tony Howarth
Chairman

Jeffrey Weber
Managing Director

Mark Bradley
Non-Executive Director

Andrew Edwards
Non-Executive Director

Eve Howell
Non-Executive Director

Chiang Gnee Heng
Non-Executive Director

## Company Secretary

Dylan Darbyshire-Roberts

## Registered Office

Endeavour Shed, 1 Mews Road
FREMANTLE WA 6160
Tel: +61 8 9431 7431
Fax: +61 8 9431 7432
www.mmaoffshore.com

## Auditors

Deloitte Touche Tohmatsu
Chartered Accountants
Brookfield Place, Tower 2
123 St Georges Terrace
PERTH WA 6000

Tel: +61 8 9365 7000
Fax: +61 8 9365 7001

## Solicitors

Ashurst
Brookfield Place, Tower 2
123 St Georges Terrace
PERTH WA 6000

Tel: +61 8 9366 8000
Fax: +61 8 9366 8111

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