MMA
OFFSHORE

ABN 21 083 185 693

Preliminary Financial Report and Appendix 4E for the Year Ended 30 June 2020

Table of Contents

Results for Announcement to the Market

Current Reporting Period: Year ended 30 June 2020
Previous Reporting Period: Year ended 30 June 2019

Earnings	30 June 2020 $'000	30 June 2019 $'000	% Change
Revenue from ordinary activities	273,011	239,259	+14%
Loss before tax	(93,657)	(35,879)	-161%
Loss after tax	(94,187)	(37,373)	-152%
Net loss attributable to members	(93,977)	(37,373)	-151%

Information regarding financial results for the year is set out in the covering announcement accompanying this report and the Review of Operations below

Dividends
Given the on-going market conditions, no interim or final dividend has been declared for the 2020 financial year.

Net Tangible Asset Backing	2020	2019
Net tangible asset backing per share (including Right-of-Use assets)	$0.25	$0.35

Details of Entities Where Control Has Been Gained or Lost During the Period
The following changes occurred within the Group during the reporting period.

On 7 November 2019, the Group acquired a 100% interest in the key operating subsidiaries of the Neptune Marine Services group. Please refer to the Review of Operations and Note 3.12 for further details. The entities acquired were

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

On 4 December 2019, the Group acquired an 80% interest in a project logistics business to be known as MMA Global Project Logistics based in Singapore. Please refer to Note 3.12 for further details. The entities acquired were

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

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

Review of Operations

Financial Result

MMA reported Revenue of $273.0 million, up 14.1% on the prior year.

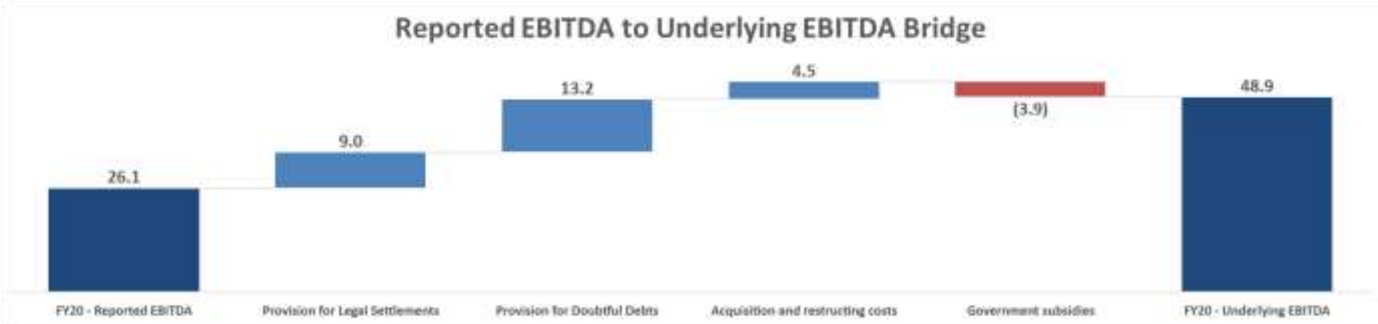
Underlying EBITDA was $48.9 million, up 76% on the prior year. EBITDA for FY2020 was inclusive of a $6.0m benefit from the reclassification of lease costs to depreciation under the new accounting standard for leases AASB16. Excluding the impact of AASB16, Underlying EBITDA increased 54.3% on the prior year.

Cash at bank increased by $16.4 million or 23% to $86.6 million.

Reported EBITDA was $26.1 million which included the impact of provisions for legacy doubtful debts and legal settlements and a number of other one-off restructuring and transaction costs incurred during FY2020. The reported result also included the impact of AASB16.

The improvement in MMA's underlying performance was driven by a number of factors, including an increase in the provision of integrated services to our customers on our MPSV and PSV fleet which increased margins. MMA also benefited from the removal of overhead costs in the second half of the financial year, with the full benefit of these cost reductions to be realised in FY21 and beyond. The improvement in earnings is a positive endorsement of our strategy to expand our higher margin service offerings, utilising our assets and skill base to deliver complex marine solutions for our customers.

MMA's activities were impacted by COVID-19 in the fourth quarter of the financial year with demand for our assets and services reducing from March 2020 and continuing to impact the business into FY2021.



Market Conditions

Until March 2020, market conditions for the offshore Oil and Gas markets had been improving. Activity was increasing and the outlook for new project approvals was looking strong.

The impact of COVID-19 on the Oil and Gas markets has been severe with demand dropping dramatically and the oil price falling to levels not seen for some years. The reactions by Oil and Gas companies has been swift with production levels and spending reduced. Operations have continued throughout this period, however numerous new projects have been deferred or cancelled, FIDs have been pushed out and overall expenditure budgets slashed for 2020/2021, putting pressure on supplier margins. Whilst there have been some improvements in recent weeks, the outlook for the Oil and Gas markets remains uncertain while the pandemic continues to constrain oil & gas demand.

The impact on the Offshore Wind industry has been less pronounced particularly in MMA's focus region of Taiwan where key projects have already been approved and are under development. Significant new capacity is forecast to be installed in our operational regions over the next 10 years and as a vessel intensive industry this market is a key focus area of MMA's longer-term growth strategy for both the construction and longer-term maintenance phases.

Other segments such as Government / Defence and infrastructure, where our subsea business has a foothold have seen less of an impact where delays have been more directly related to travel and border restrictions both internationally and in Australia.

Strategy

During the financial year we progressed our strategy to expand our marine services offering with the acquisition of Neptune Marine Services, a leading provider of topside and subsea inspection, maintenance and repair solutions to the Oil and Gas, marine and renewable energy industries. The subsea business has been integrated into MMA's operations and we are beginning to see the benefit of having a broader service offering and skill base within the business.

Our project logistics division is also starting to gain traction in East Africa and Taiwan where it is focused on providing large-scale logistics management for the LNG and renewables construction sectors. The strategy is based on an asset-light model, utilising third party assets to deliver discrete logistics scopes.

The strategy for our vessel business is focused on providing specialised vessel solutions to our clients and we will progressively exit out of the more commoditised sectors of the market where the returns are suboptimal. We will continue to supplement our fleet with third-party chartered vessels to improve our return on assets as we have successfully done in FY2020 with the MMA Responder, MWV Falcon, and Normand Australis.

Whilst the business has traditionally been focused solely on Oil and Gas, a major platform in our growth strategy is the expansion of our services into alternative market segments such as Offshore Wind, Government / Defence and Infrastructure Maintenance. Although in the early stages, we are building our Offshore Wind services business in Taiwan and have recently been successful in winning a number of contracts. The subsea business already has some exposure to Defence and Infrastructure Maintenance which we intend to build upon to expand those sectors of the business, allowing MMA to diversify our revenue streams and build a more stable business.

Underpinning the strategy is the marine expertise within our business which we have been careful to preserve and which enables us to deliver innovative marine solutions to our clients to differentiate us from our competitors.

Balance Sheet

MMA increased its Cash at Bank as at 30 June 2020 to $86.6 million, providing stability in the current economic climate.

In line with our strategy to reduce our exposure to the more commoditised assets, MMA reclassified a number of its vessels and Remote Operated Vehicles ("ROVs") as "held for sale" as at 30 June 2020 and reviewed the estimated realisable value of these assets in the current market resulting in an asset impairment charge of $57.7 million. There was no impairment on the core remaining fleet of vessels or on the residual subsea assets.

MMA's Net Debt (Interest Bearing Liabilities Less Cash) as at 30 June 2020 was $186.8 million.

MMA has made significant progress in improving its debt metrics over the past 2 years with the Company's Net Debt to EBITDA ratio reducing from 9.6x at 30 June 2018 to 4.4x at 30 June 2020 (on a normalised basis and excluding the impact of AASB16). Notwithstanding this improvement, MMA's Net Debt to EBITDA ratio remains well above our targeted gearing level of 2.5x. We are currently exploring options to improve our debt metrics given our earnings are likely to continue to be impacted by COVID-19 through FY2021.

We have also commenced formal negotiations with our Banking Syndicate regarding our debt facilities which are due to expire in September 2021.

Given the impacts of COVID-19 on the business, MMA's banking syndicate have agreed to waive the testing of key financial covenants until 31 December 2020 as well as waiving the cash sweep for the same period. MMA made principal payments totalling $5.8 million on the facility during the year.

One-off items

MMA incurred a number of one-off items during the year, totalling $22.8 million.

Provisions for doubtful debts contributed a total of $13.2 million to one-off costs. Of this amount, MMA has provided for an additional credit loss of $11.9 million for a major debtor in the Kingdom of Saudi Arabia ("KSA"), which has resulted in the full outstanding amount from this debtor being provided for in the FY2020 accounts.

As disclosed in the half year accounts, a portion of the debt (US$6.1 million) is secured by Promissory Notes which are a form of court enforceable security in KSA. MMA is currently enforcing the payments under the Promissory Notes in the KSA Execution Courts, however, the impact of the COVID-19 pandemic, being either Court closures or Court delays, is affecting our ability to enforce the Court orders and collect the outstanding amounts due.

MMA also has a number of legal claims currently in progress relating to contractual disputes and has raised provisions totalling $9.0 million for potential costs associated with these claims.

The balance $0.6 million comprises restructuring and acquisition costs which were offset by Government support via the JobKeeper Scheme in Australia and employee support in Singapore.

Cost control

Cost control remains an ongoing key focus for MMA whilst ensuring we never compromise on the quality or safety of our operations. During the financial year we identified and are delivering on annualised savings of approximately $10 million which include synergies from the Neptune acquisition.

In the current environment it is critical that we have the ability to flex the operating costs of our vessels in line with market demand. We have a well-documented protocol for transferring vessels into a controlled lay-up mode immediately on completion of contract work. These protocols ensure that the vessels remain in a well maintained, controlled state which enables them to be reactivated in a short timeframe to meet new contract requirements as they present.

We continue to monitor our cost base closely to ensure it matches our activity levels.

Operational Update

Vessel Services

Vessel revenue for the year was $228.9 million, down 4% on FY2019. Vessel EBITDA was up 35.6% at $47.6 million, including a $2.1 million benefit from AASB16.

Average utilisation for the year was 64%, down from 72% in FY2019. First half utilisation was stronger at 70% with the impacts of COVID-19 impacting utilisation in the last quarter, particularly in June 2020 where utilisation fell to 46%. Utilisation for the commoditised AHTS fleet averaged 41% for the year, and 15% for June 2020 bringing down the average significantly and reinforcing our strategy to reduce exposure to this segment.

As at 30 June 2020, MMA had 16 of its 30 vessels under short and long-term contracts with the remaining vessels being maintained at the Company's Singapore and Indonesian facilities and in Fremantle, Western Australia. The remaining vessels are available for work in the spot market when demand justifies activating them with a number of them also being marketed for sale as part of MMA's strategy to divest underperforming assets.

As at 30 June 2020, 32% of available vessel days for FY2021 were contracted, increasing to 44% taking into account highly probable contract awards and extension periods. This compares to 27% and 43% at the same time last year. On a revenue basis, 61% of our forecast revenue is already under contract for FY2021, (79% including highly probable).

COVID-19 has had a twofold impact on the vessel business, firstly in terms of demand with projects cancelled and suspended and secondly in terms of increased operational complexity and cost due to restrictions on personnel movements across borders which has significantly impacted our seagoing personnel and crewing logistics.

During the year, our vessels were active on a number of key work scopes:

The MMA Vision, MMA Coral and MMA Leeuwin supported the Noble Tom Prosser rig for most of the financial year, initially with Santos providing a range of services including rig tows to field, infield rig moves and supply duties. Following completion of the Santos scope, the vessels were contracted by AGR to support the rig on the CarbonNet Project off the coast of Victoria. Subsequently, the vessels continued to support the rig with Esso in the Bass Strait on a multiple well programme. The rig was suspended for a period due to COVID-19 in late March 2020 and the vessels were placed on standby through to mid-July when work recommenced. The MMA Leeuwin has recently been fitted with a full time ROV to support various subsea operations for Esso.

The MMA Pinnacle completed its second Walk-to-Work scope with Woodside on the North Rankin Platform in September 2019, receiving positive feedback from the client. Woodside have stated their intention to utilise Walk-to-Work technology for future platform maintenance operations in Australia which is a positive for future demand for vessels such as the Pinnacle. Outside of the Woodside scope, the Pinnacle continues on its three-year firm contract with iTech 7, Subsea 7's Life of Field business unit, performing a range of work scopes in Australia, South East Asia and North Sea, where it is currently operating.

MMA recently secured a contract for the Mermaid Searcher with Upstream Production Solutions providing support services for the Northern Endeavour FPSO which is currently being operated in lighthouse mode for the Australian Government. The contract is firm through to Q2 FY2021 with further options to extend.

MMA continued to have a number of vessels on long term contract, supporting production activities in Australia. The MMA Plover and MMA Brewster continued their long-term contract with INPEX supporting the Ichthys LNG Project. The MMA Inscription is on contract with ConocoPhillips supporting the Bayu Undan project and recently had its contract term extended to December 2021. The MMA Cove's contract with BHP/Santos came to an end during the year and the vessel has recently been contracted by Woodside (replacing the Mermaid Sound) alongside the MMA Strait, with the firm contract period for both vessels extended to March 2022.

The MMA Pride continues to operate as an Accommodation and Walk-to-Work vessel for Shell Brunei and had its contract extended during the year through to November 2020.

The MMA Privilege completed its contract in Cote d'Ivoire in May 2020 after a very successful four years operating as an Accommodation and Walk-to-Work vessel in the region. During this period the vessel completed over 250,000 passenger transfers with an exemplary safety and performance record, achieving zero down time or incidents. The vessel has now been relocated back to Singapore and is completing docking and maintenance tasks. Following the maintenance period, the vessel is likely to transfer to Malaysia for a short-term accommodation support scope.

The MMA Prestige completed various short-term ROV and diving scopes in Malaysia during the first half of the year, transferring to Saudi Arabia for the second half for further diving and ROV work. The contract in Saudi Arabia completed in the latter part of the financial year, with the vessel returning to Singapore to mobilise for an Offshore Wind project in Taiwan.

The MMA Monarch and MMA Majestic, our 12,000 BHP AHTS vessels operated mainly in Malaysia during the year, supporting Petronas and Shell Sabah on a range of work scopes. Activity in Malaysia has been severely impacted by COVID-19 and utilisation on these vessels reduced dramatically during the last quarter. The Majestic is currently in Singapore and available for spot work whilst the Monarch recently secured a short-term towing contract from Indonesia to Australia.

The Vigilant completed a number of seismic scopes including a project for SAExploration deploying seismic nodes to the seabed floor utilising our survey and ROV equipment as a packaged service. This vessel is currently supporting an offshore wind project in Taiwan supporting piling works for the pre-installation of Offshore Wind turbines.

The MMA Leveque completed several drilling support contracts in both Australia and South East Asia during the year and the vessel more recently secured a work scope in Taiwan supporting an Offshore Wind farm development.

The MMA Valour operated with Benthic on a range of seismic and geotechnical projects in Australia, South East Asia, East Africa and Guyana during the year.

Our Middle Eastern vessels completed their long-term contract with Makamin Offshore in January 2020 and have completed a range of short-term scopes since then. Operating in the Middle East has become very difficult with the impacts of COVID-19 affecting crew movements into the region. The MMA Cavalier has secured a medium-term contract, whilst the Centurion and Chieftain are currently available in the spot market.

MMA had two third-party chartered vessels in its fleet during the financial year, the MWV Falcon, an MPSV vessel fitted with a Walk-to-Work gangway, and the MMA Responder, a high-quality PSV. The Responder was active on a number of projects in Australia during the year and has recently completed a contract with Esso in the Bass Strait. The Falcon has completed a number of Walk-to-Work scopes in both India and Malaysia and has recently secured further work in India. Chartering in additional high-quality vessels remains a key part of MMA's strategy and subject to market conditions and contractual positions our long-term goal is to expand our fleet of chartered vessels to enhance our return on assets, balance risk and provide flexibility in the fleet.

Subsea Services

MMA has been operating in the subsea sector for some time as a vessel operator, however we significantly enhanced our subsea capability with the acquisition of Neptune Marine Services, which completed in November 2019.

The business has been successfully integrated, with office locations combined and systems and processes aligned. We have also completed a restructuring of the business to better meet client requirements and align to the renewed strategy. Annualised cost synergies of approximately $5 million have been achieved, in excess of the original estimated $2 million per annum.

Subsea revenue for the period from November 2019 was $46.0 million with EBITDA loss of $(0.7) million which included a $0.6 million benefit from AASB16 but excluded the full benefits of cost reductions due to timing of when these were realised.

The subsea business was hit particularly hard by COVID-19 with a number of work scopes immediately suspended due to personnel restrictions on client sites and the general impact on the Oil and Gas markets which resulted in project timelines being deferred. Unfortunately, with the onset of COVID-19 in the third quarter, the restructure of the subsea business was not completed until May 2020 which did not allow sufficient time to recover the negative EBITDA result. Subject to COVID-19 restrictions, it is anticipated that the subsea business will significantly improve earnings in the coming years.

Notwithstanding the issues brought on by the COVID-19 crisis, we are seeing the benefits of being able to offer a more comprehensive suite of services to our clients and we have delivered a number of combined work scopes during the year. An example of this was a seismic survey scope undertaken for a client SAExploration in Malaysia. As part of this project MMA provided the vessel, the MMA Vigilant, as well as managing the ROV, survey and positioning services with a team of over 75 people across the Company delivering the project successfully and safely for the client.

We have also had some recent successes on Offshore Wind projects in Taiwan with the MMA Vigilant and MMA Prestige both set to commence survey and ROV contracts in this sector.

During the year the subsea business secured long term survey contracts to provide rig positioning and subsea acoustic positioning services offshore. The first contract is with Chevron supporting three rigs for a period of three years with 2 x 1-year options to extend. The second contract is with INPEX supporting the Maersk Deliverer rig with the contract expected to run for up to 5 years in duration.

The business was also recently successful in securing a contract with the Australian navy under the Hydroscheme Industry Partnership Program ("HIPP"). The partnership between the Commonwealth and the Australian hydrographic survey industry aims to deliver an extensive program of nautical charting surveys in Australian waters. MMA's survey team will collect data north-east of Broome, Western Australia and will commence in late September for a duration of 2-3 months. MMA's strategy is to expand its services into Government and Defence and this is a key early win in this sector.

We also completed an inspection, maintenance and repair project in Papua New Guinea under our long-term frame agreement with Oil Search. The subsea business provided diving, survey, engineering and stabilisation services as part of the overall maintenance scope utilising a chartered vessel, the Normand Australis, to support the project.

The subsea business was also engaged on a number of infrastructure maintenance scopes during the year including a jetty refurbishment scope for South 32 on Groote Eyland and an inspection and maintenance contract for Chevron on Barrow Island.

The UK engineering and fabrication businesses continued to perform well serving a number of key clients in the UK and globally. The engineering group has a number of Master Service Agreements in place with major operators and provided a range of specialised engineering, design and optimisation solutions under various work scopes during the year. These work scopes included the design and manufacture of valve suppression strakes to support a challenging deep-water drilling campaign in harsh marine conditions in the Southern Atlantic, as well as the delivery of our patented subsea valve reinstatement systems to support North Sea producing assets. The fabrication business was awarded a contract by Baker Hughes to manufacture and deliver a total of 13 subsea vertical tree frames, guide funnels and ROV panels for a project in Australia. These were fully assembled in Scotland with the project expected to be completed by September 2020.

Project Logistics

During the year MMA established a dedicated Project Logistics division with the aim of targeting logistics scopes associated with large LNG and Offshore Wind projects in East Africa and Taiwan.

In December 2019, MMA acquired 80% of Premium Project Services, a small start-up company with an established corporate structure and contact base in East Africa and a management team with extensive experience and contacts in global project logistics.

The business is beginning to gain traction and currently has three third-party vessels engaged on contracts in East Africa predominantly supporting Total's Mozambique LNG Project as well as a third-party vessel under contract in Taiwan.

The project logistics segment generated revenue of $7.0 million for the financial year and delivered an underlying EBITDA loss of $(3.0) million which includes the operating costs associated with MMA's land-based facilities at Batam, Indonesia and Singapore. The reported result for the segment included an $8.4 million provision against legacy legal claims. Both the underlying and reported EBITDA result included a $0.6 million benefit from AASB16

We are currently targeting the growing Offshore Wind industry with a particular focus on Taiwan and are looking to establish a suitable operating structure in the region.

Whilst the pipeline of major LNG and Offshore Wind projects has been delayed by the onset of COVID-19, tendering activity remains strong and we expect MMA to be well positioned to win a share of logistics scopes associated with project developments as they occur.

Health & Safety

The health and safety of our people remains fundamental to MMA. The onset of COVID-19 in all our operating areas has been a challenge for the entire organisation and we have been very clear that our priority is to protect the MMA team and where possible their families and the communities in which we operate. To date we have managed to remain COVID free on our vessels, operating sites and offices. This challenge will remain for the foreseeable future and we will continue to work to ensure the best practical practices are deployed and vigilantly adhered to across the business.

During FY2020, MMA maintained a strong safety performance with a Total Recordable Case Frequency ("TRCF") per million hours worked of 0.54, significantly better than the marine industry average of 2.1 as measured by the International Marine Contractors Association ("IMCA")

With the subsea acquisition completed during the year, our focus is on rolling out our Target 365 and our Critical Controls programme to our new employees to embed our culture of safety consciousness throughout the entire business.

We are proud of our people and of our safety performance and culture, but we recognise that safety is an area in which you can never become complacent and we constantly strive to be better.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2020

	Note	2020 $'000	2019 $'000
Revenue	2.1	273,011	239,259
Investment income		823	1,278
Other gains/(losses)	2.2	4,474	(556)
Vessel expenses		(220,298)	(238,951)
Subsea expenses		(41,872)	-
Project Logistics expenses		(18,459)	-
Administration expenses		(15,494)	(7,402)
Impairment charges	2.1	(57,723)	(10,361)
Finance costs		(18,119)	(19,146)
Loss before tax		(93,657)	(35,879)
Income tax expense		(530)	(1,494)
Loss for the Year		(94,187)	(37,373)
Other Comprehensive Income, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		7,518	20,742
Loss on hedge of net investment in a foreign operation		(3,247)	(8,886)
Other comprehensive income for the year, net of tax		4,271	11,856
Total Comprehensive Loss for the Year		(89,916)	(25,517)
Loss attributable to owners of the Company			
Owners of the parent		(93,977)	(37,373)
Non-controlling interests		(210)	-
		(94,187)	(37,373)
Total comprehensive loss attributable to owners of the Company			
Owners of the parent		(89,706)	(25,517)
Non-controlling interests		(210)	-
		(89,916)	(25,517)

		Cents Per Share	Cents Per Share
Loss per share			
Basic	2.3	(10.44)	(4.36)

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 2020

	Note	2020 $'000	2019 $'000
Current Assets			
Cash and cash equivalents	3.1	86,637	70,155
Trade and other receivables	3.2	52,429	63,275
Inventories	3.3	2,216	1,974
Prepayments		2,822	1,149
Assets classified as held for sale	3.4	41,961	-
Total Current Assets		186,065	136,553
Non-Current Assets			
Property, plant and equipment	3.5	373,530	482,322
Right-of-use assets	3.6	10,117	-
Intangibles	3.12	108	-
Total Non-Current Assets		383,755	482,322
Total Assets		569,820	618,875
Current Liabilities			
Trade and other payables	3.8	41,879	30,481
Unearned revenue		538	831
Borrowings	3.9	12,739	2,743
Lease liabilities	3.10	3,729	-
Provisions	3.11	15,815	11,354
Current tax liabilities		2,684	1,806
Customer deposits		-	160
Total Current Liabilities		77,384	47,375
Non-Current Liabilities			
Trade payables		-	5,296
Borrowings	3.9	257,838	262,807
Lease liabilities	3.10	7,164	-
Provisions	3.11	256	152
Deferred tax liabilities		57	-
Total Non-Current Liabilities		265,315	268,255
Total Liabilities		342,699	315,630
Net Assets		227,121	303,245
Equity			
Issued capital	4.1	667,251	654,735
Reserves	4.2	139,305	133,777
Accumulated losses		(579,244)	(485,267)
Equity attributable to owners of the company		227,312	303,245
Non-controlling interest		(191)	-
Total Equity		227,121	303,245

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 2020

Year Ended 30 June 2020	Issued Capital $'000	Employee Equity Settled Benefits Reserve $'000	Hedging Reserve $'000	Foreign Currency Translation Reserve $'000	Accumulated Losses $'000	Equity Holders of Parent $'000	Non-controlling Interest $'000	Total $'000
Balance at 1 July 2019	654,735	621	(66,176)	199,332	(485,267)	303,245	-	303,245
Loss for the year	-	-	-	-	(93,977)	(93,977)	(210)	(94,187)
Other comprehensive income/(loss) for the year	-	-	(3,247)	7,518	-	4,271	-	4,271
Total Comprehensive Income/(Loss) for the Year	-	-	(3,247)	7,518	(93,977)	(89,706)	(210)	(89,916)
Issue of shares	12,516	-	-	-	-	12,516	-	12,516
Recognition of share based payments	-	1,257	-	-	-	1,257	-	1,257
Non-controlling interest arising on the acquisition	-	-	-	-	-	-	19	19
Balance at 30 June 2020	667,251	1,878	(69,423)	206,850	(579,244)	227,312	(191)	227,121

Year Ended 30 June 2019	Issued Capital $'000	Employee Equity Settled Benefits Reserve $'000	Hedging Reserve $'000	Foreign Currency Translation Reserve $'000	Accumulated Losses $'000	Equity Holders of Parent $'000	Non-controlling Interest $'000	Total $'000
Balance at 1 July 2018	654,735	154	(57,290)	178,590	(447,894)	328,295	-	328,295
Loss for the year	-	-	-	-	(37,373)	(37,373)	-	(37,373)
Other comprehensive income/(loss) for the year	-	-	(8,886)	20,742	-	11,856	-	11,856
Total Comprehensive Income/(Loss) for the Year	-	-	(8,886)	20,742	(37,373)	(25,517)	-	(25,517)
Recognition of share based payments	-	467	-	-	-	467	-	467
Balance at 30 June 2019	654,735	621	(66,176)	199,332	(485,267)	303,245	-	303,245

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 2020

	Note	2020 $'000	2019 $'000
Cash Flows from Operating Activities			
Receipts from customers		288,049	241,305
Interest received		823	1,278
Payments to suppliers and employees		(234,351)	(202,578)
Income tax paid		(207)	(955)
Interest and other costs of finance paid		(15,853)	(16,895)
Net Cash Provided by Operating Activities	3.1	38,461	22,155
Cash Flows from Investing Activities			
Payments for property, plant and equipment		(10,448)	(17,501)
Proceeds from sale of property, plant and equipment		1,414	7,491
Deposit for investment in business combination		-	(5,000)
Payment for acquisition of subsidiary, net of cash acquired		(862)	-
Net Cash Used in Investing Activities		(9,896)	(15,010)
Cash Flows from Financing Activities			
Repayment of borrowings	3.9	(5,805)	(7,256)
Financing fees on borrowings		-	(9)
Repayment of lease liabilities		(5,724)	-
Net Cash Used in Financing Activities		(11,529)	(7,265)
Net increase/(decrease) in cash and cash equivalents		17,036	(120)
Cash and cash equivalents at the beginning of the financial year		70,155	69,648
Effects of exchange rate changes on the balance of cash held in foreign currencies		(554)	627
Cash and Cash Equivalents at the End of the Financial Year		86,637	70,155

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 2020

1. GENERAL NOTES

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

Basis of Preparation

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

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

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.

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 (other than those involving estimations) that have a significant impact on the amounts recognised and to make 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, apart from those involving estimation (which are presented separately below), has been made by the Directors in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.
Significant increase in credit risk – refer note 3.2

Key sources of estimation uncertainty

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

Calculation of loss allowance – refer note 3.2
Assets classified as held for sale – refer note 3.4
Useful lives of property, plant and equipment – refer note 3.5
Impairment of non-current assets – refer note 3.7
Provisions – refer note 3.11

2. FINANCIAL PERFORMANCE

2.1 Segment Information

An operating segment is a component of a group that engages in business activities from which it may earn revenue and incur expenses and whose operating results are regularly reviewed by the Chief Operating Decision Maker (The Board of Directors) for the purposes of resource allocation and assessment of segment performance. Information regarding the Group's operating segments is presented below. The accounting policies of the reportable segment are the same as the Group's accounting policies. Information reported to the Board of Directors (CODM) is focused on the category of services provided through the Groups operating activities.

Following the completion of acquisitions during the year, the group's reportable segments are now

- Vessel Services provision of specialised offshore support vessels
- Subsea Services – services to companies operating in subsea environments including inspection, maintenance and repair
- Project Logistics – project management of large marine spreads and complex marine logistics.

Segment revenues and results

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

	Vessel Services	Subsea Services	Project Logistics	Eliminations	Consolidated
	2020 $'000	2020 $'000	2020 $'000	2020 $'000	2020 $'000
Revenue					
External sales	228,912	38,092	6,007	-	273,011
Inter-segment sales	-	7,887	1,037	(8,924)	-
Total revenue	228,912	45,979	7,044	(8,924)	273,011

Inter-segment sales are charged at prevailing market prices

Result					
Segment profit/(loss) before impairment	8,614	(3,780)	(12,452)	-	(7,618)
Impairment charge	(55,797)	(1,926)	-	-	(57,723)
Segment loss after impairment	(47,183)	(5,706)	(12,452)	-	(65,341)
Investment income					823
Other gains					4,474
Administration costs					(15,494)
Finance costs					(18,119)
Loss for the year before income tax					(93,657)

2 FINANCIAL PERFORMANCE (CONTINUED)

2.1 Segment Information (continued)

	Vessel Services	Subsea Services	Project Logistics	Eliminations	Consolidated
	2019 $'000	2019 $'000	2019 $'000	2019 $'000	2019 $'000
Revenue					
External sales	239,259	-	-	-	239,259
Inter-segment sales	-	-	-	-	-
Total revenue	239,259	-	-	-	239,259

Inter-segment sales are charged at prevailing market prices

Result					
Segment profit before impairment	308	-	-	-	308
Impairment charge	(10,361)	-	-	-	(10,361)
Segment loss after impairment	(10,053)	-	-	-	(10,053)
Investment income					1,278
Other losses					(556)
Administration costs					(7,402)
Finance costs					(19,146)
Loss for the year before income tax					(35,879)

Segment profit/(loss) represents the profit/(loss) earned by the Vessels, Subsea Services and Project Logistics segments without allocation of investment revenue, other gains and losses, administration costs, finance costs and income tax expense. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

Disaggregation of revenue

The Group derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time in the following major product lines.

	2020 $'000	2019 $'000
Revenue recognised over time:		
Vessel hire	200,087	198,615
Personnel	16,161	-
Mobilisation/Demobilisation	14,663	11,979
Equipment hire	1,810	-
Fabrication	8,620	-
Materials	2,810	-
Other	20,108	10,493
	264,259	221,086
Revenue recognised at a point in time:		
Fuel sales	8,752	18,173
Total	273,011	239,259

2 FINANCIAL PERFORMANCE (CONTINUED)

2.1 Segment Information (continued)

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

	2020 $'000	2019 $'000
Vessel Services (i)	444,646	539,763
Subsea Services (i)	30,963	-
Project Logistics	1,895	-
Unallocated assets	92,316	79,112
Total	569,820	618,875

(i) Vessel and Subsea Services segments assets include assets held for sale (refer note 3.4).

Other Segment Information

	Depreciation and amortisation		Additions to non-current assets	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Vessel Services	38,940	34,766	9,639	10,341
Subsea Services	3,091	-	622	-
Project Logistics	1,007	-	-	-
Unallocated assets	2,754	553	187	44
Total	45,792	35,319	10,448	10,385

Impairment charges

In addition to the depreciation charges reported above, the Group also recognised impairment charges (see note 3.7) in respect of vessels and other assets as set out below:

	2020 $'000	2019 $'000
Vessel Services held for continuing operations	-	8,254
Vessel Services held for sale	55,797	2,107
Subsea Services held for sale	1,926	-
Total	57,723	10,361

Geographical information

The Group is based in two principal geographical areas – Australia (country of domicile) and Singapore, however the Vessel Services fleet is traded around the world as a single fleet and moves between all geographical areas. Subsea Services and Project Logistics are also provided across a number of geographical areas.

During the year, the Group operated in a number of countries outside Australia. The Group's revenue 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	
Location	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Australia	143,572	159,256	127,868	176,327
International	129,439	80,003	255,887	305,995
Total	273,011	239,259	383,755	482,322

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

Information about major customers for continuing operations

Included in revenues there are approximately $41.4 million (2019: $29.2 million) which arose from sales to the Group's largest customer, revenues of approximately $34.5 million (2019: $28.4 million) which arose from sales to the Group's second largest customer and revenues of approximately $27.8 million (2019: $4.9 million) which arose from sales to the Group's third largest customer.

2 FINANCIAL PERFORMANCE (CONTINUED)

2.2 Other Income and Expenses

	2020 $'000	2019 $'000
Profit/(loss) for the year has been arrived at after recognising the following specific amounts:		
Other gains and losses:		
Net foreign exchange losses	(569)	(402)
Government grants [(i)]	3,974	-
Profit on disposal of property, plant and equipment	455	57
Profit/(loss) on disposal of assets held for sale	589	(211)
Other	25	-
Total	4,474	(556)

(i) The group has received Government grants in Australia ($3.5 million) and Singapore ($0.5 million) to assist in dealing with the impact of the COVID pandemic. This support has been accounted for on a 'gross' basis with the revenue included in 'Other gains and losses' in the Statement of Profit & Loss. The related employee expenses are recorded in their respective operating segment. The company will continue to access Government grants in Australia until the end of September 2020 at which time eligibility will be reassessed in accordance with the relevant legislation.

	2020 $'000	2019 $'000
Depreciation:		
Leasehold buildings and improvements	4,389	89
Vessels	38,551	34,218
Plant and equipment	2,852	1,012
Total	45,792	35,319

	2020 $'000	2019 $'000
Impairment charges:		
Impairment charge recognised on trade receivables	13,158	6,462
Impairment charge recognised on vessel cash generating unit	55,797	10,361
Impairment charge recognised on subsea services cash generating unit	1,926	-
Employee benefits:		
Post-employment benefits:		
Defined contribution plans	9,525	9,115
Share based payments:		
Equity settled share based payments	1,257	467
Other employee benefits	106,698	97,255
Total	117,480	106,837

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

2.3 Earnings per Share

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

	2020 $'000	2019 $'000
Loss for the year used in the calculation of basic earnings per share	(94,187)	(37,373)

	2020 No.'000	2019 No.'000
Weighted average number of ordinary shares used in the calculation of basic earnings per share	901,886	858,077

2.4 Dividends Provided for or Paid

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

	2020 $'000	2019 $'000
Adjusted franking account balance	47,589	47,589

3. ASSETS AND LIABILITIES

3.1 Cash and cash equivalents

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.

	2020 $'000	2019 $'000
Cash and cash equivalents	86,637	70,155

Reconciliation of loss for the year to net cash flows from operating activities		
Loss for the year	(94,187)	(37,373)
Depreciation of non-current assets	45,792	35,319
Impairment charge of non-current assets	57,723	10,361
Amortisation of borrowing costs	2,261	2,258
Gain on sale of property, plant and equipment	(455)	(57)
(Gain) / Loss on sale of assets held for sale	(589)	211
Unrealised foreign exchange loss	246	249
Impairment of receivables	13,158	6,454
Equity settled share based payment	1,257	467
Change in net assets and liabilities:		
Decrease in trade and other receivables	11,642	1,513
Increase in prepayments	(741)	(60)
Decrease/(increase) in inventories	664	(341)
Increase in current tax balances	335	539
Increase in provisions	2,884	890
(Decrease)/increase in trade and other payables	(1,204)	1,268
(Decrease)/increase in unearned revenue	(311)	457
Decrease in deferred tax liabilities	(14)	-
Net cash flows Provided by operating activities	38,461	22,155

3.2 Trade and Other Receivables	2020 $'000	2019 $'000
Trade receivables	73,537	61,257
Loss allowance	(22,373)	(9,179)
Other receivables	1,265	11,197
Total	52,429	63,275

The group has provided for an additional credit loss of $11.9 million during the financial year for a major debtor resulting in the full amount outstanding being provided for. Whilst MMA holds promissory notes (valued at USD$6.1million) and is enforcing payment of these in the relevant Execution Courts, the impact of the COVID-19 pandemic (being either court closures or court delays) is affecting our ability to enforce these court orders and collect the outstanding amounts due under these promissory notes.

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

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

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

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

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

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

	Collectively Assessed $'000	Individually Assessed $'000	Total $'000
Balance as at 30 June 2019	231	8,948	9,179
Transfer to credit-impaired	59	13,099	13,158
Foreign exchange gains and losses	-	36	36
Balance as at 30 June 2020	290	22,083	22,373

3.3 Inventories	2020 $'000	2019 $'000
Fuel – at cost	1,085	1,834
Consumables	133	140
Work in progress	998	-
Total	2,216	1,974

Inventories are stated at the lower of cost or net realisable value.

3.4 Assets Classified as Held for Sale

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

At 30 June 2020, the Company resolved to dispose of a number of non-core vessels within the fleet plus certain remote operated vehicles (ROV) from the Subsea business. Refer to note 3.7 for details of impairments recognised on the reclassification of these assets.

The carrying value of assets classified as held for sale is as follows:

	2020 $'000	2019 $'000
Vessels	41,685	-
Subsea - ROV Equipment	276	-
Total	41,961	-

3.5 Property, Plant and Equipment

	Leasehold Buildings and Improvements at cost $'000	Vessels at cost $'000	Plant and Equipment at cost $'000	Total $'000
Gross carrying amount:				
Balance at 1 July 2018	13,996	952,757	16,465	983,218
Additions	-	10,341	44	10,385
Disposals	(32)	-	(392)	(424)
Net currency exchange differences	799	61,406	874	63,079
Balance at 1 July 2019	14,763	1,024,504	16,991	1,056,258
Additions	-	9,639	809	10,448
Acquisition of subsidiaries	1,043	-	11,618	12,661
Disposals	(63)	(23,874)	(6,987)	(30,924)
Reclassified as held for sale	-	(337,981)	(2,457)	(340,438)
Net currency exchange differences	996	15,239	350	16,585
Balance at 30 June 2020	16,739	687,527	20,324	724,590
Accumulated depreciation and impairments:				
Balance at 1 July 2018	(12,753)	(460,967)	(13,077)	(486,797)
Disposals	28	-	273	301
Impairment charge	-	(10,361)	-	(10,361)
Depreciation expense	(89)	(34,218)	(1,012)	(35,319)
Net currency exchange differences	(762)	(40,376)	(622)	(41,760)
Balance at 1 July 2019	(13,576)	(545,922)	(14,438)	(573,936)
Disposals	61	23,874	6,620	30,555
Impairment charge	-	(55,797)	(1,926)	(57,723)
Depreciation expense	(94)	(36,772)	(2,511)	(39,377)
Reclassified as held for sale	-	296,296	2,181	298,477
Net currency exchange differences	(1,073)	(7,769)	(214)	(9,056)
Balance at 30 June 2020	(14,682)	(326,090)	(10,288)	(351,060)
Net book value:				
As at 30 June 2019	1,187	478,582	2,553	482,322
As at 30 June 2020	2,057	361,437	10,036	373,530

Leasehold buildings and improvements, vessels and plant and equipment 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 related lease or estimated useful life, whichever is the shorter, using the straight-line method.

3.5 Property, Plant and Equipment (continued)

Key Source of estimation uncertainty

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

3.6 Right-of-Use Assets

	Leasehold Buildings and Improvements $'000	Vessels $'000	Plant and Equipment $'000	Total $'000
Balance at 1 July 2019	5,002	795	441	6,238
Additions	264	1,236	39	1,539
Acquisition of subsidiaries	8,093	-	662	8,755
Balance at 30 June 2020	13,359	2,031	1,142	16,532
Accumulated depreciation:				
Depreciation expense	(4,295)	(1,779)	(341)	(6,415)
Balance at 30 June 2020	(4,295)	(1,779)	(341)	(6,415)
Carrying amount:				
As at 30 June 2020	9,064	252	801	10,117

3.7 Impairment of Non-current Assets

The Group performs a review of non-current asset values at each reporting period and whenever events occur or changes in circumstances indicate that the carrying amount of an asset group may be impaired. Market conditions are monitored for indications of impairment for all of the Group's operating assets and where such indications are identified, a formal impairment assessment is performed.

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.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Impairment testing

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 2020:

- the carrying amount of the net assets of the Group is greater than the Company's market capitalisation; and
- challenging market conditions in both Australia and internationally as the impact of the COVID pandemic and lower oil prices is felt across the industry.

As a result, the Group assessed the recoverable amounts of the Vessels, Subsea and Project Logistics Cash-Generating Units ('CGU').

3. ASSETS AND LIABILITIES (CONTINUED)

3.7 Impairment of Non-current Assets (continued)

The assessment resulted in the following impairment charges included in profit or loss:

			Impairment charge	
Segment/CGU	Class of asset	Method	2020 $'000	2019 $'000
Vessels	Property, Plant & Equipment	FVLCOD	-	8,254
Vessels	Assets classified as held for sale	FVLCOD	55,797	2,107
Subsea	Property, Plant & Equipment	ViU	-	-
Subsea	Assets classified as held for sale	FVLCOD	1,926	-
Project Logistics	Property, Plant & Equipment	ViU	-	-
Total			57,723	10,361

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

CGU	Level 3[(i)] $'000	Recoverable Amount $'000
Vessels		
Continuing operations	361,073	361,073
Held for sale	41,685	41,685
Subsea		
Continuing operations	23,028	23,028
Held for sale	276	276
Project Logistics	1,030	1,030

(i) Level 3 inputs are unobservable inputs used to measure fair value. In our Vessels calculations, the inputs used are based on both observable and unobservable market data prepared by an independent valuation consultant together with internally determined valuations. Due to the unobservable market data and internal valuation components of the valuations, the inputs are considered Level 3.
In our Subsea and Project Logistics calculations, the inputs are based on unobservable market data and internal estimates and assumptions resulting in the classification as Level 3.

Inputs in determining the classification level within the fair value hierarchy are reassessed at each reporting period as part of the impairment process. The inputs used within calculations are assessed and discussed internally to determine the extent to which they can be compared to observable market information and classified accordingly.

Industry Conditions

This financial year has seen a decline in overall market conditions with 2 major factors contributing;
1. COVID-19
2. Oil Price

Firstly, the impact of the COVID-19 pandemic has created and continues to create uncertainty in world markets and the economy broadly. In our industry specifically, the impact has led to our customers delaying and or cancelling projects resulting in a reduction in revenue. In addition, the logistics of managing and crewing vessels and projects around the globe has become more difficult due to various travel and movement restrictions. Please refer to the Review of Operations for a more detailed summary of the impact.

Secondly, there was a sharp decline in the oil price in March 2020 as a result of the oil price war between Saudi Arabia and Russia. At a time when the industry was showing signs of improvement, this created further instability and uncertainty in the industry. We note however that the subsequent deal in May/June to reduce production did result in a partial recovery of the oil price which has recently stabilised.

3. ASSETS AND LIABILITIES (CONTINUED)

3.7 Impairment of Non-current Assets (continued)

Vessels

As disclosed in note 3.4, a group of non-core vessels in the fleet were classified as being held for sale as at 30 June 2020. This classification has resulted in two separate fair value assessments for the fleet, being those core vessels used for continuing operations and those non-core vessels that are held for sale.

Vessels - Continuing Operations

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

An independent valuation of the fleet was undertaken by a specialist marine valuation consultancy and shipbroking company. In preparing their valuation report, some of the factors they considered include the current market conditions in which the vessels operate, a review of recent market sales of similar vessels, consideration of the specification and earnings potential of each vessel and the inherent value and replacement cost of each vessel.

A key input into the recoverable amount of the CGU was the application of a discount to the independent vessel valuation to reflect the amount which would be achieved if the fleet was disposed of in one single transaction. In the June 2019 impairment assessment, the company used a discount of 17.5%. The Board have increased this discount to 19.6% for the current period. This specific rate has been used as it falls within the lower end of the range specified by the independent valuer. The Company considers this appropriate based on the removal of the vessels held for sale from the continuing fleet resulting in the remaining asset base being a higher quality and forms the basis for this assessment, while also resulting in a nil impairment.

The following factors were taken into account in determining this value:

- the movement in the oil price during the period
- the impact of the COVID-19 pandemic
- the decision to dispose of the vessels classified as held for sale, results in the remaining fleet being higher value vessels as a result of their age, specifications and capabilities. The demand for these vessels is expected to remain stronger
- acknowledging the impact of the significant vessel tonnage in the industry

Key assumptions and sensitivity

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. Estimates have also been made on the discount to the independent vessel valuation to reflect the amount which would be achieved if the fleet was disposed of in one single transaction, plus the selling costs associated with the sale.

The following provides information on the assumptions made in determining the fair value of the vessels, together with a sensitivity analysis showing the potential impact on the vessel carrying value based on the movement (increase or decrease) in the assumption

Assumption	Rate used	Sensitivity movement	Change in carrying value $’000
En bloc discount	19.6%	2.5%	11,231
Selling costs	2.0%	0.5%	1,834

3. ASSETS AND LIABILITIES (CONTINUED)

3.7 Impairment of Non-current Assets (continued)

Vessels - Held for Sale

The recoverable amount of the non-core vessels was determined using a market based approach, reflecting the value which could be expected to be realised through an accelerated sale program.

In assessing the fair value of the non-core vessels, the Company has taken into consideration the following factors:

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

The price that would be expected to be received in these circumstances for these non-core vessels would be less than if sold in an orderly transaction with no time restrictions to complete the sale.

Key assumptions and sensitivity
The FVLCOD method requires an estimate of the current market value of the vessels and costs that would be associated with a disposal of the assets. In estimating the current market value of the vessels and the value to be achieved in an accelerated sale, estimates have been made about the fair value to be realised. If the value to be realised was 5% higher or lower then the impairment on these vessels would decrease or increase by $2.2 million.

Subsea

As disclosed in note 3.4, items of plant & equipment from the Subsea CGU were classified as being held for sale as at 30 June 2020. This classification has resulted in two separate recoverable value assessments, being for the ongoing business and the plant & equipment that is held for sale.

Subsea - Continuing Operations

To assess the recoverable amount of the Subsea CGU, a ViU assessment was performed using five year cash flows and a terminal value.

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

- current and potential new contracts for the Subsea business
- current and expected tendering activities
- expected Subsea services activity in the region
- cost of running the business including labour and overheads
- project work has been budgeted by applying estimated gross margins, based on historical results, to the estimated revenues of projects
- in assessing future revenues, potential projects are identified with estimates of their total revenue. A likelihood of success % is then applied to the revenue to reflect a risk weighted likely revenue amount

A discount rate of 10.6% has been used for ViU assessments.

In the budget approved by the board, forecast revenues have been decreased for the FY21 year to reflect the continuing impact of the COVID-19 pandemic and decline in the oil price during the second half of the FY20 year. In FY22 and FY23, revenues are budgeted to increase on the assumption of an increase in activity in these years. Nil revenue growth in FY24 and FY25 has been assumed to adopt a conservative position, with terminal year growth of 2% reflecting a long term inflation rate estimate.

Key assumptions and sensitivity
The recoverable value of the Subsea assets in the current year was assessed using a ViU approach.
The estimation of future cashflows has been prepared based on approved group budgets with estimates and assumptions regarding future revenue growth rates, operating margins and discount rates.

The following provides information on the assumptions made in determining the recoverable value of the assets, together with a sensitivity analysis showing the potential impact on the carrying value based on the movement (increase or decrease) in the relevant estimate or assumption.

3. ASSETS AND LIABILITIES (CONTINUED)

3.7 Impairment of Non-current Assets (continued)

Assumption	Rate used	Sensitivity movement	Increase/(Decrease) in recoverable value $'000
Discount rate	10.6%	+0.5%	(1,892)
		-0.5%	2,126
Terminal year growth rate	2.0%	+0.5%	1,217
		-0.5%	(1,084)

Subsea - Held for Sale

The recoverable amount of the Subsea equipment identified for sale was determined using a market based approach, reflecting the value which could be expected to be realised through an accelerated sale program.

In assessing the fair value of the subsea equipment, the Company has taken into consideration the following factors:

- the Current Market Values assessed through review of industry publications
- consideration of the condition of our ROV's in comparison to advertised items
- the accelerated timing in which the Company wants to complete the sales
- current offers that have been received for particular assets

The price that would be expected to be received in these circumstances for these items would be less than if sold in an orderly transaction with no time restrictions to complete the sale.

Key assumptions and sensitivity
The FVLCOD method requires an estimate of the current market value of the subsea equipment and costs that would be associated with a disposal of the assets. In estimating the current market value of the subsea equipment and the value to be achieved in an accelerated sale, estimates have been made about the fair value to be realised. If the value to be realised was 5% higher or lower then the impairment on these subsea equipment would decrease or increase by less than $0.1 million.

Project Logistics

To assess the recoverable amount of the Project Logistics CGU, a ViU assessment was performed using five year cash flows and a terminal value.

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

- current and potential new contracts for the Project Logistics business
- current and expected tendering activities
- expected Project Logistics services activity in the region
- cost of running the business including labour and overheads
- project work has been budgeted by applying estimated gross margins, based on historical results to the estimated revenues of projects
- in assessing future revenues, potential projects are identified with estimates of their total revenue. A likelihood of success % is then applied to the revenue to reflect a risk weighted likely revenue amount

A discount rate of 10.6% has been used for ViU assessments.

3. ASSETS AND LIABILITIES (CONTINUED)

3.8 Trade and Other Payables	2020 $'000	2019 $'000
Trade payables	14,447	8,608
Other payables and accruals	26,416	20,563
Goods and services tax payable	1,016	1,310
Total	41,879	30,481

The average credit period on purchases of all goods is 30 - 45 days. The Group monitors payments to ensure that all payables are paid within the credit time frame.

3.9 Borrowings	2020 $'000	2019 $'000
Secured – at amortised cost		
Current		
Hire purchase liability	-	4
Bank loans(i)	15,000	5,000
Unamortised loan fees(ii)	(2,261)	(2,261)
Total	12,739	2,743
Non-Current		
Bank loans(i)	258,404	265,634
Unamortised loan fees(ii)	(566)	(2,827)
Total	257,838	262,807
Secured – at amortised cost		

Summary of borrowing arrangements:

(i) The amortisation profile of the facility is:
- $7.5 million by 31 December 2020
- $7.5 million by 30 June 2021
- The balance is to be repaid on maturity at 30 September 2021

The facility is fully secured by fixed and floating charges given by controlled entities within the Group, registered ship mortgages over a number of vessels owned by certain entities and real property mortgages.

The current weighted interest rate on the bank loans is 4.17% at 30 June 2020 (2019: 5.99%).

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

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

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 or payable is recognised in the profit and loss.

Available borrowing facilities	2020 $'000	2019 $'000
Secured loan facilities with various maturity dates through to 2021 and which may be extended by mutual agreement:		
Amount used	273,404	270,634
Amount unused	-	-
Total	273,404	270,634

There is no re-draw available on the existing facilities.

3. ASSETS AND LIABILITIES (CONTINUED)

3.9 Borrowing (continued)

Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non cash changes.

	Hire purchase liability	Bank loans	Unamortised loan fees	Total
2020	$'000	$'000	$'000	$'000
Balance at 1 July 2019	4	270,634	(5,088)	265,550
Repayment of loan	(4)	(5,801)	-	(5,805)
Non-cash foreign exchange movement	-	3,243	-	3,243
Capitalisation of payment-in-kind interest (from 2017)	-	5,328	-	5,328
Other changes	-	-	2,261	2,261
Balance at 30 June 2020	-	273,404	(2,827)	270,577
2019				
Balance at 1 July 2018	10	269,001	(7,339)	261,672
Financing cashflows	(6)	(7,252)	(9)	(7,267)
Non-cash foreign exchange movement	-	8,885	-	8,885
Other changes	-	-	2,260	2,260
Balance at 30 June 2019	4	270,634	(5,088)	265,550

3.10 Lease Liabilities	2020 $'000
Balance at 1 July 2019	6,238
Additions	1,539
Repayments	(6,324)
Interest expense	600
Acquisition of subsidiaries	8,842
Net currency exchange differences	(2)
Balance at 30 June 2020	10,893
Current	3,729
Non-current	7,164
Total	10,893

3.11 Provisions	2020 $'000	2019 $'000
Current		
Potential legal claims	5,602	-
Employee benefits – annual leave	5,112	6,852
Employee benefits – long service leave	5,101	4,502
Total	15,815	11,354
Non-current		
Employee benefits – long service leave	256	152

3. ASSETS AND LIABILITIES (CONTINUED)

3.11 Provisions (continued)

The Group has various legal claims currently in progress relating to contractual disputes. As these claims are currently before the Courts, the disclosure of specific information relating to them could prejudice the position of the Group in those hearings and as such, this specific information is not provided.

Significant Estimates

The Group has raised a net provision for $5.6 million to provide for the possible outcomes relating to these legal claims. These amounts have been estimated by the directors as a possible outflow that may be required to settle these legal claims. As these legal claims have not been finalised as yet, this provision is only an estimate and the actual liability may differ depending on the outcome of these hearings.

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

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

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

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

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

3.12 Acquisition of Subsidiaries

Neptune Marine Services

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

Consideration Transferred	$'000
Issued capital (67,655,000 shares) in MMA Offshore Ltd	12,516
Cash (deposit paid June 2019)	5,000
Working capital adjustment	2,152
	19,668

The number and fair value of the ordinary shares issued as part of the consideration paid was determined based on a maximum transaction value of $0.20 calculated based on the Volume Weighted Average Price for the 30 days prior to completion. The market value of the shares at completion date was $0.185.

Included in the transaction agreement was contingent consideration to a maximum of $0.5 million subject to certain events taking place prior to 30 June 2020. The actual amount to be paid under this agreement was $0.1million to date.

Acquisition costs totalling $1.1 million have been excluded from the consideration transferred and have been recognised as an expense in profit or loss in the half year, within the 'Administration expenses' line item.

3 ASSETS AND LIABILITIES (CONTINUED)

3.12 Acquisition of Subsidiaries (continued)

Assets acquired and liabilities assumed at the date of acquisition	$'000
Current assets	
Cash	1,239
Trade and other receivables	17,582
Inventories	884
Prepayments	955
Non-current assets	
Property, plant and equipment	12,661
Right-of-use assets	8,755
Current liabilities	
Trade and other payables	(11,294)
Lease liabilities	(1,882)
Employee entitlements	(1,529)
Current tax liabilities	(489)
Non-current liabilities	
Lease liabilities	(6,960)
Other payables	(183)
Deferred tax liabilities	(71)
	19,668

The gross contractual value of receivables acquired was $17.7 million, with the full fair value amount expected to be collected.

The acquisition contributed $38 million revenue and a loss of $5.7 million (after impairment of $1.9 million) to the results of the group during the period between date of acquisition and the reporting date.

If the acquisition had been completed on the first day of the financial year, Group revenue would have been $300 million, and the Group loss would have been $93 million.

The $5.0 million cash consideration was paid as a deposit on the transaction last financial year. On 28 January 2020, the working capital adjustment of $2.0 million was paid.

MMA Global Projects Pte Ltd

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

Consideration transferred and liabilities acquired	$'000
Cash	75
Issued capital in MMA Global Project Logistics Pte Ltd	19
Total consideration	94
Net liabilities acquired	14
Goodwill on acquisition	108

Included in the transaction agreement is a contingent consideration arrangement to pay the non-controlling interests up to an additional $0.8 million Singapore Dollars, comprising cash of $0.6 million and equity of $0.2 million, on achievement of gross margins in future years. As the business was in the early stage of development with no assets or contracts at date of acquisition, the group has estimated the fair value of this consideration to be nil.

The acquisition contributed $2.3 million revenue and a loss of $0.5 million to the results of the group during the period between date of acquisition and the reporting date. If the acquisition had been completed on the first day of the financial year, Group revenue and Group loss's would have been adjusted by the same amounts.

4 CAPITAL STRUCTURE

4.1 Issued Capital

Fully Paid Ordinary Shares	2020 No.'000	2020 $'000	2019 No.'000	2019 $'000
Balance at beginning of financial year	858,077	654,735	858,077	654,735
Issue of shares in acquisition of subsidiaries	67,655	12,516	-	-
Balance at end of financial year	925,732	667,251	858,077	654,735

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

Share Rights

As at 30 June 2020, executives and employees held rights over 35,188,068 ordinary shares (2019: 13,207,075).

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

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

4.2 Reserves	2020 $'000	2019 $'000
Employee equity settled benefits	1,878	621
Hedging	(69,423)	(66,176)
Foreign currency translation	206,850	199,332
Balance at end of financial year	139,305	133,777

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

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

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

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

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

5 OTHER NOTES

5.1 Events After the Reporting Period

Other than those listed below, 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.

5.2 Contingent liabilities

The decision in *WorkPac Pty Ltd v Rossato* [2020] FCAFC 84 (**Rossato**) has resulted in MMA reviewing the terms under which we engage our casual staff. We may have casual employees who fall within the scope of the Rossato decision. We are currently evaluating these employment arrangements to determine whether the Company has any contingent liability in this regard.

We note that the Rossato case is currently on appeal to the High Court of Australia. In addition, the Commonwealth Attorney General has indicated that urgent consultation will occur with unions and employers in light of the Rossato decision, and that if an agreement cannot be reached, legislative change may follow from the Commonwealth Government.

5.3 Other Accounting Policies

Adoption of New and Revised Accounting Standards and Interpretations

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

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

AASB 16 Leases (adopted from 1 July 2019)

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

Transition to AASB 16

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

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

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

Lease Accounting Policy

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

Group as Lessee

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

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

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

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

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

Group as Lessor

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

Vessel charter income from operating leases is recognised on a straight-line basis over the term of the relevant contract.

When a contract includes both lease and non-lease components, the Group applies AASB 15 to allocate the consideration under the contract to each component.