



MICLYN EXPRESS OFFSHORE LIMITED
(Registration Number 42388)

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

MICLYN EXPRESS OFFSHORE LIMITED

REPORT AND FINANCIAL STATEMENTS

C O N T E N T S

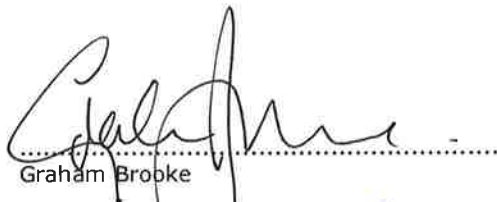
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MICLYN EXPRESS OFFSHORE LIMITED

DIRECTORS' STATEMENT

In the opinion of the directors, the consolidated financial statements of the Group as set out on pages 8 to 80 are drawn up in accordance with International Financial Reporting Standards, so as to present fairly, in all material respects, the financial position of the Group as at 30 June 2017, and its consolidated financial performance and consolidated cash flows for the financial year then ended. On the basis of the disclosures made in Note 1 to the consolidated financial statements, at the date of this statement, there are reasonable grounds to believe that the Group will be able to pay its debts when they fall due.

ON BEHALF OF THE BOARD OF DIRECTORS


.....
Graham Brooke



.....
Venkatraman Sheshashayee

23 November 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF

MICLYN EXPRESS OFFSHORE LIMITED

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Miclyn Express Offshore Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group as at 30 June 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, as set out on pages 8 to 80.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2017, and its consolidated financial performance and its consolidated cash flows for the financial year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' ("IESBA") *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

As disclosed in Note 1 to the consolidated financial statements, as at 30 June 2017, the Group has bank loans of US\$321,902,000 (Note 25) and a US\$150,000,000 8.75% senior secured guaranteed bond (Note 28). Based on the repayment terms as currently agreed with the banks and bondholders, for the next 12 months from the date of this report, the Group's obligations on principal repayments for the bank loans amounted to US\$5,760,000 and US\$27,000,000 on a monthly and quarterly instalment basis respectively, and the principal amount of the bonds is due in November 2018.

The Group has appointed financial and legal advisors to assist in the restructuring of its debt obligations in respect of the bank loans and bonds by way of amendments to certain terms of the relevant debt documents and/or an exchange of the bonds for new bonds with different terms (the "Debt Restructuring"). The Group's ability to repay the amounts outstanding under the bank loans and senior secured guaranteed bonds as they fall due is highly dependent on the successful conclusion of the Debt Restructuring negotiations. These events indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF

MICLYN EXPRESS OFFSHORE LIMITED

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current financial year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters

Our audit performed and responses thereon

Impairment review of vessels

The Group has significant property, plant and equipment which comprises mainly vessels and its related capitalised expenditures, which collectively represents 59% of the Group's total assets as at 30 June 2017.

Management believes that given the current prolonged market conditions in the industry, and where charter rates and utilisation rates have significantly reduced compared to prior periods, these are indicators that vessels may be impaired. Management has performed an impairment review to determine the recoverable amounts of the vessels, which are based on the higher of fair value less cost to sell and value in use.

The valuation process to determine the value in use involves significant judgement and estimates in determining the appropriate assumptions and inputs to be applied in the impairment review exercise. Such key estimates include future charter rates, utilisation rates and discount rate.

As a result of the impairment review, the Group recognised an impairment loss of US\$56,559,000 during the financial year ended 30 June 2017.

The key assumptions to the impairment review are disclosed in Note 21 to the consolidated financial statements.

Our audit procedures focused on evaluating and challenging the key assumptions used by management in conducting the impairment review. We performed the following procedures:

- engaged our valuation specialists to independently develop expectations for the key macro-economic assumptions used in the impairment analysis, in particular the discount rate, and compared the independent expectations to those used by management;
- challenged the cash flow forecasts used, with comparison to recent performance, trend analysis and market expectations; and
- by reference to prior years' forecasts, where relevant, assessed whether the Group had achieved them.

We considered the adequacy of the disclosures in the consolidated financial statements in respect of impairment of vessels.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF MICLYN EXPRESS OFFSHORE LIMITED

Key Audit Matters

Recoverability of loan to immediate holding company

As at 30 June 2017, the Group has a loan receivable of US\$139,165,000, before any impairment, from its immediate holding company. The shareholders of its immediate holding company have represented that the amount is anticipated to be repaid from the proceeds arising from the sale of their interest in the Company in the future.

The recoverability of the loan to the immediate holding company is dependent on the ability of the Group to continue operations as a going concern, the final outcome of the Debt Restructuring exercise disclosed in Note 1 to the consolidated financial statements, and the expected valuation of the Group when the sale of the Company by the immediate holding company takes place.

The management has determined the valuation of the Group, taking into consideration the expected timeframe on the sale of the Company, the expected outcome of the Debt Restructuring, the amount and timing of future cash flows, the forecasted EBITDA, the expected enterprise value multiple and the expected future industry conditions and outlook. Such valuation thus requires significant management judgement and estimates.

Based on the valuation performed by the management, the Group recognised an impairment loss of US\$11,800,000 during the financial year ended 30 June 2017 (Note 16).

Our audit performed and responses thereon

Our audit procedures focused on evaluating and challenging the key assumptions used by management in conducting the impairment review. We performed the following procedures:

- read the loan agreement between the Company and its immediate holding company;
- read the letter from the shareholders of the immediate holding company on their plan for repayment;
- challenged the assumptions used in the valuation of the Group for the impairment analysis and compared the independent expectations to those used by management and the shareholders of the immediate holding company; and
- challenged the cash flow forecasts used, with comparison to recent performance, trend analysis and market expectations.

We considered the adequacy of the disclosures in the consolidated financial statements in respect of impairment review of the loan to immediate holding company.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF
MICLYN EXPRESS OFFSHORE LIMITED**

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Directors' statement set out on page 1.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the IFRSs, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF MICLYN EXPRESS OFFSHORE LIMITED

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF MICLYN EXPRESS OFFSHORE LIMITED

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yang Chi Chih.


Public Accountants and
Chartered Accountants
Singapore

23 November 2017

MICLYN EXPRESS OFFSHORE LIMITED

Consolidated statement of profit or loss and other comprehensive income
for the year ended 30 June 2017

	Note	2017 US\$'000	2016 US\$'000
Revenue	5	161,050	230,948
Cost of sales		(143,994)	(181,166)
Gross profit		17,056	49,782
Other income	7	966	922
Administration expenses	8	(15,364)	(24,064)
Finance costs	10	(29,457)	(43,563)
Other expenses	11	(68,526)	(8,276)
Share of profit from joint ventures	20	3,738	7,805
Loss before tax	12	(91,587)	(17,394)
Income tax expense	13	(4,556)	(4,285)
LOSS FOR THE YEAR		(96,143)	(21,679)
Other comprehensive (loss) income:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(2,229)	1,379
Cash flow hedge		-	863
Other comprehensive (loss) income for the year, net of tax		(2,229)	2,242
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(98,372)	(19,437)
Loss attributable to:			
Owners of the Company		(97,270)	(22,719)
Non-controlling interests		1,127	1,040
		(96,143)	(21,679)
Total comprehensive loss attributable to:			
Owners of the Company		(99,499)	(20,477)
Non-controlling interests		1,127	1,040
		(98,372)	(19,437)

See accompanying notes to consolidated financial statements.

MICLYN EXPRESS OFFSHORE LIMITED

Consolidated statement of financial position
at 30 June 2017

	Note	2017 US\$'000	2016 US\$'000
Assets			
<i>Current assets</i>			
Cash and cash equivalents	14	11,789	13,835
Trade and other receivables	15	70,077	76,508
Loan to immediate holding company	16	-	139,165
Inventories	17	5,958	5,958
Vessels held for sale	18	575	1,600
Total current assets		88,399	237,066
<i>Non-current assets</i>			
Loan to immediate holding company	16	127,365	-
Investment in joint ventures	20	78,423	74,670
Property, plant and equipment	21	499,073	587,165
Intangible assets	22	32,978	33,067
Other non-current assets	23	4,593	2,742
Total non-current assets		742,432	697,644
Total assets		830,831	934,710
Liabilities			
<i>Current liabilities</i>			
Trade and other payables	24	70,687	64,947
Borrowings	25	26,159	31,914
Provisions	27	-	202
Current tax liabilities		3,935	2,804
Total current liabilities		100,781	99,867
<i>Non-current liabilities</i>			
Borrowings	25	291,798	300,062
Senior secured guaranteed bonds	28	147,758	146,162
Other payables	24	406	-
Deferred tax liabilities	13	3,286	2,298
Total non-current liabilities		443,248	448,522
Total liabilities		544,029	548,389
Net assets		286,802	386,321

See accompanying notes to consolidated financial statements.

MICLYN EXPRESS OFFSHORE LIMITED

Consolidated statement of financial position (cont'd)
at 30 June 2017

	Note	2017 US\$'000	2016 US\$'000
Equity			
<i>Capital and reserves</i>			
Share capital	29	-*	-*
Reserves	30	128,296	131,672
Retained earnings	31	154,973	252,243
Equity attributable to owners of the Company		283,269	383,915
Non-controlling interests	34	3,533	2,406
Total equity		286,802	386,321

* Amount is less than US\$1,000.

See accompanying notes to consolidated financial statements.

MICLYN EXPRESS OFFSHORE LIMITED

Consolidated statement of changes in equity
for the year ended 30 June 2017

Note	Share capital US\$'000	Other equity reserves US\$'000	Translation reserve US\$'000	Hedging reserve US\$'000	Share-based payments reserve US\$'000	Retained earnings US\$'000	Attributable to owners of the Company US\$'000	Non-controlling interests US\$'000	Total US\$'000
Balance at 1 July 2015	-*	140,831	(13,153)	(863)	1,149	274,962	402,926	1,887	404,813
Loss for the year	-	-	-	-	-	(22,719)	(22,719)	1,040	(21,679)
Other comprehensive income for the year, net of tax	-	-	1,379	863	-	-	2,242	-	2,242
Total comprehensive loss for the year	-	-	1,379	863	-	(22,719)	(20,477)	1,040	(19,437)

Transactions with owners, recognised directly in equity

Recognition of share-based payment	30(c)	-	-	-	861	-	861	-	861
Effect of acquiring part of non-controlling interests in a subsidiary ⁽¹⁾	30(a)	-	605	-	-	-	605	(521)	84
Balance at 30 June 2016		-*	141,436	(11,774)	-	2,010	252,243	2,406	386,321

⁽¹⁾ During year ended 30 June 2016, the Group purchased the remaining 30% shareholding from the non-controlling shareholders of its vessel charter subsidiary, Miclyn Express Offshore (B) Sdn Bhd.

* Amount is less than US\$1,000

See accompanying notes to consolidated financial statements.

MICLYN EXPRESS OFFSHORE LIMITED
Consolidated statement of changes in equity (cont'd)
for the year ended 30 June 2017

	Note	Share capital US\$'000	Other equity reserves US\$'000	Translation reserve US\$'000	Hedging reserve US\$'000	Share-based payments reserve US\$'000	Retained earnings US\$'000	Attributable to owners of the Company US\$'000	Non-controlling interests US\$'000	Total US\$'000
Balance at 30 June 2016		-*	141,436	(11,774)	-	2,010	252,243	383,915	2,406	386,321
Loss for the year		-	-	-	-	-	(97,270)	(97,270)	1,127	(96,143)
Other comprehensive loss for the year, net of tax		-	-	(2,229)	-	-	-	(2,229)	-	(2,229)
Total comprehensive loss for the year		-	-	(2,229)	-	-	(97,270)	(99,499)	1,127	(98,372)
Transactions with owners, recognised directly in equity										
Recognition of share-based payment	30(c)	-	-	-	-	(1,147)	-	(1,147)	-	(1,147)
Balance at 30 June 2017		-*	141,436	(14,003)	-	863	154,973	283,269	3,533	286,802

* Amount is less than US\$1,000

See accompanying notes to consolidated financial statements.

MICLYN EXPRESS OFFSHORE LIMITED

Consolidated statement of cash flows

For the year ended 30 June 2017

	2017 US\$'000	2016 US\$'000
Cash flows from operating activities		
Loss before income tax	(91,587)	(17,394)
Adjustments for:		
Share of profit from joint ventures	(3,738)	(7,805)
Amortisation of provisions	(202)	(248)
Amortisation of intangible assets	89	116
Amortisation of drydocking expenditure	8,887	9,732
Depreciation of property, plant and equipment	29,097	29,519
Impairment loss on vessels	56,559	6,523
Allowance for doubtful debts	21	4,298
Impairment loss on loan to immediate holding company	11,800	-
(Gain) Loss on disposal of property, plant and equipment, net	(64)	1,753
Interest expense	29,412	43,510
Interest income	(108)	(215)
(Reversal of) expense recognised in respect of share-based payments	(1,147)	861
Unrealised currency translation gain	(1,333)	(1,315)
	37,686	69,335
Movements in working capital		
Decrease in trade and other receivables	3,918	24,573
(Increase) Decrease in inventories	(9)	505
Increase (Decrease) in trade and other payables	3,193	(5,927)
	44,788	88,486
Cash generated from operations	44,788	88,486
Income tax refund (paid)	123	(830)
Interest paid	(26,515)	(25,112)
Net cash from operating activities	18,396	62,544
Cash flows from investing activities		
Interest received	108	215
Proceeds from disposal of property, plant and equipment (Note A)	1,869	3,840
Payments for property, plant and equipment	(8,278)	(21,187)
Investment in joint venture	-	(268)
Net cash used in investing activities	(6,301)	(17,400)

See accompanying notes to consolidated financial statements.

MICLYN EXPRESS OFFSHORE LIMITED
Consolidated statement of cash flows (cont'd)
For the year ended 30 June 2017

	<u>Note</u>	<u>2017</u> US\$'000	<u>2016</u> US\$'000
Cash flows from financing activities			
Net proceeds from issue of bond	28	-	150,000
Upfront expenses due to bonds and borrowings		(92)	(15,848)
Net proceeds from borrowings	25	21,500	365,500
Repayments of borrowings	25	(35,519)	(389,066)
Acquisition of shares in subsidiary from non-controlling interest		-	(30)
Net bond settlement		-	(158,153)
Net cash used in financing activities		(14,111)	(47,597)
Net decrease in cash and cash equivalents		(2,016)	(2,453)
Cash and cash equivalents at the beginning of the year		13,835	16,237
Effects of exchange rate changes on the balance of cash held in foreign currencies		(30)	51
Cash and cash equivalents at the end of the year	14	<u>11,789</u>	<u>13,835</u>

Note A - Included in proceeds from disposal of property, plant and equipment of US\$1,869,000 is the proceeds from the completion of disposal of vessel held for sale which was outstanding as at the year ended 30 June 2016 of US\$1,600,000 (Note 18).

See accompanying notes to consolidated financial statements.

MICLYN EXPRESS OFFSHORE LIMITED

Notes to consolidated financial statements
for the year ended 30 June 2017

1. General information

Miclyn Express Offshore Limited, (the "Company") was incorporated in Bermuda on 11 September 2009. The registered address is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business is 10 Hoe Chiang Road, #09-01/07 Keppel Towers, Singapore 089315.

The Company and its subsidiaries (the "Group") are principally engaged as owners, charterers and marketers of offshore support vessels, crew/utility vessels, tugs, barges and coastal survey vessels and in crewboat operations and investment holding.

As at 30 June 2017, the Group has bank loans of US\$321,902,000 (Note 25) and a US\$150,000,000 8.75% senior secured guaranteed bond (Note 28). The bank loans comprise of:

- i) term loan of US\$14,880,000 repayable over 28 monthly instalments;
- ii) term loan of US\$235,022,000 which comprise US\$82,687,500 repayable over 13 quarterly instalments and a final instalment due in November 2020; and
- iii) revolving credit facility of US\$72,000,000 due in November 2020.

In October 2016, the Group obtained approval from the relevant bank to reduce 5 quarterly principal repayments in respect of its bank loans totaling US\$33,750,000 to US\$8,437,500 for the period from August 2016 to August 2017. The principal amount of the bonds is due in November 2018 and its interest is due on a semi-annual basis in November and May.

To address the financial obligations of the Group and to ensure the adequacy of funds required to meet its obligations and working capital needs, the Group has appointed financial and legal advisors to assist in the restructuring of its debt obligations in respect of the bank loans and bonds by way of amendments to certain terms of the relevant debt documents and/or an exchange of the bonds for new bonds with different terms ("Debt Restructuring"). The Group's ability to repay the amounts outstanding under the bank loans and senior secured guaranteed bonds as they fall due is dependent on the outcome of the Debt Restructuring. As at the date of the consolidated financial statements, the Group remains actively engaged in negotiations with the bank and bondholders (collectively "lenders") on the Debt Restructuring. The directors and management believe that there is reasonable likelihood that a Debt Restructuring can be successfully achieved.

The above matters represent a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern, and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business. The management and the directors believe that a successful conclusion of the Debt Restructuring negotiation will improve the financial position of the Group and enable it to continue operations for the foreseeable future. Hence, the directors and management believe that the going concern assumption adopted in the preparation of the accompanying consolidated financial statements remains appropriate.

Accordingly, the accompanying consolidated financial statements do not include any adjustments relating to the realisation and classification of asset and liability amounts that may be necessary if the Group is unable to continue as a going concern. Should the going concern assumption be inappropriate, adjustments may have to be made to (i) reflect the situation that assets may need to be realised other than at their carrying amounts; (ii) provide for further liabilities that may arise; and (iii) reclassify non-current assets and non-current liabilities as current. No adjustments have been made in the accompanying consolidated financial statements in respect of these matters.

MICLYN EXPRESS OFFSHORE LIMITED

Notes to consolidated financial statements
for the year ended 30 June 2017

2. Adoption of new and revised accounting standards

On 1 July 2016, the Group adopted all the new and revised IFRSs that are effective from that date and are relevant to its operations. The adoption of the new and revised IFRSs did not result in changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior years.

At the date of authorisation of these consolidated financial statements, the following new/revised IFRSs that are relevant to the Group were issued but not effective:

- IFRS 9 *Financial Instruments*¹
- IFRS 15 *Revenue from Contracts with Customers (and the related Clarifications)*¹
- IFRS 16 *Leases*²
- Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions*¹
- IFRIC 12 *Foreign Currency Transactions and Advance Consideration*¹

¹ Effective for annual periods beginning on or after 1 January 2018, with early application permitted.

² Effective for annual periods beginning on or after 1 January 2019, with early application permitted.

Consequential amendments were also made to various standards as a result of these new/revised standards.

The management anticipates that the adoption of the above IFRSs and amendments to IFRS in future periods will not have a material impact on the consolidated financial statements of the Group in the period of their initial adoption except for the following:

IFRS 9 *Financial Instruments*

IFRS 9 was issued in December 2014 to replace IFRS 9 *Financial Instruments: Recognition and Measurement* and introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities, (ii) general hedge accounting and (iii) impairment requirements for financial assets.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 are now required to be subsequently measured at amortised cost or fair value through profit or loss (FVTPL). Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (FVTOCI). All other debt investments and equity investments are measured at FVTPL at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognised in profit or loss.

MICLYN EXPRESS OFFSHORE LIMITED

Notes to consolidated financial statements
for the year ended 30 June 2017

2. Adoption of new and revised accounting standards (continued)**IFRS 9 *Financial Instruments* (continued)**

- With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, IFRS 9 requires that the amount of change in fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch to profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Management anticipates that the initial application of the new IFRS 9 will result in changes to the accounting policies relating to the impairment of financial assets. Management will consider whether a lifetime or 12-month expected credit losses on impairment of financial assets should be recognised, which is dependent on whether there has been a significant increase in the credit risk of the impairment of financial assets from initial recognition to the date of initial application of IFRS 9. Additional disclosures will also be made. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group's financial statements in the period of initial application as the management has yet to complete its detailed assessment. Management does not plan to early adopt the new IFRS 9.

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Notes to consolidated financial statements
for the year ended 30 June 2017

2. Adoption of new and revised accounting standards (continued)

IFRS 15 Revenue from Contracts with Customers

In November 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In June 2016, amendments to IFRS 15 was issued to provide clarifications on (i) identifying performance obligations (ii) principal versus agent considerations and (iii) licensing application guidance. The amendments also included two additional transition reliefs on contract modifications and completed contracts.

Management anticipates that the initial application of the new IFRS 15 may result in changes to the accounting policies relating to revenue recognition. Additional disclosures will also be made with respect to the trade receivables, including any significant judgement and estimation made. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group's consolidated financial statements in the period of initial application as the management has yet to complete its detailed assessment. Management does not plan to early adopt the new IFRS 15.

MICLYN EXPRESS OFFSHORE LIMITED

Notes to consolidated financial statements
for the year ended 30 June 2017

2. Adoption of new and revised accounting standards (continued)

IFRS 16 Leases

IFRS 16 was issued in June 2016 and it will supersede IAS 17 *Leases* and its associated interpretative guidance.

The Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts is determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the predecessor IAS 17.

As at 30 June 2017, the Group has non-cancellable operating lease commitments of US\$1,767,000. IAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments in Note 35 to the consolidated financial statements. A preliminary assessment indicates that these arrangements may meet the definition of a lease under IFRS 16, and hence the Group may recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. Whilst management does not expect the new requirement to recognise a right-of-use asset and a related lease liability to have a material impact on the amounts recognised in the Group's consolidated financial statements, they are still currently assessing its potential impact. It is not practicable to provide a reasonable estimate of the financial effect until the management completes the review. Management does not plan to early adopt the new IFRS 16.

3. Significant accounting policies

3.1 Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with the International Financial Reporting Standards ("IFRS").

The financial statements comprise the consolidated financial statements of the Group.

The financial statements were authorised for issue by the directors on 23 November 2017.

3.2 Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that are measured at revaluated amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

MICLYN EXPRESS OFFSHORE LIMITED

Notes to consolidated financial statements
for the year ended 30 June 2017

3. Significant accounting policies (continued)

3.2 Basis of preparation (continued)

Fair value is the price that would be received to sell an asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date, regardless of whether the price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value of measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and 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.

When a Company has less than a majority of the voting right of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

MICLYN EXPRESS OFFSHORE LIMITED

Notes to consolidated financial statements
for the year ended 30 June 2017

3. Significant accounting policies (continued)**3.3 Basis of consolidation (continued)**

- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interest of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interest is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interest in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

MICLYN EXPRESS OFFSHORE LIMITED

Notes to consolidated financial statements
for the year ended 30 June 2017

3. Significant accounting policies (continued)

3.3 Basis of consolidation (continued)

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specific/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair values, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree, and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their assumed fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal Groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

3.4 Business combinations

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in the profit or loss as a bargain purchase gain.

MICLYN EXPRESS OFFSHORE LIMITED

Notes to consolidated financial statements
for the year ended 30 June 2017

3. Significant accounting policies (continued)**3.4 Business combinations (continued)**

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with changes in fair value recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date of the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

MICLYN EXPRESS OFFSHORE LIMITED

Notes to consolidated financial statements
for the year ended 30 June 2017

3. Significant accounting policies (continued)

3.5 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, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. 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 the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect of the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

MICLYN EXPRESS OFFSHORE LIMITED

Notes to consolidated financial statements
for the year ended 30 June 2017

3. Significant accounting policies (continued)

3.5 Interests in joint ventures (continued)

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the relevant assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When the Group entity has transactions with a joint venture of the Group, profits or 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.

3.6 Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquire and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired over the liabilities assumed.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

MICLYN EXPRESS OFFSHORE LIMITED

Notes to consolidated financial statements
for the year ended 30 June 2017

3. Significant accounting policies (continued)

3.6 Goodwill (continued)

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.7 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

3.8 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for rendering of services in the ordinary course of the Group's activities, net of goods and services tax, rebates and discounts, where applicable, and after eliminating sales within the Group. Revenue is recognised as follows:

Chartering revenue

Revenue from chartering contracts is recognised on a time proportionate basis. Probable losses on voyages are provided in full at the time such losses can be estimated. Deferred revenue is recorded when payments are received in advance for the Group's services. As the related service is rendered, revenue is recognised.

Pipe transportation projects

Revenue and profits from pipe transportation projects are recognised based on the percentage of completion as at the end of the reporting period by reference to the proportion of cost incurred to date in relation to the estimated total costs for the respective contracts, provided that the outcome can be reliably estimated.

Provision is made in full for estimated losses on uncompleted contracts and liquidated damages in the year in which such losses are anticipated, regardless of the stage of completion of the contracts.

MICLYN EXPRESS OFFSHORE LIMITED

Notes to consolidated financial statements
for the year ended 30 June 2017

3. Significant accounting policies (continued)

3.8 Revenue recognition (continued)

Rendering of services

Revenue from services is recognised over the period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be performed.

Mobilisation/demobilisation income

Mobilisation and demobilisation income is recognised upon completed delivery of services.

Ship management income

Revenue from management contracts is recognised on a time-proportionate basis. Deferred revenue is recorded when payments are received in advance for these services.

Dividend and interest income

Dividend income from investments is recognised when the shareholder'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 from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3.9 Leases

Leases are classified as finance leases whenever 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.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

MICLYN EXPRESS OFFSHORE LIMITED

Notes to consolidated financial statements
for the year ended 30 June 2017

3. Significant accounting policies (continued)

3.9 Leases (continued)

The 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 consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses 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, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see Note 3.11 below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

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. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.10 Foreign currency transactions and translation

The consolidated financial statements are presented in United States dollar, which is the Company's functional currency. Each entity within the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

In preparing the financial statements of each individual group entity, 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 rates 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 on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risk; are described in the hedging accounting policies below; and

MICLYN EXPRESS OFFSHORE LIMITED

Notes to consolidated financial statements
for the year ended 30 June 2017

3. Significant accounting policies (continued)

3.10 Foreign currency transactions and translation (continued)

- 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 the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into United States dollar using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate 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 in other comprehensive income and accumulated in equity under translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity under translation reserve in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

3.11 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 prepare 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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

MICLYN EXPRESS OFFSHORE LIMITED

Notes to consolidated financial statements
for the year ended 30 June 2017

3. Significant accounting policies (continued)**3.12 Retirement benefit costs**

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

3.13 Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

3.14 Share-based payments

The Group previously issued equity-settled share-based payments to certain employees.

Equity-settled share-based payments to employees and others providing similar services are measured at fair value of the equity instruments at the date of grant. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 32.

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 the number 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 a corresponding adjustment to the equity-settled share-based payments reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

MICLYN EXPRESS OFFSHORE LIMITED

Notes to consolidated financial statements
for the year ended 30 June 2017

3. Significant accounting policies (continued)

3.15 Taxation

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

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 in countries where the Company and subsidiaries operate by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated 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 those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on the tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period. 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 end of the reporting period, to recover or settle the carrying amount of its asset 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 the net basis.

MICLYN EXPRESS OFFSHORE LIMITED

Notes to consolidated financial statements
for the year ended 30 June 2017

3. Significant accounting policies (continued)

3.15 Taxation (continued)

Current and deferred tax for the year

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of business combinations, the tax effect is included in the accounting for the business combination.

3.16 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amounts of the replaced components are written off to the statement of profit or loss and other comprehensive income. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation is calculated using the straight-line method to allocate the cost less its residual values estimated by the management so as to write-off items of property, plant and equipment over their estimated useful lives.

The estimated useful lives of assets are summarised as follows:

Vessels - Barges	-	20 years
Vessels - Others	-	25 years
Vessels - Equipment	-	3 to 5 years
Dry-docking	-	2.5 to 5 years
Leasehold land and building	-	20 years
Furniture and fittings	-	3 to 10 years
Office equipment	-	3 to 5 years
Motor vehicles	-	10 years
Plant and machinery	-	2.5 to 5 years

No depreciation is provided on vessels under construction.

The depreciation method, estimated useful lives and residual values are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

MICLYN EXPRESS OFFSHORE LIMITED

Notes to consolidated financial statements
for the year ended 30 June 2017

3. Significant accounting policies (continued)**3.16 Property, plant and equipment (continued)**

Costs incurred on subsequent dry-docking of vessels are capitalised and depreciated over 2.5 to 5 years. When significant dry-docking costs are incurred prior to the expiry of the depreciation period, the remaining costs of the previous dry-docking is written off in the month of the next dry-docking.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

The gain or loss arising on the 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 or loss.

Fully depreciated assets are retained in the consolidated financial statements until they are no longer in use and no further charge is taken for depreciation in respect of these assets.

3.17 Intangible assets

Intangible assets acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The estimated useful lives of licences are 5 years.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

MICLYN EXPRESS OFFSHORE LIMITED

Notes to consolidated financial statements
for the year ended 30 June 2017

3. Significant accounting policies (continued)**3.18 Impairment of tangible and intangible assets excluding goodwill**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible 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. When a reasonable and consistent basis of allocation can be identified, corporate assets are allocated to individual cash generating units, or otherwise they are also allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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 (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit or loss, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or 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 the profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

MICLYN EXPRESS OFFSHORE LIMITED

Notes to consolidated financial statements
for the year ended 30 June 2017

3. Significant accounting policies (continued)

3.19 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted-average basis. Cost of work-in-progress comprises raw materials, direct labour, sub-contractors' costs, other direct cost and related production overheads but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less all estimated cost of completion and cost necessary to make the sale.

3.20 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 the end of the reporting period, 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 (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.21 Financial assets

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premium or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments other than those financial instruments "at fair value through profit or loss".

3. Significant accounting policies (continued)

3.21 Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

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 when 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.

For certain categories of financial asset, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 138 days (2016 : 115 days), as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced 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.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

MICLYN EXPRESS OFFSHORE LIMITED

Notes to consolidated financial statements
for the year ended 30 June 2017

3. Significant accounting policies (continued)**3.22 Financial liabilities and equity instruments issued by the Group**Classification as debt or equity

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Other financial liabilities

Trade and other payables, including borrowings, are initially measured at fair value, net of transactions costs, and are subsequently measured at amortised cost, using the effective interest method.

For interest bearing bank loans and bonds, any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

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 profit or loss.

3.23 Fair value estimation for financial assets and liabilities

The carrying amounts of current financial assets and liabilities, carried at amortised cost, approximate their fair values.

The fair values of financial instruments traded in active markets (such as exchange traded and over-the-counter securities and derivatives) are based on quoted market prices at the end of each reporting period.

MICLYN EXPRESS OFFSHORE LIMITED

Notes to consolidated financial statements
for the year ended 30 June 2017

3. Significant accounting policies (continued)**3.23 Fair value estimation for financial assets and liabilities (continued)**

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as estimated discounted cash flows, are also used to determine the fair values of the financial instruments.

The fair values of financial liabilities carried at amortised cost are estimated by discounting the future contractual cash flows at the current market interest rates that are available to the Group for similar financial liabilities.

3.24 Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments to manage its exposure to interest rate risk and foreign exchange rate risk including foreign exchange forward contracts and interest rate swaps.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in the profit or 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.

The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges) or hedges of foreign currency risk of firm commitments (cash flow hedges). A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months from the end of the reporting period and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

The Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges or cash flow hedges. 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 fair values or cash flows of the hedged item.

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Notes to consolidated financial statements
for the year ended 30 June 2017

3. Significant accounting policies (continued)**3.24 Derivative financial instruments and hedge accounting (continued)****Cash flow hedge**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts 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 of the profit and loss statement 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 accumulated in equity under hedging reserve are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Group changes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss that was accumulated in equity under hedging reserve is recognised immediately in profit or loss.

3.25 Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or,
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

3.26 Cash and cash equivalents in the statement of cash flows

Cash and cash equivalents in the statement of cash flows comprise cash and bank balances that are readily convertible to a known amount of cash and is subject to an insignificant risk of change in value.

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Notes to consolidated financial statements
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4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts 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 judgement in applying accounting policies

Management is of the opinion that there are no critical judgements involved that have a significant effect on the amounts recognised in the consolidated financial statements other than the following two matters:

- (i) Use of going concern assumption as disclosed in Note 1; and
- (ii) Assessment on the recoverability of loan to immediate holding company

The shareholders of the immediate holding company have represented that the amount is anticipated to be repaid from the proceeds arising from the sale of their interest in the Company in the future.

The recoverability of the loan to the immediate holding company is dependent on the ability of the Group to continue operations as a going concern, the final outcome of the Debt Restructuring disclosed in Note 1 to the consolidated financial statements, and the expected valuation of the Group when the sale of the Company by the immediate holding company takes place. In determining the valuation of the Group, the management has taken into consideration the expected timeframe on the sale of the Company, the expected outcome of the Debt Restructuring exercise, the amount and timing of future cash flows, the forecasted EBITDA, the expected enterprise value multiple and the expected future industry conditions and outlook. Such valuation thus requires significant management judgement and estimates.

Based on the valuation prepared by the management, the Group recognised an impairment loss of US\$11,800,000 during the financial year ended 30 June 2017 (Note 16).

Key sources of estimation of 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:

Allowance for doubtful debts

The policy on allowance for doubtful debts of the Group is based on the evaluation of recoverability and on management's judgement. A considerable amount of judgement is required in assessing the expected ultimate realisation of these receivables, including the credit-worthiness of each customer. Management has assessed the recoverability of gross trade receivables of US\$57,593,000 (2016 : US\$60,366,000) (Note 15) and considered that an allowance for doubtful debts amounting to US\$4,231,000 (2016 : US\$4,266,000) was required.

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the end of the reporting period was US\$32,837,000 (2016 : US\$32,837,000). Details of the impairment review calculation are provided in Note 22.

Impairment in value of investment in joint ventures

Investment in joint ventures is stated at cost less accumulated impairment losses, if any. The Group follows the guidance of IAS 36 *Impairment of Assets* to determine when its investment in joint ventures is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the market and economic environment in which the joint ventures operate, economic performance of these entities, the duration and extent to which the cost of investments in these entities exceed their net tangible assets values and fair value of investments less cost to sell.

The Group has considered and assessed the value of its investment in joint ventures and believe that no impairment is considered necessary. The carrying amount of the investment in joint ventures is disclosed in Note 20.

Impairment of vessels

Vessels (including dry-docking) with net carrying amount of US\$488,562,000 (2016 : US\$576,964,000) were subject to an impairment review in the financial year ended 30 June 2017. The impairment review involves comparing the recoverable amount of an asset or cash generating unit against their carrying values. For impairment assessment, management groups vessels of similar class as a single cash generating unit as the Group manages its vessels interchangeably and centrally and cash flows generated by individual vessel are substantially dependent on the other vessels in that same asset class.

Recoverable amount is defined as the higher of the value in use and fair value less cost to sell. Value in use is the present value of the future cash flows expected to be derived from the asset or cash generating unit, including terminal value. Fair value is the amount obtainable from the sale of an asset or cash generating unit in an arm's length transaction between knowledgeable, willing parties. The fair values were based on valuation reports prepared by independent third party valuers which represent appraisals of the vessels' present day indicative market values.

As a result of the impairment review, the Group recognised an impairment loss of US\$56,559,000 (2016 : US\$6,523,000) during the financial year ended 30 June 2017.

The carrying values of vessels are disclosed in Note 21.

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Notes to consolidated financial statements
for the year ended 30 June 2017

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

Residual values and useful lives of vessels

The Group reviews the residual values and useful lives of property, plant and equipment at the end of each reporting period, in accordance with the accounting policy stated in Note 3.

Significant judgement is required in determining the residual values and useful lives of vessels. In determining the residual values and useful lives of vessels, the Group considers the scrap steel market price, the expected usage, maintenance and repair cost, technical or commercial obsolescence and legal or similar limits to the use of plant and equipment.

The Group adopts a policy of depreciating the cost of its vessels, after allowing for residual values, over an assumed economic life span of 20 to 25 years from the date of initial delivery of a vessel from the shipyard. However, the assumptions regarding economic life span and the estimated residual values may differ from the original estimates. Such differences will impact depreciation prospectively from the year in which the estimated economic useful life or the residual value changes.

The carrying amount of property, plant and equipment is disclosed in Note 21.

Taxation in different jurisdictions

The Group is subject to income taxes in a number of jurisdictions. In determining income tax liabilities, management is required to estimate the deductibility of certain expenses and the amount of capital allowances available in each tax jurisdiction.

Management has estimated its income tax liabilities in all the jurisdictions in which it operates and the amounts recorded as at 30 June 2017 and 2016 are considered reasonable. The carrying amounts of the income tax payable for the Group at the end of reporting period amounted to US\$3,935,000 (2016 : US\$2,804,000) and the income tax expense is disclosed in Note 13.

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Notes to consolidated financial statements
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5. Revenue

The following is an analysis of the Group's revenue for the year:

	Year ended 30 June 2017 US\$'000	Year ended 30 June 2016 US\$'000
Charter revenue	111,052	164,606
Mobilisation/demobilisation income	11,663	8,224
Ship management income	3,892	4,320
Project pipe transportation	34,299	53,006
Others	144	792
	<u>161,050</u>	<u>230,948</u>

See Note 6 below for an analysis of revenue by operating segments.

6. Segmental information

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is based on the different categories of vessels generating charter revenue. The principal categories of revenue are from Offshore Support Vessels, Crew/utility Vessels, Tugs, Barges, Coastal Survey Vessels, Third party Vessels and Project pipe transportation.

Offshore support vessels	- Transportation and various support services across the entire offshore oil and gas cycle
Crew/utility vessels	- Transportation of personnel and supplies to and from oil and gas production platforms
Tugs	- Transportation of barges to and from work locations
Barges	- Transportation of oilfield equipment, heavy steel structures, raw materials and/or accommodation for personnel working at offshore sites
Coastal survey vessels	- Near-shore civil construction and oil/gas field exploration, development and production support
Third party vessels	- Chartering of vessels from the market, to charter out to customers, vessel upgrading, vessel reinstatement and ship management
Project pipe transportation	- Provision of offshore transportation solutions and equipment

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6. Segmental information (continued)

Information regarding the Group's reportable segments is presented below.

(i) Segment revenue and results

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

	<u>Segment revenue</u>		<u>Segment profit/(loss)</u>	
	Year ended 30 June 2017 US\$'000	Year ended 30 June 2016 US\$'000	Year ended 30 June 2017 US\$'000	Year ended 30 June 2016 US\$'000
Offshore support vessels	65,760	106,181	(2,266)	22,091
Crew/utility vessels	50,118	58,454	11,719	14,847
Tugs	405	26	(1,202)	(2,370)
Barges	10,330	14,863	2,303	7,089
Coastal survey vessels	624	-	(75)	(391)
Third party vessels	288	1,525	173	(36)
Project pipe transportation	34,299	53,006	6,404	8,586
Other	-	-	-	(34)
	<u>161,824</u>	<u>234,055</u>	<u>17,056</u>	<u>49,782</u>
Eliminations	(774)	(3,107)	-	-
Total	<u>161,050</u>	<u>230,948</u>	<u>17,056</u>	<u>49,782</u>
Other income			966	922
Central administration costs and directors' salaries			(15,364)	(24,064)
Finance costs			(29,457)	(43,563)
Other expenses (Note 11)			(68,526)	(8,276)
Share of profit from joint ventures			3,738	7,805
Loss before tax			<u>(91,587)</u>	<u>(17,394)</u>
Income tax expense			<u>(4,556)</u>	<u>(4,285)</u>
Consolidated loss for the year			<u>(96,143)</u>	<u>(21,679)</u>

Revenue and results reported above represents revenue generated from external customers.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries and finance costs, and income tax expense. This is the information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

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Notes to consolidated financial statements
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6. Segmental information (continued)(ii) Segment assets and liabilities

	30 June 2017 US\$'000	30 June 2016 US\$'000
Segment assets		
Offshore support vessels	310,967	374,016
Crew/utility vessels	213,913	220,499
Tugs	9,009	15,545
Barges	46,286	47,455
Coastal survey vessels	440	1,057
Project pipe transportation	8,475	15,010
Total segment assets	589,090	673,582
Unallocated	241,741	261,128
Consolidated assets	830,831	934,710
Segment liabilities		
Offshore support vessels	50,190	50,549
Crew/utility vessels	29,631	28,935
Tugs	984	1,065
Barges	4,813	3,514
Coastal survey vessels	35	122
Project pipe transportation	3,325	4,553
Total segment liabilities	88,978	88,738
Unallocated	455,051	459,651
Consolidated liabilities	544,029	548,389

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Notes to consolidated financial statements
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6. Segmental information (continued)

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than "cash and cash equivalents", "other receivables and prepayments", "intangible assets" and certain "property, plant and equipment" used for administrative purposes. Goodwill has been allocated to reportable segments as described in Note 22. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and
- all liabilities are allocated to reportable segments other than "borrowings", "other financial liabilities" and "current and deferred taxation". Liabilities for which reportable segments are jointly liable are allocated in proportion to the cost of sales incurred.

(iii) Other segment information

	Depreciation and amortisation		Additions to non-current assets	
	Year ended 30 June 2017 US\$'000	Year ended 30 June 2016 US\$'000	Year ended 30 June 2017 US\$'000	Year ended 30 June 2016 US\$'000
Offshore support vessels	21,795	21,016	3,460	4,703
Crew/utility vessels	9,969	10,729	1,632	15,247
Tugs	1,067	1,568	162	31
Barges	4,363	4,862	2,562	952
Coastal survey vessels	107	176	-	-
Project pipe transportation	22	126	-	18
Unallocated	750	890	462	236
	<u>38,073</u>	<u>39,367</u>	<u>8,278</u>	<u>21,187</u>

In addition to the depreciation and amortisation reported above, no impairment losses were recognised in respect of goodwill for 2017 and 2016.

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Notes to consolidated financial statements
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6. Segmental information (continued)**(iv) Geographical information**

The Group's vessels are deployed in four principal geographical areas - Asia, Australia, Middle East and Inter-regional.

The Group's revenue from external customers and information about its segment assets by geographical location are detailed below:

	Revenue from external customers		Non-current assets	
	Year ended 30 June 2017	Year ended 30 June 2016	Year ended 30 June 2017	Year ended 30 June 2016
	US\$'000	US\$'000	US\$'000	US\$'000
<u>Based on location where revenue was generated</u>				
Asia:				
Brunei	15,161	25,202	-	-
Indonesia	34,917	29,060	3,982	2,223
Malaysia	16,360	14,397	-	-
Singapore	-	-	112,012	108,256
Thailand	14,022	33,843	-	-
Rest of Asia	1,387	2,865	-	-
Inter-regional ⁽¹⁾	6,453	34,348	-	-
Australia	5,579	28,223	-	-
Africa	5,569	-	-	-
Middle East:				
Saudi Arabia	24,969	28,573	-	-
U.A.E	25,833	18,063	-	-
Rest of Middle East	10,800	16,374	-	-
	161,050	230,948	115,994	110,479
Vessels ⁽²⁾	-	-	476,983	560,363
Vessels under construction/ work in progress ⁽²⁾	-	-	1,430	357
Drydocking ⁽²⁾	-	-	11,579	16,601
Plant and equipment ⁽²⁾	-	-	5,335	6,664
Others	-	-	3,746	3,180
	161,050	230,948	615,067	697,644

(1) Inter-regional revenue is earned in international waters and is therefore not allocated to a specific country or region.

(2) The management considers that the nature of the Group's business precludes a meaningful allocation of vessel and related assets to specific geographical segments. These vessels, together with the related drydocking costs and vessel equipment are primarily chartered across geographic markets.

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Notes to consolidated financial statements
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6. Segmental information (continued)**(v) Information about major customers**

Included in Group's revenue are:

- Revenue from Offshore Support Vessels and Crew/utility Vessels of US\$14,593,000 (2016 : US\$29,865,000) derived from one customer;
- Revenue from Offshore Support Vessels, Crew/utility Vessels, Barges and Project Pipe Transportation of US\$14,506,000 (2016 : US\$25,638,000) derived from one customer; and
- Revenue from Offshore Support Vessels, Crew/utility Vessels, Barges and Project Pipe Transportation of US\$13,263,000 (2016 : US\$16,777,000) derived from one customer.

7. Other income

	Year ended 30 June 2017 US\$'000	Year ended 30 June 2016 US\$'000
Management income	69	69
Amortisation of provisions (Note 27)	202	248
Scrap sales	-	11
Dividend income	15	7
Sundry income	508	238
Interest income	108	215
Gain on disposal of property, plant and equipment	64	-
Net foreign exchange gain	-	134
	<u>966</u>	<u>922</u>

8. Administration expenses

	Year ended 30 June 2017 US\$'000	Year ended 30 June 2016 US\$'000
Employee-related expenses (Note 9)	8,328	12,195
Professional fees	2,628	3,070
Rental expenses	1,610	1,584
Depreciation of property, plant and equipment	739	868
Allowance for doubtful debt	21	4,298
Others	2,038	2,049
	<u>15,364</u>	<u>24,064</u>

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9. Employee-related expenses

	Year ended 30 June 2017 US\$'000	Year ended 30 June 2016 US\$'000
Wages and salaries	6,696	6,823
Allowance and benefits	1,748	3,574
Employer's contribution to defined contribution plans	821	739
Share-based payments (Note 32)	(1,147)	861
Directors' fees	210	198
	<u>8,328</u>	<u>12,195</u>

10. Finance costs

	Year ended 30 June 2017 US\$'000	Year ended 30 June 2016 US\$'000
Interest expense arising from:		
Bank loans	12,979	12,456
Related party	423	276
Bond	13,110	12,839
Other finance costs	61	28
	<u>26,573</u>	<u>25,599</u>
Amortisation of debt upfront fee	2,839	4,060
Bond upfront fees written off upon redemption	-	13,851
Total interest expense	<u>29,412</u>	<u>43,510</u>
Commitment fee in relation to bank facility	45	53
	<u>29,457</u>	<u>43,563</u>

11. Other expenses

	Year ended 30 June 2017 US\$'000	Year ended 30 June 2016 US\$'000
Loss on disposal of property, plant and equipment	-	1,753
Net foreign exchange loss	167	-
Impairment loss on vessels (Note 21)	56,559	6,523
Impairment loss on loan to immediate holding company (Note 16)	11,800	-
	<u>68,526</u>	<u>8,276</u>

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12. Loss before tax

Loss before tax has been arrived at after charging:

	Year ended 30 June 2017 US\$'000	Year ended 30 June 2016 US\$'000
Depreciation and amortisation:		
Depreciation of property, plant and equipment	29,097	29,519
Amortisation of drydocking expenditure	8,887	9,732
Amortisation of intangible assets	89	116
	<u>38,073</u>	<u>39,367</u>
Charter hire expense	16,495	36,190
Cost of inventories recognised as expense in cost of sales	<u>1,159</u>	<u>1,175</u>

13. Income tax expense

	Year ended 30 June 2017 US\$'000	Year ended 30 June 2016 US\$'000
Tax expense comprises:		
Current tax expenses in respect of the current year	348	196
Adjustments recognised in the current year in relation to prior years	283	28
Deferred tax expense relating to the origination and reversal of temporary differences	1,105	1,123
Foreign withholding tax paid	<u>2,820</u>	<u>2,938</u>
	<u>4,556</u>	<u>4,285</u>

The tax expense for the year can be reconciled to the accounting profit as follows:

	Year ended 30 June 2017 US\$'000	Year ended 30 June 2016 US\$'000
Loss before tax	<u>(91,587)</u>	<u>(17,394)</u>
Tax at the domestic income tax rate of 17%* (2016 : 17%)	(15,570)	(2,957)
Tax exempt income	(2,269)	(4,096)
Tax effect of operating profits in other jurisdictions	2,067	708
Non-deductible expenses	8,113	7,664
Foreign withholding tax	2,820	2,938
Adjustments recognised in the current year in relation to the prior years	283	28
Total tax expense	<u>4,556</u>	<u>4,285</u>

* The tax rate used represents the domestic tax rate of Singapore, the country in which the Company is domiciled.

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13. Income tax expense (continued)

In accordance with the provisions of the Singapore Income Tax Act ("the Act") and Singapore's Approved International Shipping Enterprise Incentive ("AIS"), the operating profits from shipping activities of vessels plying international waters are tax-exempt. The exemption is subject to the Group meeting the terms and conditions set out in Section 13A of the Act and AIS (approved since 1 February 2011). In addition, income tax is chargeable on interest received during the financial year which is treated as a separate source of income for tax purposes.

Deferred tax liabilities

The following are the major deferred tax liabilities recognised by the Group, and the movements thereon, during the current and prior reporting periods:

	Accelerated tax depreciation US\$'000
At 1 July 2015	1,188
Adjustment	(13)
Credit to profit or loss	1,112
Exchange differences	11
At 30 June 2016	2,298
Adjustment	(117)
Credit to profit or loss	1,058
Exchange differences	47
At 30 June 2017	3,286

14. Cash and cash equivalents

	30 June 2017 US\$'000	30 June 2016 US\$'000
Cash and bank balances	11,789	13,835

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for the year ended 30 June 2017

15. Trade and other receivables

	30 June 2017 US\$'000	30 June 2016 US\$'000
Trade receivables	57,593	60,366
Allowance for doubtful debts	(4,231)	(4,266)
	<u>53,362</u>	<u>56,100</u>
Trade balances due from: Related parties (Note 38)	<u>2,187</u>	<u>2,182</u>
Non-trade balances due from: Related parties (Note 38)	<u>3,464</u>	<u>3,382</u>
Advances	1,283	3,503
Deposits	1,662	1,713
Prepayments	3,464	3,299
Insurance claims (i)	643	1,199
Other receivables	2,183	1,971
Loan to a related party (Note 38)	-	600
Tax recoverable	<u>1,829</u>	<u>2,559</u>
	<u>70,077</u>	<u>76,508</u>

- (i) The insurance claims are for damages sustained by 15 (2016 : 8) vessels which have been lodged with the insurer. Management is of the view that these claims are recoverable under the insurance policies in place.

The average days sales outstanding as at 30 June 2017 is 138 days (2016 : 115 days). No interest is charged on overdue trade receivables. The Group recognises allowance for doubtful debts against specific trade receivables determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

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. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

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15. Trade and other receivables (continued)

The table below is an analysis of trade receivables:

	30 June 2017 US\$'000	30 June 2016 US\$'000
Not past due and not impaired	20,723	25,154
Past due but not impaired	32,639	30,946
Total trade receivables, net	53,362	56,100

Ageing of past due but not impaired:

	30 June 2017 US\$'000	30 June 2016 US\$'000
< 3 months	9,371	16,614
3 months to 6 months	4,323	2,543
6 months to 12 months	9,677	5,720
> 12 months	9,268	6,069
	32,639	30,946

Movement in allowance for doubtful debts:

	30 June 2017 US\$'000	30 June 2016 US\$'000
Balance at beginning of year	4,266	2,985
Allowance during the year	21	4,298
Amounts written off during the year	(56)	(3,017)
Balance at end of the year	4,231	4,266

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit is initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the Group's customers base.

Ageing of impaired trade receivables:

	30 June 2017 US\$'000	30 June 2016 US\$'000
< 90 days	242	290
90 to 120 days	69	455
> 120 days	3,920	3,521
	4,231	4,266

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16. Loan to immediate holding company

The Group entered into an agreement to provide a loan facility in the aggregate up to US\$150 million (2016 : US\$150 million) to Manta Holdings Limited, the immediate holding company of the Company, which would expire on 12 December 2023. As at 30 June 2017, principal of US\$139,165,000 (2016 : US\$139,165,000) had been utilised by the immediate holding company. The loan is unsecured and interest-free.

The shareholders of its immediate holding company have represented that the amount is anticipated to be repaid from the proceeds arising from the sale of their interest in the Company's shares in the future. The sale is not expected to take place within the next 12 months from the end of the reporting period. Prior to this, the loan to immediate holding company was repayable on demand.

Based on the valuation performed by management, the Group recognised an impairment loss of US\$11,800,000 during the financial year ended 30 June 2017 (Note 11).

17. Inventories

	30 June 2017 US\$'000	30 June 2016 US\$'000
Raw materials	1,621	1,399
Spare parts and consumables	4,024	4,096
Bunkers and lube oil	313	463
	<u>5,958</u>	<u>5,958</u>

18. Vessels held for sale

In June 2017, the Group entered into agreements to sell crewboats (2016 : Tug) to an external party for a consideration of US\$575,000 (2016 : US\$1,600,000). Accordingly, the vessels to be sold were classified as vessels held for sale and were classified as a current asset on the consolidated statement of financial position. As at 30 June 2017, the vessels had a carrying amount of US\$575,000 (2016 : US\$1,600,000).

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19. Subsidiaries

The details of significant subsidiaries as at 30 June 2017 are as follows:

Name of subsidiaries and country of incorporation and operation	Principal activities	Effective equity interest held	
		30 June 2017 %	30 June 2016 %
MEO Finance Company Limited Bermuda	Investment holding	100	100
Miclyn Offshore Pte. Ltd. Singapore	Investment holding, owner and charterer of vessels	100	100
Miclyn Express Offshore Pte. Ltd. Singapore	Investment holding, chartering and management of vessels	100	100
Miclyn Shipbuilding & Engineering Pte. Ltd. Singapore	Ship building and ship repair	100	100
Miclyn Offshore (Middle East & Africa) FZE United Arab Emirates	Marketing offshore vessels and providing support services	100	100
Airmat Singapore Pte Ltd Singapore	Owner and charterer of vessels and barges	100	100
Entrons (Singapore) Pte Ltd Singapore	Owner and charterer of vessels and barges	100	100
Girino Enterprise Pte Ltd Singapore	Owner and charterer of vessels and barges	100	100
Express Offshore Solutions Pte. Ltd. Singapore	Provision of offshore transportation solutions and equipment	100	100

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19. Subsidiaries (continued)

Name of subsidiaries and country of incorporation and operation	Principal activities	Effective equity interest held	
		30 June 2017 %	30 June 2016 %
Ken-Mok Engineering & Fabricators Pte Ltd Singapore	Owner and charterer of vessels and barges	100	100
Koleth (S) Pte Ltd Singapore	Owner and charterer of vessels and barges	100	100
Maldives Fishery Pte Ltd Singapore	Owner and charterer of vessels and barges	100	100
Ticwink Pte Ltd Singapore	Owner and charterer of vessels and barges	100	100
Offshore Charters Pte Ltd Singapore	Ship management, owner and charterer of vessels	100	100
Stardazz Pte Ltd Singapore	Owner and charterer of vessels and barges	100	100
Express Offshore Transport (UAE) LLC ⁽ⁱⁱ⁾ United Arab Emirates	Owner and charterer of vessels and barges	100	100
MEO Investments Pte. Ltd. Singapore	Owner and charterer of vessels and barges	100	100
Miclyn Express Offshore (L) Bhd Malaysia	Owner and charterer of vessels & barges	100	100
Miclyn Express Offshore (Australia) Holdings Pty Ltd Australia	Investment holding	100	100
MEO Brunei Sdn Bhd Brunei	Owner and charterer of vessels and barges	70	70

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19. Subsidiaries (continued)

Name of subsidiaries and country of incorporation and operation	Principal activities	Effective equity interest held	
		30 June 2017 %	30 June 2016 %
Miclyn Express Offshore (B) Sdn Bhd ⁽ⁱ⁾ Brunei	Owner and charterer of vessels and barges	100	100
Bintang Samudera Sdn Bhd Malaysia ⁽ⁱⁱ⁾	Owner and charterer of vessels and barges	100	100
Setia Samudera Sdn Bhd Malaysia ⁽ⁱⁱ⁾	Owner and charterer of vessels and barges	100	100

- (i) During the year ended 30 June 2016, the Group signed an agreement with the non-controlling shareholders of its vessel charter subsidiary, Miclyn Express Offshore (B) Sdn Bhd for the purchase of the remaining 30% shareholding in the subsidiary for a total consideration of US\$30,000.

The following schedule shows the effects of changes in the Group's ownership interest in a subsidiary that did not result in change of control, on the equity attributable to owner of the parent Company:

	30 June 2017 US\$'000	30 June 2016 US\$'000
Amounts paid on changes in ownership interest in subsidiary	-	(30)
Non-controlling interest acquired	-	635
Difference recognised in equity reserves (Note 30)	-	605

- (ii) A certain proportion of the equity interest of the Group is held through nominees.

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20. Investment in joint ventures

	30 June 2017	30 June 2016
	US\$'000	US\$'000
Investment in joint ventures	39,052	39,052
Share of post-acquisition profit, net of dividend received	39,371	35,618
	<u>78,423</u>	<u>74,670</u>

The details of the joint ventures are as follows:

Name of joint ventures and country of incorporation and operation	Principal activities	Effective equity interest held	
		30 June 2017	30 June 2016
		%	%
Uniwise Holdings Limited, Thailand	Investment holding	37.5	37.5
Uniwise Offshore Limited Thailand	Offshore support vessel business	50.0	50.0
Alliance Offshore Services Pte Ltd Singapore	Owner and charterer of vessels and barges	50.0	50.0
Uniwise Marine Services Holdings Limited Thailand	Investment holding	37.5	37.5
Uniwise Towage Limited Thailand	Offshore support vessel business	50.0	50.0
Miclyn Midad Marine Co LLC Saudi Arabia	Owner and charterer of vessels and barges	50.0	50.0

Summarised financial information in respect of the Group's material joint ventures is set out below:

Uniwise Offshore Limited

	30 June 2017	30 June 2016
	US\$'000	US\$'000
Current assets	<u>15,628</u>	<u>19,645</u>
Non-current assets	<u>108,803</u>	<u>111,342</u>
Current liabilities	<u>(10,646)</u>	<u>(13,665)</u>
Non-current liabilities	<u>(6,561)</u>	<u>(12,929)</u>

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20. Joint ventures (continued)

	Year ended 30 June 2017 US\$'000	Year ended 30 June 2016 US\$'000
Revenue	18,259	30,333
Profit for the year	2,844	9,706

The above profit for the year include the following:

Depreciation and amortisation	(4,951)	(5,033)
Interest income	162	48
Interest expense	(463)	(636)
Income tax expense	(263)	(224)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	30 June 2017 US\$'000	30 June 2016 US\$'000
Net assets of the joint venture	107,224	104,393
Proportion of the Group's ownership interest in the joint venture	50%	50%
Carrying amount of the Group's interest in the joint venture	53,612	52,197

Uniwise Towage Limited

	30 June 2017 US\$'000	30 June 2016 US\$'000
Current assets	26,564	24,748
Non-current assets	10,522	10,775
Current liabilities	(256)	(2,058)

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20. Joint ventures (continued)

	Year ended 30 June 2017 US\$'000	Year ended 30 June 2016 US\$'000
Revenue	4,536	5,186
Profit for the year	2,143	3,280

The above profit for the year include the following:

Depreciation and amortisation	(691)	(862)
Interest income	493	465
Interest expense	(21)	(53)
Income tax expense	(277)	(316)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	30 June 2017 US\$'000	30 June 2016 US\$'000
Net assets of the joint venture	36,830	33,465
Proportion of the Group's ownership interest in the joint venture	50%	50%
Carrying amount of the Group's interest in the joint venture	18,415	16,733

Aggregate information of joint ventures that are not individually material

	Year ended 30 June 2017 US\$'000	Year ended 30 June 2016 US\$'000
Profit for the year	2,488	2,625
Aggregate carrying amount of the Group's interests in these joint ventures	6,396	5,740

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21. Property, plant and equipment

	Leasehold				Vessel under				Total
	Vessels	Drydocking	land and building	Furniture and fittings	Office equipment	Motor vehicles	Plant and machinery	construction/ work in progress	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Cost:									
At 1 July 2015	661,519	37,915	204	416	5,547	728	9,024	15,432	730,785
Additions	14,460	469	2	8	179	98	1,297	4,674	21,187
Disposals	(7,651)	(1,519)	-	-	(2)	-	(354)	14	(9,512)
Transfer to vessels held for sale	(3,723)	(1,133)	-	-	-	-	-	-	(4,856)
Exchange differences	(2,024)	32	-	(15)	(34)	(3)	(49)	(1,490)	(3,583)
Transfer	7,181	8,237	-	-	97	-	2,758	(18,273)	-
At 30 June 2016	669,762	44,001	206	409	5,787	823	12,676	357	734,021
Additions	938	215	-	-	710	-	455	5,960	8,278
Disposals	(267)	-	-	-	(5)	(22)	-	(11)	(305)
Transfer to vessels held for sale	(3,058)	(227)	-	-	-	-	-	-	(3,285)
Exchange differences	(1,114)	(32)	1	1	24	-	23	-	(1,097)
Transfer	89	3,754	-	-	530	-	503	(4,876)	-
At 30 June 2017	666,350	47,711	207	410	7,046	801	13,657	1,430	737,612
Accumulated depreciation:									
At 1 July 2015	81,590	19,169	33	273	2,520	476	4,226	-	108,287
Depreciation for the year	26,620	9,732	29	64	602	65	2,139	-	39,251
Disposals	(2,541)	(1,031)	-	-	(1)	-	(346)	-	(3,919)
Transfer to vessels held for sale	(601)	(483)	-	-	-	-	-	-	(1,084)
Exchange differences	(20)	13	1	(1)	(14)	(2)	(7)	-	(30)
At 30 June 2016	105,048	27,400	63	336	3,107	539	6,012	-	142,505
Depreciation for the year	26,135	8,887	30	42	547	48	2,295	-	37,984
Disposals	(86)	-	-	-	(3)	(11)	-	-	(100)
Transfer to vessels held for sale	(1,944)	(145)	-	-	-	-	-	-	(2,089)
Exchange differences	(75)	(10)	-	1	19	-	15	-	(50)
At 30 June 2017	129,078	36,132	93	379	3,670	576	8,322	-	178,250

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21. Property, plant and equipment (continued)

	Vessels US\$'000	Drydocking US\$'000	Leasehold land and building US\$'000	Furniture and fittings US\$'000	Office equipment US\$'000	Motor vehicles US\$'000	Plant and machinery US\$'000	Vessel under construction/ work in progress US\$'000	Total US\$'000
Impairment:									
At 1 July 2015	1,166	-	-	-	-	-	-	-	1,166
Impairment loss recognised during the year	6,523	-	-	-	-	-	-	-	6,523
Transfer to vessels held for sale	(2,172)	-	-	-	-	-	-	-	(2,172)
Disposals	(1,166)	-	-	-	-	-	-	-	(1,166)
At 30 June 2016	4,351	-	-	-	-	-	-	-	4,351
Impairment loss recognised during the year	56,559	-	-	-	-	-	-	-	56,559
Transfer to vessels held for sale	(621)	-	-	-	-	-	-	-	(621)
At 30 June 2017	60,289	-	-	-	-	-	-	-	60,289
Carrying amount:									
At 30 June 2017	476,983	11,579	114	31	3,376	225	5,335	1,430	499,073
At 30 June 2016	560,363	16,601	143	73	2,680	284	6,664	357	587,165

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21. Property, plant and equipment (continued)Impairment tests for vessels

As at 30 June 2017, the recoverable amounts of the vessels were determined based on the higher of value in use and fair value less costs to sell. Cash flow projections used in the value in use calculations are based on financial budgets approved by management covering periods of up to approximately 24 years, which are based on the remaining useful lives of the vessels.

Management determined the budgeted cash flows based on past performance and their expectations of market development. Cash inflows are derived based on existing charter contracts and management's estimate of the average charter rates over the recent observable shipping industry cycle, which are higher than the prevailing short-term spot charter rates at the year end with the revenue growth rate ranging from -21.8% to 27.9% (2016 : -32.4% to 25.2%) in certain years. A period of more than 5 years for cash flow projections is prepared as management is able to reasonably estimate the cash flows over the periods using observable market trends. A Weighted Average Cost of Capital ("WACC") of 11.3% (2016 : 11.2%) was used to discount the cash flows. The cost of the equity component of the WACC was derived using the capital asset pricing model.

Based on the review, the Group recognised US\$56,559,000 (2016 : US\$6,523,000) of impairment loss on vessels for the financial year ended 30 June 2017 (Note 11). The impairment was required due to the continued depressed charter rates and a slow-down in demand of vessels.

During the financial year ended 30 June 2017, the Group has pledged certain property, plant and equipment with carrying amount of US\$448,592,000 (2016 : US\$537,456,000) to secure banking facilities granted to the Group (Note 25) and senior secured guaranteed bonds (Note 28).

22. Intangible assetsComposition:

	30 June 2017 US\$'000	30 June 2016 US\$'000
Goodwill [Note (a)]	32,837	32,837
Licences [Note (b)]	141	230
	<u>32,978</u>	<u>33,067</u>

(a) Goodwill

Impairment tests for goodwill

Goodwill is allocated to the crew/utility vessel segment.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of each CGU is determined through value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to charter rates, direct costs and terminal value of equity during the financial year.

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22. Intangible assets (continued)**(a) Goodwill (continued)**Impairment tests for goodwill (continued)

Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risk specific to the CGU. Changes in charter rates and direct costs are based on expectations of future changes in the market. The management estimates a terminal value on equity based on the perpetuity growth model. Discount rate, growth rate and long-term growth rate of 11.3%, 0.1% to 8.1% and 4.5% respectively (2016 : 11.2%, 0% to 10.7% and 3.5%) are applied to the forecasted cash flows.

At 30 June 2017, any reasonable change to key assumptions applied is not likely to cause the recoverable amounts to fall below the carrying amounts of the CGU.

Based on the value in use calculations, management is of the opinion that as the recoverable amount is higher than its carrying amount, no impairment on goodwill is necessary.

(b) Licences

	30 June 2017 US\$'000	30 June 2016 US\$'000
Cost:		
Balance at beginning of year	1,763	1,763
Balance at end of the year	1,763	1,763
Accumulated amortisation:		
Balance at beginning of year	(1,533)	(1,417)
Amortisation during the year	(89)	(116)
Balance at end of the year	(1,622)	(1,533)
Balance at end of the year	141	230

Licences represent the licence fees relating to the computer software.

23. Other non-current assets

The other non-current assets represent long term prepayment, trade receivables and tax recoverable. The trade receivable is unsecured, attracts a fixed interest rate of 6% (2016 : 6%) per annum and is repayable in 9 quarterly instalments of US\$235,584 each commencing 1 January 2016.

	30 June 2017 US\$'000	30 June 2016 US\$'000
Prepayments	140	48
Trade receivable from outside party	471	471
Tax recoverable	3,982	2,223
	4,593	2,742

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24. Trade and other payables

	30 June 2017 US\$'000	30 June 2016 US\$'000
Trade payables		
- Outside parties	13,457	8,344
- Related parties (Note 38)	1,032	893
	14,489	9,237
Non-trade payables:		
- Related parties (Note 38)	889	340
Other payables	7,538	6,907
Accrued expenses	33,883	36,094
Loans payable to related parties (Note 38)	13,888	12,369
Long term employee benefits	406	-
	71,093	64,947
Current	70,687	64,947
Non-current	406	-
	71,093	64,947

The average credit period for trade payables is 146 days (2016 : 148 days). No interest is charged on overdue balances.

The loans payable to related parties are unsecured, bear fixed interest rate of 3.0% per annum (2016 : 3.0% per annum) and are repayable on demand.

Trade payables principally comprise amounts outstanding for trade purchases.

Long term employee benefits relate to the Management Retention Incentive Plan ("MRIP") established in January 2017 by the Group for the retention and incentivisation of certain senior management employees. Payment will only be made upon the occurrence of certain events to eligible employees for their continued employment in the Group.

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25. Borrowings

	30 June 2017 US\$'000	30 June 2016 US\$'000
Secured - at amortised cost		
Bank loans	321,902	335,640
Less: bank loans issuing costs	(3,952)	(3,671)
	317,950	331,969
Finance lease liabilities (Note 26)	7	7
	<u>317,957</u>	<u>331,976</u>
 Current	 26,159	 31,914
Non-current	291,798	300,062
	<u>317,957</u>	<u>331,976</u>

Terms of outstanding loans are as follows:

	Interest rate	Loans period	30 June 2017 US\$'000	30 June 2016 US\$'000
Secured bank loans				
- USD syndicated term loan facility ⁽¹⁾	LIBOR + 2.75%	2014 - 2019	14,772	20,484
- USD syndicated revolving credit facility ⁽³⁾	LIBOR + 3.35%	2015 - 2020	72,000	58,500
- USD syndicated term loan facility ⁽²⁾	LIBOR + 3.35%	2015 - 2020	231,178	236,711
- USD syndicated term loan facility ⁽²⁾	LIBOR + 5.35%	2015 - 2020	-	16,274
			<u>317,950</u>	<u>331,969</u>

(1) Term loan principal of US\$14,880,000 repayable over 28 monthly instalments.

(2) Term loan principal of US\$235,022,000 which comprise US\$82,687,500 repayable over 13 quarterly instalments and a final instalment due in November 2020.

(3) Revolving credit of US\$72,000,000 due in November 2020.

The banking facilities are secured by pledges of share capital and property, plant and equipment (Note 21) of certain subsidiaries.

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26. Obligations under finance leaseLeasing arrangements

Finance leases relate to vessel equipment with average lease terms of 3 years (2016 : 3 years) (Note 21). The Group has option to purchase the vessel equipment for a nominal amount at the conclusion of the lease arrangements. The Group's obligations under finance lease are secured by the lessors' title to the leased assets.

Finance lease liabilities

	<u>Minimum lease payments</u>		<u>Present value of minimum lease payments</u>	
	Year ended 30 June 2017	Year ended 30 June 2016	Year ended 30 June 2017	Year ended 30 June 2016
	US\$'000	US\$'000	US\$'000	US\$'000
Amount payable under finance lease, representing present value of lease obligation:				
Within one year	7	7	7	7
Less: Future finance charges	-	-		
	7	7		
			30 June 2017	30 June 2016
			US\$'000	US\$'000
Included in the consolidated financial statements as:				
- current borrowings			7	7
			7	7

All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The fair value of the Group's finance lease obligations approximates their carrying amount.

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27. Provisions

Provisions represent the fair value of existing fixed rate contracts with customers at date of acquisition of subsidiaries. Amortisation is provided based on the remaining contract lease period of the off-market contracts, ranging from 5 to 9.5 years (2016 : 5 to 9.5 years).

	30 June 2017 US\$'000	30 June 2016 US\$'000
Cost:		
Balance at beginning and end of year	4,700	4,700
Accumulated amortisation:		
Balance at beginning of year	4,498	4,250
Amortisation for the year	202	248
Balance at end of year	4,700	4,498
Carrying amount:		
Balance at end of year	-	202
Current	-	202

28. Senior secured guaranteed bonds

On 25 November 2015, Miclyn Express Offshore Pte. Ltd. ("MEOPL"), a subsidiary of the Company, issued senior secured guaranteed bonds which will mature on 25 November 2018 for US\$150 million. The bonds bear interest at a fixed rate of 8.75% per annum and is payable semi-annually in arrears on 25 May and 25 November in each year. Payments on the bonds will be made without withholding or deduction for any taxes in Singapore unless required by law. The bonds are secured by existing vessels flagged in Australia, Indonesia, Panama, Malaysia and Singapore (Note 21) and are subordinated to the bank loans (Note 25). As at 30 June 2017, the effective interest rate was 9.81% per annum.

The bonds are secured by pledges of share capital and property, plant and equipment (Note 21) of certain subsidiaries.

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29. Share capital

	Number of shares (Par value at US\$0.1)	Share capital US\$'000
Cost:		
At beginning and end of 30 June 2017 and 30 June 2016	1	-*

* Amount is less than US\$1,000.

On 16 December 2013, Miclyn Express Offshore Limited ("MEOL") announced an amalgamation with Manta 2 Holdings Limited (a wholly-owned subsidiary of Manta Holding Limited, an entity jointly owned by two existing significant shareholders of MEOL).

30. Reserves

	30 June 2017 US\$'000	30 June 2016 US\$'000
<u>Composition</u>		
Other equity reserves	141,436	141,436
Translation reserve	(14,003)	(11,774)
Share based payments reserve	863	2,010
Hedging reserve	-	-
	<u>128,296</u>	<u>131,672</u>
<u>Movements</u>		
(a) Other equity reserves		
Balance at the beginning of year	141,436	140,831
Acquisition of additional interest in a subsidiary (Note 19)	-	605
Balance at end of year	<u>141,436</u>	<u>141,436</u>
(b) Translation reserve		
Balance at beginning of year	(11,774)	(13,153)
Exchange differences arising on translation of foreign operations	(2,229)	1,379
Balance at end of year	<u>(14,003)</u>	<u>(11,774)</u>
(c) Share-based payments reserve		
Balance at beginning of year	2,010	1,149
Recognition of share-based payments (Note 32)	(1,147)	861
Balance at end of year	<u>863</u>	<u>2,010</u>
(d) Hedging reserve		
Balance at beginning of year	-	(863)
Recognition of hedging reserve	-	863
Balance at end of year	<u>-</u>	<u>-</u>

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31. Retained earnings

	30 June 2017 US\$'000	30 June 2016 US\$'000
Balance at beginning of year	252,243	274,962
Net loss attributable to owners of the Company	(97,270)	(22,719)
Balance at end of year	<u>154,973</u>	<u>252,243</u>

32. Share-based payments

The Management Equity Plan ("MEP") is an incentive scheme established on 21 February 2014 (and as amended on 9 April 2014) and is intended to assist in the attraction, retention and motivation of the Group's employees, directors and consultants by providing eligible employees, directors and consultants with an opportunity to acquire an ownership interest in the ultimate holding company, Manta Holdings Limited.

Under the MEP, the following types of securities ("Plan Securities") have been offered to key management personnel of the Company:

- fully paid ordinary shares with an issue price of US\$1.00 each in the capital of Manta Holdings Limited ("Management Share"); and
- 1 option to subscribe for 1 Management Share under the MEP in each of the following four tranches for each Management Share that is issued to the eligible employees ("Plan Option"):
 - (i) first tranche, which has an exercise price of US\$1.00 per Management Share;
 - (ii) second tranche, which has an exercise price of US\$1.50 per Management Share;
 - (iii) third tranche, which has an exercise price of US\$1.60 per Management Shares; and
 - (iv) fourth tranche, which has an exercise price of US\$2.50 per Management Shares.

Management Equity plan

The total number of Management Shares and Plan options accepted under this invitation amounted to 3,950,000 and 15,800,000 (2016 : 6,900,000 and 27,600,000) respectively.

The fair value of the share options issued under the management equity plan was assessed by an independent third party valuer. The valuer adopted the Black-Scholes Option Pricing model. In addition, the Group revises the estimated number of equity instruments that participants are expected to receive based on non-market vesting conditions at the end of each reporting period.

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33. Dividend

During the financial years ended 30 June 2017 and 2016, the Group did not declare any dividend.

34. Non-controlling interests

	30 June 2017 US\$'000	30 June 2016 US\$'000
Balance at beginning of year	2,406	1,887
Share of profit for the year	1,127	1,040
Acquisition of non-controlling interest in subsidiary	-	(521)
Balance at end of year	<u>3,533</u>	<u>2,406</u>

35. Operating lease arrangementThe Group as lessee

	30 June 2017 US\$'000	30 June 2016 US\$'000
Minimum lease payments under operating leases <u>recognised as an expense in the financial year</u>		
Charter hire	16,495	36,190
Others	1,610	1,584
	<u>18,105</u>	<u>37,774</u>

At the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	30 June 2017 US\$'000	30 June 2016 US\$'000
Within one year	656	2,326
In the second to fifth year inclusive	1,111	214
	<u>1,767</u>	<u>2,540</u>

Operating lease payments represent rentals payable by the Group for its office/warehouse premises, equipment and vessels. These leases have different terms and terminate at various dates.

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35. Operating lease arrangement (continued)The Group as lessor

	30 June 2017 US\$'000	30 June 2016 US\$'000
Charter revenue	106,317	164,606

At the end of the reporting period, the future minimum lease receivables under non-cancellable operating leases contracted for but not recognised as receivables, are as follows:

	30 June 2017 US\$'000	30 June 2016 US\$'000
Within one year	77,308	58,994
In the second to fifth year inclusive	20,264	30,976
	97,572	89,970

36. Financial instruments, financial risk and capital management**(a) Capital management policies and objectives**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

The Group is required to fulfil certain financial covenants and capital requirements under the terms of its borrowing arrangements, and as at 30 June 2017, and at date of this report, no non-compliance has been noted. The Group's overall strategy remains unchanged from the financial year ended 30 June 2016.

The capital structure of the Group consists of equity attributable to owners of the parents, comprising issued capital, reserves and retained earnings.

The Group is restricted from the declaration of dividend or distribution in cash or in kind in respect of its shares if the Group has made a net loss during the financial year, including any revised repayment terms.

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36. Financial instruments, financial risk and capital management (continued)**(b) Significant accounting policies**

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in Note 3.

(c) Categories of financial instruments

The following table sets out the financial instruments as at the end of each reporting period:

	30 June 2017 US\$'000	30 June 2016 US\$'000
Financial assets		
<u>At amortised cost</u>		
Cash and cash equivalents	11,789	13,835
Loans and receivables	192,620	210,286
	<u>204,409</u>	<u>224,121</u>
Financial liabilities		
<u>At amortised cost</u>		
Trade and other payables	71,093	64,947
Borrowings	317,957	331,976
Senior secured guaranteed bonds	147,758	146,162
	<u>536,808</u>	<u>543,085</u>

(d) Financial risk management policies and objectives

The Group's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operation of the Group through internal risk reports which analyse exposures by degree and magnitude risks. These risks include market risk (including currency risk, fair value and cash flow interest rate risk), credit risk and liquidity risk. During the financial year ended 30 June 2017, the Group did not hedge its interest rate exposure.

The Group seeks to minimise the effect of these risks by using derivative financial instruments to hedge significant risk exposures. The use of financial derivatives is governed by the Group policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliances with policies and exposure limits are reviewed by the management on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purpose.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk since the previous year.

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36. Financial instruments, financial risk and capital management (continued)**(e) Market risk management**

The Group's activities expose it to the financial risks of changes in foreign currency exchange rates (Note 36(f)). The Group is also subject to interest rates risk (Note 36(g)).

(f) Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise.

The Group reviews its exposure to foreign currency risk and puts in place hedges on a need basis, assessed with reference to the size and certainty to each exposure.

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

	Singapore Dollar US\$'000	Australian Dollar US\$'000	Malaysian Ringgit US\$'000	United Arab Emirates Dirham US\$'000	Saudi Arabian Riyal US\$'000	Thailand Baht US\$'000	Indonesian Rupiah US\$'000	Others US\$'000
<u>The Group</u>								
At 30 June 2017								
Financial assets								
Cash and cash equivalents	247	1,851	106	288	-	-	1,629	67
Trade and other receivables	323	3,084	3,788	702	20,784	1,312	11,509	336
Total assets	570	4,935	3,894	990	20,784	1,312	13,138	403
Financial liabilities								
Trade and other payables	(4,819)	(535)	(2,390)	(70)	(949)	(680)	(1,437)	(839)
Total liabilities	(4,819)	(535)	(2,390)	(70)	(949)	(680)	(1,437)	(839)
Net (Liabilities)/Assets	(4,249)	4,400	1,504	920	19,835	632	11,701	(436)

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36. Financial instruments, financial risk and capital management (continued)

	Singapore Dollar	Australian Dollar	Malaysian Ringgit	United Arab Emirates Dirham	Saudi Arabian Riyal	Thailand Baht	Indonesian Rupiah	Others
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
The Group								
At 30 June 2016								
Financial assets								
Cash and cash equivalents	679	1,180	998	528	-	175	466	63
Trade and other receivables	636	2,080	808	1,169	14,892	2,772	7,842	109
Total assets	1,315	3,260	1,806	1,697	14,892	2,947	8,308	172
Financial liabilities								
Trade and other payables	(6,841)	(718)	(338)	(569)	(93)	(355)	(387)	(167)
Total liabilities	(6,841)	(718)	(338)	(569)	(93)	(355)	(387)	(167)
Net (Liabilities)/Assets	(5,526)	2,542	1,468	1,128	14,799	2,592	7,921	5

Foreign currency sensitivity analysis

The Group is mainly exposed to the following currencies: Singapore Dollars ("SGD"), Australian Dollar ("AUD"), Malaysian Ringgit ("MYR") United Arab Emirates Dirham ("AED"), Saudi Arabia riyal ("SAR"), Thailand Baht ("THB") and Indonesian Rupiah ("IDR").

The following table details the Group's sensitivity to a 5% (2016 : 5%) increase and decrease in the SGD, AUD, MYR, AED, SAR, THB and IDR. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and 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 5% (2016 : 5%) change in foreign exchange rates. A positive number indicates an increase in profit and equity where the United States dollars strengthened 5% against the relevant currency. For a 5% (2016 : 5%) weakening of the United States dollar against the relevant currency, there would be a comparable impact on the profit and equity, and the balances below would be negative.

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36. Financial instruments, financial risk and capital management (continued)

If the SGD, AED, MYR, AUD, SAR, THB and IDR change against the USD by 5% (2016 : 5%) with all other variables including tax rate being held constant, the effects arising from the net financial liability/asset position will be as follows:

	Profit or loss	
	<u>Increase / (Decrease)</u>	
	30 June	30 June
	2017	2016
	US\$'000	US\$'000
SGD against USD	(212)	276
AUD against USD	(220)	(127)
MYR against USD	75	(73)
AED against USD	46	(56)
SAR against USD	991	(740)
THB against USD	31	(130)
IDR against USD	585	(396)

(g) Cash flow and interest rate risk management

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The cash and cash equivalent balance at 30 June 2017 was US\$11,789,000 (2016 : US\$13,835,000). The impact of any interest rate change has been assessed to be immaterial.

For the financial years ended 30 June 2017 and 30 June 2016, the Group's interest rate risk mainly arises from bank borrowings, which are at floating rates of interest pegged to LIBOR plus margin.

The Group did not enter into any interest rate hedging for its bank borrowings or fixed rate bond existing as at 30 June 2017 and 30 June 2016.

Interest rate sensitivity analysis

The Group's borrowings at variable rates on which effective hedges have not been entered into are denominated mainly in USD. If USD interest rates increase/decrease by 0.50% (2016 : 0.50%) with all other variables including tax rate being held constant, the profit or loss will be lower/higher by US\$1,590,000 (2016 : US\$1,660,000) as a result of higher/lower interest expense on these borrowings.

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36. Financial instruments, financial risk and capital management (continued)**(h) Credit risk management**

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group are cash and cash equivalents, trade receivables and loan to immediate holding company.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Monthly accounts receivable status meetings are each attended by at least one of the Chief Executive Officer, Chief Commercial Officer and Chief Financial Officer. There is an adequate credit management policy in place and there is no significant concentration of credit risk of trade debts.

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially customers with good collection track record with the Group. The Group has assessed the recoverability on the receivable and recognised an impairment loss of US\$11,800,000 (2016 : US\$Nil).

There is no other class of financial assets that is past due and/or impaired except for trade receivables. As at 30 June 2017, trade receivables outstanding for more than 90 days is approximately US\$18,538,000 (2016 : US\$14,332,000), out of which US\$3,989,000 (2016 : US\$3,976,000) has been identified for impairment as at 30 June 2017. The majority of the balances are not impaired because these are from creditworthy customers in various sectors.

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36. Financial instruments, financial risk and capital management (continued)**(i) Liquidity risk management**

The Group manages liquidity risk by maintaining liquid financial assets to enable it to meet normal operating commitments and having an adequate amount of committed credit facilities.

The table below analyses the maturity profile of the non-derivative financial assets and liabilities of the Group based on contractual undiscounted cash flows.

	On demand or within 1 year US\$'000	Between 1 and 2 year US\$'000	Between 2 and 5 year US\$'000	Adjustments US\$'000	Total US\$'000
At 30 June 2017					
Financial liabilities					
Trade and other payables	71,093	-	-	-	71,093
Borrowings	32,093	67,460	244,687	(26,283)	317,957
Senior secured guaranteed bonds	-	160,883	-	(13,125)	147,758
	103,186	228,343	244,687	(39,408)	536,808

	On demand or within 1 year US\$'000	Between 1 and 2 year US\$'000	Between 2 and 5 year US\$'000	Adjustments US\$'000	Total US\$'000
At 30 June 2016					
Financial liabilities					
Trade and other payables	64,947	-	-	-	64,947
Borrowings	38,334	76,072	246,312	(28,742)	331,976
Senior secured guaranteed bonds	-	-	157,056	(10,894)	146,162
	103,281	76,072	403,368	(39,636)	543,085

Financial assets

All the non-derivative financial assets are expected to be repayable within one year and are non-interest bearing except for loan to immediate holding company (Note 16) and other non-current trade receivables (Note 23).

36. Financial instruments, financial risk and capital management (continued)

(j) Fair values of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to consolidated financial statements.

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

- (i) the fair value 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; and
- (ii) the fair value 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 using prices from observable current market transactions and dealer quotes for similar instruments.

Management is of the opinion that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values except as disclosed in the notes to the consolidated financial statements.

37. Key management personnel compensation

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the year are as follows:

	Year ended 30 June 2017 US\$'000	Year ended 30 June 2016 US\$'000
Short term benefits	1,630	1,880
Management equity plan	(1,147)	861
Post-employment benefits	-	44
Long term employee benefits	406	-
	<u>889</u>	<u>2,785</u>

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38. Related party transactions

The Group's immediate holding and ultimate holding company is Manta Holdings Limited, incorporated in Bermuda.

Some of the Group's transactions and arrangements are with related parties on terms agreed between the parties and the effect of these transactions is reflected in these consolidated financial statements on that basis. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

During the year, the Group entered into the following transactions with related parties:

	Year ended 30 June 2017 US\$'000	Year ended 30 June 2016 US\$'000
<u>Joint-ventures of the Group</u>		
Charter hire income	(588)	(2,164)
Management fee income	(69)	(69)
Sundry income	(8)	(115)
Ship management fee expense	-	180
Charter hire expenses	803	391
Interest paid	351	163