



MICLYN EXPRESS OFFSHORE LIMITED
(Registration Number 42388)

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2016

MICLYN EXPRESS OFFSHORE LIMITED

REPORT AND FINANCIAL STATEMENTS

C O N T E N T S

	<u>PAGE</u>
Statement of directors	1
Independent auditors' report	2 - 3
Consolidated statement of profit or loss and other comprehensive income	4
Consolidated statement of financial position	5 - 6
Consolidated statement of changes in equity	7 - 8
Consolidated statement of cash flows	9 - 10
Notes to financial statements	11 - 84

MICLYN EXPRESS OFFSHORE LIMITED

STATEMENT OF DIRECTORS

In the opinion of the directors, the consolidated financial statements of the Group as set out on pages 4 to 84 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 2016 and its financial performance, changes in equity and cash flows for the financial year then ended and 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

Date: 10 OCT 2016

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF

MICLYN EXPRESS OFFSHORE LIMITED

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Miclyn Express Offshore Limited (the "Company") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as at 30 June 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 4 to 84.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 30 June 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.



Public Accountants and
Chartered Accountants
Singapore

10 October 2016

MICLYN EXPRESS OFFSHORE LIMITED

Consolidated statement of profit or loss and other comprehensive income
for the year ended 30 June 2016

	Note	Year ended 30 June 2016 US\$'000	(Restated) Year ended 30 June 2015 US\$'000
Revenue	5	230,948	261,788
Cost of sales		(181,166)	(202,713)*
Gross profit		49,782	59,075
Other income	7	922	2,860
Administration expenses	8	(24,064)	(24,708)*
Finance costs	10	(43,563)	(26,544)
Other expenses	11	(8,276)	(28,334)
Share of profit from joint ventures	20	7,805	9,814
Loss before tax	12	(17,394)	(7,837)
Income tax expense	13	(4,285)	(3,373)
LOSS FOR THE YEAR		(21,679)	(11,210)
Other comprehensive income (loss):			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		1,379	(6,759)
Cash flow hedge		863	(896)
Other comprehensive income (loss) for the year, net of tax		2,242	(7,655)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(19,437)	(18,865)
Loss attributable to:			
Owners of the Company		(22,719)	(12,648)
Non-controlling interests		1,040	1,438
		(21,679)	(11,210)
Total comprehensive loss attributable to:			
Owners of the Company		(20,477)	(20,303)
Non-controlling interests		1,040	1,438
		(19,437)	(18,865)

* Administration expenses and cost of sales has been restated during the year.

See accompanying notes to financial statements.

MICLYN EXPRESS OFFSHORE LIMITED
Consolidated statement of financial position
at 30 June 2016

	<u>Note</u>	<u>30 June 2016</u> US\$'000	<u>30 June 2015</u> US\$'000
Assets			
<i>Current assets</i>			
Cash and cash equivalents	14	13,835	16,237
Trade and other receivables	15	76,508	102,760
Loan to immediate holding company	16	139,165	139,165
Inventories	17	5,958	8,540
Vessel held for sale	18	1,600	1,500
Total current assets		237,066	268,202
<i>Non-current assets</i>			
Investment in joint ventures	20	74,670	66,604
Property, plant and equipment	21	587,165	621,332
Intangible assets	22	33,067	33,183
Other non-current assets	24	2,742	6,024
Total non-current assets		697,644	727,143
Total assets		934,710	995,345
Liabilities			
<i>Current liabilities</i>			
Trade and other payables	25	64,947	77,696
Borrowings	26	31,914	37,189
Provisions	28	202	289
Current tax liabilities		2,804	2,315
Total current liabilities		99,867	117,489
<i>Non-current liabilities</i>			
Borrowings	26	300,062	318,361
Provisions	28	-	161
Senior secured guaranteed bonds	29	146,162	142,740
Derivative financial instruments	23	-	10,593
Deferred tax liabilities	13	2,298	1,188
Total non-current liabilities		448,522	473,043
Total liabilities		548,389	590,532
Net assets		386,321	404,813

MICLYN EXPRESS OFFSHORE LIMITED
Consolidated statement of financial position (cont'd)
at 30 June 2016

	<u>Note</u>	<u>30 June 2016</u> US\$'000	<u>30 June 2015</u> US\$'000
Equity			
<i>Capital and reserves</i>			
Share capital	30	-*	-*
Reserves	31	131,672	127,964
Retained earnings	32	252,243	274,962
Equity attributable to owners of the Company		383,915	402,926
Non-controlling interests	35	2,406	1,887
Total equity		386,321	404,813

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

See accompanying notes to financial statements.

MICLYN EXPRESS OFFSHORE LIMITED
Consolidated statement of changes in equity
for the year ended 30 June 2016

	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 2014		-*	142,752	(6,394)	33	-	287,610	424,001	253	424,254
Loss for the year		-	-	-	-	-	(12,648)	(12,648)	1,438	(11,210)
Other comprehensive expense for the year, net of tax		-	-	(6,759)	(896)	-	-	(7,655)	-	(7,655)
Total comprehensive (loss)/income for the year		-	-	(6,759)	(896)	-	(12,648)	(20,303)	1,438	(18,865)
Transactions with owners, recognised directly in equity										
Recognition of share-based payment	31(c)	-	-	-	-	1,149	-	1,149	-	1,149
Effect of acquiring part of non- controlling interests in a subsidiary ⁽¹⁾	31(a)	-	(1,921)	-	-	-	-	(1,921)	-	(1,921)
Share capital contribution from non-controlling interest		-	-	-	-	-	-	-	196	196
Balance at 30 June 2015		-*	140,831	(13,153)	(863)	1,149	274,962	402,926	1,887	404,813

⁽¹⁾ During the financial year, the Group made payment to the non-controlling shareholders of its pipe transportation subsidiary, Express Offshore Solutions Pte. Ltd. ("EOS") for the purchase of the remaining 30% shareholding in the company.

* Amount is less than US\$1,000

See accompanying notes to financial statements.

MICLYN EXPRESS OFFSHORE LIMITED
Consolidated statement of changes in equity (cont'd)
for the year ended 30 June 2016

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 interests US\$'000
Balance at 30 June 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 income/(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	-	-	-	-	861	-	861	-	861
Effect of acquiring part of non- controlling interests in a subsidiary ⁽²⁾	-	605	-	-	-	-	605	(521)	84
Balance at 30 June 2016	-*	141,436	(11,774)	-	2,010	252,243	383,915	2,406	386,321

⁽²⁾ During the financial year, 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 financial statements.

MICLYN EXPRESS OFFSHORE LIMITED**Consolidated statement of cash flows**

For the year ended 30 June 2016

	<u>Note</u>	<u>Year ended</u> <u>30 June 2016</u> US\$'000	<u>Year ended</u> <u>30 June 2015</u> US\$'000
Cash flows from operating activities			
Loss for the year		(21,679)	(11,210)
Income tax expense recognised in profit or loss		4,285	3,373
Share of profit from joint ventures		(7,805)	(9,814)
Amortisation of provisions		(248)	(289)
Amortisation of vessels mobilisation/demobilisation expenditure	12	-	1,642
Amortisation of intangible assets		116	321
Amortisation of drydocking expenditure		9,732	7,791
Depreciation of property, plant and equipment		29,519	25,499
Property, plant and equipment written off		-	13
Impairment loss on vessel		6,523	1,166
Impairment of goodwill		-	27,155
Allowance for doubtful debts		4,298	3,194
Loss (Gain) on disposal of property, plant and equipment, net		1,753	(409)
Interest expense		43,510	26,468
Interest income		(215)	(193)
Expense recognised in respect of share-based payments		861	1,149
Unrealised currency translation gain		(1,315)	(4,367)
Movements in working capital		69,335	71,489
Decrease (Increase) in trade and other receivables		24,573	(11,133)
Decrease (Increase) in inventories		505	(1,285)
(Decrease) Increase in trade and other payables		(5,927)	22,299
Cash generated from operations		88,486	81,370
Income tax paid		(830)	(1,983)
Interest paid		(25,112)	(21,126)
Net cash from operating activities		62,544	58,261
Cash flows from investing activities			
Interest received		215	193
Proceeds from disposal of property, plant and equipment		3,840	6,513
Payments for property, plant and equipment		(21,187)	(177,493)
Payments for intangible assets		-	(102)
Investment in joint venture		(268)	-
Share capital contribution from non-controlling interest		-	196
Net cash used in investing activities		(17,400)	(170,693)

MICLYN EXPRESS OFFSHORE LIMITED**Consolidated statement of cash flows (cont'd)**

For the year ended 30 June 2016

	<u>Note</u>	<u>Year ended</u> <u>30 June 2016</u> US\$'000	<u>Year ended</u> <u>30 June 2015</u> US\$'000
Cash flows from financing activities			
Acquisition of non-controlling interest in subsidiary		-	(1,921)
Net proceeds from issue of bond	29	150,000	-
Upfront expenses due to bonds and borrowings		(15,848)	(1,312)
Net proceeds from borrowings	26	365,500	190,500
Repayments of borrowings	26	(389,066)	(76,858)
Acquisition of shares in subsidiary from non-controlling interest		(30)	-
Net bond settlement		(158,153)	-
Net cash (used in) generated from financing activities		(47,597)	110,409
Net decrease in cash and cash equivalents		(2,453)	(2,023)
Cash and cash equivalents at the beginning of the year		16,237	19,259
Effects of exchange rate changes on the balance of cash held in foreign currencies		51	(999)
Cash and cash equivalents at the end of the year	14	13,835	16,237

See accompanying notes to financial statements.

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

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 3 HarbourFront Place, #11-01/04 HarbourFront Tower 2, Singapore 099254.

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.

2. Adoption of new and revised accounting standards

On 1 July 2015, 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 financial statements, the following new/revised IFRSs that are relevant to the Group were issued but not effective:

- IFRS 9 *Financial Instruments*²
- IFRS 15 *Revenue from Contracts with Customers*²
- IFRS 16 *Leases*⁵
- Amendments to IFRS 15 *Clarifications to IFRS 15 Revenue from Contracts with Customers*²
- Amendments to IAS 1 *Presentation of Financial Statements: Disclosure Initiative*¹
- Amendments to IAS 7 *Statement of Cash Flows: Disclosure Initiative*⁴
- Amendments to IAS 12 *Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses*³
- Amendments to IAS 27 *Separate Financial Statements: Equity Method in Separate Financial Statements*¹
- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*⁵
- Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities*, IAS 28 *Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception*¹
- Amendments to IFRS 11 *Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations*¹

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

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

- ¹ Applies to annual periods beginning on or after 1 January 2016, with early application permitted.
- ² Applies to annual periods beginning on or after 1 January 2018, with early application permitted.
- ³ Applies to annual periods beginning on or after 1 January 2017, with early application permitted.
- ⁴ Applies prospectively to annual periods beginning on or after 1 January 2017, with early application permitted.
- ⁵ Applies to annual periods beginning on or after 1 January 2019, with early application permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16.
- ⁶ Application has been deferred indefinitely, however, early application is still 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 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 financial statements
for the year ended 30 June 2016

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

IFRS 9 *Financial Instruments* (continued)

Key requirements of IFRS 9: (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 is currently evaluating the potential impact of the application of IFRS 9 on the financial statements of the Group in the period of initial application.

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

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 is currently evaluating the potential impact of the application of IFRS 15 on the financial statements of the Group in the period of initial application.

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 are 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.

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

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

Management is currently evaluating the potential impact of the application of IFRS 16 on the financial statements of the Group in the period of initial application.

Amendments to IAS 1 Presentation of Financial Statements: Disclosure Initiative

The amendments have been made to the following:

- **Materiality and aggregation** - An entity shall not obscure useful information by aggregating or disaggregating information and materiality considerations apply to the primary statements, notes and any specific disclosure requirements in IFRSs.
- **Statement of financial position and statement of profit or loss and other comprehensive income** - The list of line items to be presented in these statements can be aggregated or disaggregated as relevant. Guidance on subtotals in these statements has also been included.
- **Presentation of items of other comprehensive income ("OCI") arising from equity-accounted investments** - An entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single items based on whether or not it will subsequently be reclassified to profit or loss.
- **Notes** - Entities have flexibility when designing the structure of the notes and guidance is introduced on how to determine a systematic order of the notes. In addition, unhelpful guidance and examples with regard to the identification of significant accounting policies are removed.

Management is currently evaluating the potential impact of the application of these amendments to IAS 1 on the financial statements of the Group in the period of initial application.

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require an entity to provide disclosures that will enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

Management is currently evaluating the potential impact of the application of these amendments to IAS 7 on the financial statements of the Group in the period of initial application.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that unrealised losses on debt instruments measured at fair value in the financial statements but at cost for tax purposes can give rise to deductible temporary differences.

The amendments also clarify that the carrying amount of an asset does not limit the estimation of probable future taxable profits, and that when comparing deductible temporary differences with future taxable profits, the future taxable profits excludes tax deductions resulting from the reversal of those deductible temporary differences.

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

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

Management is currently evaluating the potential impact of the application of these amendments to IAS 12 on the financial statements of the Group in the period of initial application.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the requirements in dealing with the sale or contribution of assets between an investor and its associate or joint venture. In a transaction involving an associate or a joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.

When an entity sells or contributes assets that constitute a business to a joint venture or associate, or loses control of a subsidiary that contains a business but it retains joint control or significant influence, the gain or loss resulting from that transaction is recognised in full.

When an entity sells or contributes assets that do not constitute a business to a joint venture or associate, or loses control of a subsidiary that does not contain a business but it retains joint control or significant influence, the gain or loss resulting from that transaction is recognised only to the extent of the unrelated investors' interests in the joint venture or associate, i.e. the entity's share of the gain or loss is eliminated.

Management is currently evaluating the potential impact of the application of these amendments to IFRS 10 and IAS 28 on the financial statements of the Group in the period of initial application.

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 10 October 2016.

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 financial statements
for the year ended 30 June 2016

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:

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

3. Significant accounting policies (continued)

3.3 Basis of consolidation (continued)

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- 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 financial statements
for the year ended 30 June 2016

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.

3.4 Business combinations

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.

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 financial statements
for the year ended 30 June 2016

3. Significant accounting policies (continued)

3.4 Business combinations

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.

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.

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

3. Significant accounting policies (continued)

3.5 Interests in joint ventures (continued)

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.

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.

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

3. Significant accounting policies (continued)

3.5 Interests in joint ventures (continued)

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 on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

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.

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.

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

3. Significant accounting policies (continued)

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 financial statements
for the year ended 30 June 2016

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.

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

3. Significant accounting policies (continued)

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.

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.

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

3. Significant accounting policies (continued)

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
- 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 (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 in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

3. Significant accounting policies (continued)

3.10 Foreign currency transactions and translation (continued)

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.

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.

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

3. Significant accounting policies (continued)

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 33.

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.

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.

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

3. Significant accounting policies (continued)

3.15 Taxation (continued)

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.

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.

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

3. Significant accounting policies (continued)

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 the statement of other comprehensive income 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 financial statements
for the year ended 30 June 2016

3. Significant accounting policies (continued)

3.16 Property, plant and equipment (continued)

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Other subsequent expenditure is recognised as repair and maintenance expense in the statement of profit or loss and other comprehensive income during the financial year in which it is incurred.

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 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 is 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 financial statements
for the year ended 30 June 2016

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.

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.

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

3. Significant accounting policies (continued)

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”.

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.

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements

for the year ended 30 June 2016

3. Significant accounting policies (continued)

3.21 Financial assets (continued)

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 115 days (2015 : 116 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.

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

3. Significant accounting policies (continued)

3.21 Financial assets (continued)

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.

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.

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

3. Significant accounting policies (continued)

3.22 Financial liabilities and equity instruments issued by the Group (continued)

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.

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.

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

3. Significant accounting policies (continued)

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. Details of derivative financial instruments are disclosed in Note 23 to the financial statements.

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.

Note 23 contain details of the fair values of the derivative instruments used for hedging purposes.

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

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 as part of other gains and losses.

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 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 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 is readily convertible to a known amount of cash and is subject to an insignificant risk of change in value.

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

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, except for those involving estimates which are disclosed below.

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\$60,366,000 (2015 : US\$84,577,000) (Note 15) and considered that an allowance for doubtful debts amounting to US\$4,266,000 (2015 : US\$2,985,000) was required.

Management has also assessed the recoverability of loan to immediate holding company of US\$139,165,000 (2015 : US\$139,165,000) (Note 16) and considered that no allowance for doubtful debt was required.

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 (2015 : US\$32,837,000). Details of the impairment review calculation are provided in Note 22.

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

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

Key sources of estimation of uncertainty (continued)

Insurance claims

Insurance claims relate mainly to claim for damages sustained by the Group's vessels which have been lodged with the insurer. The insurance claims are made based on the estimates of Group's claims recoverable under the insurance policies in place.

The carrying amount of the insurance claims is disclosed in Note 15.

Impairment in value of investment in joint ventures

Investment in joint ventures are 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 are 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 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\$576,964,000 (2015 : US\$597,509,000) were subject to an impairment review in the financial year ended 30 June 2016. 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.

Management is of the opinion that the carrying values of the vessels as at 30 June 2016 and 2015 are reasonable. Should there be future development that will impact on the carrying values, adjustments will be made in the next reporting period, where appropriate.

The carrying values of vessels are disclosed in Note 21.

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

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

Key sources of estimation of uncertainty (continued)

Residual values and useful lives of vessel

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 2016 and 2015 are considered reasonable. The carrying amounts of the income tax payable for the Group at the end of reporting period amounted to US\$2,804,000 (2015 : US\$2,315,000) and the income tax expense is disclosed in Note 13.

Fair value of share-based payment

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. Based on the valuation report, an expense of US\$861,000 (2015 : US\$1,149,000) was recognised.

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

5. Revenue

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

	Year ended 30 June 2016 US\$'000	Year ended 30 June 2015 US\$'000
Charter revenue	164,606	182,659
Mobilisation/demobilisation income	8,224	1,586
Ship management income	4,320	4,261
Project pipe transportation	53,006	72,222
Vessel customisation	-	779
Others	792	281
	<u>230,948</u>	<u>261,788</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
Vessel customisation income	- Provide conversion, repair and maintenance services

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

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:

	Segment revenue		Segment profit/(loss)	
	Year ended	Year ended	Year ended	Year ended
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	US\$'000	US\$'000	US\$'000	US\$'000
Offshore support vessels	106,181	109,039	22,091	26,760
Crew/utility vessels	58,454	57,831	14,847	13,915
Tugs	26	5,707	(2,370)	(1,661)
Barges	14,863	15,711	7,089	8,928
Coastal survey vessels	-	1,267	(391)	(195)
Third party vessels	1,525	7,355	(36)	1,255
Project pipe transportation	53,006	72,222	8,586	12,043
Vessel customisation	-	779	(34)	(1,970)
	234,055	269,911	49,782	59,075
Eliminations	(3,107)	(8,123)	-	-
Total	230,948	261,788	49,782	59,075
Other income			922	2,860
Central administration costs and directors' salaries			(24,064)	(24,708)
Finance costs			(43,563)	(26,544)
Other expenses			(8,276)	(28,334)
Share of profit from joint ventures			7,805	9,814
Loss before tax			(17,394)	(7,837)
Income tax expense			(4,285)	(3,373)
Consolidated loss for the year			(21,679)	(11,210)

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

6. Segmental information (continued)**(i) Segment revenue and results (continued)**

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 measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

(ii) Segment assets and liabilities

	30 June 2016 US\$'000	30 June 2015 US\$'000
Segment assets		
Offshore support vessels	374,016	401,543
Crew/utility vessels	220,499	228,155
Tugs	15,545	23,770
Barges	47,455	52,830
Coastal survey vessels	1,057	1,904
Project pipe transportation	15,010	21,409
Vessel customisation	1,327	3,698
Total segment assets	674,909	733,309
Unallocated	259,801	262,036
Consolidated assets	934,710	995,345
Segment liabilities		
Offshore support vessels	50,549	110,168
Crew/utility vessels	28,935	28,112
Tugs	1,065	2,804
Barges	3,514	5,816
Coastal survey vessels	122	187
Project pipe transportation	4,553	4,367
Vessel customisation	2,408	3,833
Total segment liabilities	91,146	155,287
Unallocated	457,243	435,245
Consolidated liabilities	548,389	590,532

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

6. Segmental information (continued)**(ii) Segment assets and liabilities (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 2016	Year ended 30 June 2015	Year ended 30 June 2016	Year ended 30 June 2015
	US\$'000	US\$'000	US\$'000	US\$'000
Offshore support vessels	21,016	16,967	4,703	131,905
Crew/utility vessels	10,729	9,105	15,247	29,575
Tugs	1,568	1,402	31	2,109
Barges	4,862	4,504	952	9,029
Coastal survey vessels	176	287	-	43
Project pipe transportation	126	182	18	122
Unallocated	890	1,164	236	4,812
	<u>39,367</u>	<u>33,611</u>	<u>21,187</u>	<u>177,595</u>

In addition to the depreciation and amortisation reported above, impairment losses of US\$Nil (2015 : US\$27,155,000) were recognised in respect of goodwill. These impairment losses were attributable to the following reportable segments:

	Year ended 30 June 2016	Year ended 30 June 2015
	US\$'000	US\$'000
Offshore support vessels	-	17,055
Crew/utility vessels	-	47
Tugs/barges	-	10,053
	<u>-</u>	<u>27,155</u>

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

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 2016	Year ended 30 June 2015	30 June 2016	30 June 2015
	US\$'000	US\$'000	US\$'000	US\$'000
<u>Based on location where revenue was generated</u>				
Asia:				
Brunei	25,202	21,713	-	-
Indonesia	29,060	17,064	2,223	4,224
Malaysia	14,397	27,037	-	-
Singapore	-	-	108,256	101,588
Thailand	33,843	39,175	-	-
Rest of Asia	2,865	1,431	-	-
Inter-regional ⁽¹⁾	34,348	47,723	-	-
Australia	28,223	52,005	-	-
Middle East:				
Saudi Arabia	28,573	17,337	-	-
U.A.E	18,063	26,410	-	-
Rest of Middle East	16,374	11,893	-	-
	230,948	261,788	110,479	105,812
Vessels ⁽²⁾	-	-	560,363	578,763
Vessels in construction/ work in progress ⁽²⁾	-	-	357	15,432
Drydocking costs ⁽²⁾	-	-	16,601	18,746
Plant and equipment ⁽²⁾	-	-	6,664	4,798
Others	-	-	3,180	3,592
	230,948	261,788	697,644	727,143

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

6. Segmental information (continued)**(iv) Geographical information (continued)**

- (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.

(v) Information about major customers

Included in Group's revenue are:

- Revenue from Offshore Support Vessels and Crew/utility Vessels of US\$29,865,000 (2015 : US\$38,400,000) derived from customer A;
- Revenue from Offshore Support Vessels, Crew/utility Vessels, Barges and Project Pipe Transportation of US\$25,638,000 (2015 : US\$26,243,000) derived from customer B; and
- Revenue from Offshore Support Vessels, Crew/utility Vessels, Barges and Project Pipe Transportation of US\$16,777,000 (2015 : US\$18,575,000) derived from customer C.

7. Other income

	Year ended 30 June 2016 US\$'000	Year ended 30 June 2015 US\$'000
Rental income	-	25
Management income	69	60
Gain on disposal of property, plant and equipment	-	409
Amortisation of provisions (Note 28)	248	289
Scrap sales	11	45
Sundry income	245	719
Interest income	215	193
Net foreign exchange gain	134	1,120
	<u>922</u>	<u>2,860</u>

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

8. Administration expenses

	Year ended 30 June 2016 US\$'000	(Restated) Year ended 30 June 2015 US\$'000
Employee-related expenses (Note 9)	12,195	13,154
Professional fees	3,070	3,052
Rental expenses	1,584	1,646
Depreciation of property, plant and equipment	868	1,137
Allowance for doubtful debt	4,298	3,194
Others	2,049	2,525
	<u>24,064</u>	<u>24,708</u>

9. Employee-related expenses

	Year ended 30 June 2016 US\$'000	(Restated) Year ended 30 June 2015 US\$'000
Wages and salaries	6,823	7,452
Allowance and benefits	3,574	3,663
Employer's contribution to defined contribution plans	739	759
Share-based payments (Note 33)	861	1,149
Directors' fees	198	131
	<u>12,195</u>	<u>13,154</u>

10. Finance costs

	Year ended 30 June 2016 US\$'000	Year ended 30 June 2015 US\$'000
Interest expense arising from:		
Bank loans	12,456	8,477
Interest expense (related party)	276	14
Bond	12,839	12,635
Other finance costs	28	52
	<u>25,599</u>	<u>21,178</u>
Amortisation of debt upfront fee	4,060	5,290
Bond upfront fees written off upon redemption	13,851	-
Total interest expense	<u>43,510</u>	<u>26,468</u>
Commitment fee in relation to bank facility	53	76
	<u>43,563</u>	<u>26,544</u>

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

11. Other expenses

	Year ended 30 June 2016 US\$'000	Year ended 30 June 2015 US\$'000
Property, plant and equipment written off	-	13
Loss on disposal of property, plant and equipment	1,753	-
Impairment loss on vessel (Note 21)	6,523	1,166
Impairment of goodwill (Note 22)	-	27,155
	<u>8,276</u>	<u>28,334</u>

12. Loss before tax

Loss before tax has been arrived at after charging:

	Year ended 30 June 2016 US\$'000	Year ended 30 June 2015 US\$'000
Depreciation and amortisation:		
Depreciation of property, plant and equipment	29,519	25,499
Amortisation of drydocking expenditure	9,732	7,791
Amortisation of intangible assets	116	321
	<u>39,367</u>	<u>33,611</u>
Amortisation of vessels mobilisation/demobilisation expenditure	-	1,642
Charter hire expense	36,190	35,334
Cost of inventories recognised as expense in cost of sales	<u>1,175</u>	<u>1,589</u>

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

13. Income tax expense

	Year ended 30 June 2016 US\$'000	Year ended 30 June 2015 US\$'000
Tax expense comprises:		
Current tax expenses in respect of the current year	196	213
Adjustments recognised in the current year in relation to prior years	28	3
Deferred tax expense relating to the origination and reversal of temporary differences	1,123	1,255
Foreign withholding tax paid	2,938	1,902
	<u>4,285</u>	<u>3,373</u>

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

	Year ended 30 June 2016 US\$'000	Year ended 30 June 2015 US\$'000
(Loss) before tax	(17,394)	(7,837)
Tax at the domestic income tax rate of 17%* (2015 : 17%)	(2,957)	(1,333)
Tax exempt income	(1,693)	(5,349)
Tax effect of operating profits in other jurisdictions	(1,458)	108
Non-deductible expenses	7,427	8,042
Foreign withholding tax	2,938	1,902
Adjustments recognised in the current year in relation to the prior years	28	3
Total tax expense	<u>4,285</u>	<u>3,373</u>

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

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

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	Provision for staff benefits US\$'000	Total US\$'000
At 1 July 2014	149	(519)	(370)
Adjustment	303	-	303
Credit to profit or loss	766	339	1,105
Exchange differences	(30)	180	150
At 30 June 2015	1,188	-	1,188
Adjustment	(13)	-	(13)
Credit to profit or loss	1,112	-	1,112
Exchange differences	11	-	11
At 30 June 2016	2,298	-	2,298

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

14. Cash and cash equivalents

	<u>30 June 2016</u>	<u>30 June 2015</u>
	US\$'000	US\$'000
Cash and bank balances	13,835	16,237

15. Trade and other receivables

	<u>30 June 2016</u>	<u>30 June 2015</u>
	US\$'000	US\$'000
Trade receivables	60,366	84,577
Allowance for doubtful debts	(4,266)	(2,985)
	56,100	81,592
Trade balances due from:		
Related parties (Note 41)	2,182	784
	58,282	82,376
Non-trade balances due from:		
Related parties (Note 41)	3,382	4,313
Advances	3,503	3,311
Deposits	1,713	1,611
Prepayments	3,299	4,659
Insurance claims (i)	1,199	3,325
Other receivables	1,971	1,290
Loan to a related party (Note 41)	600	-
Tax recoverable	2,559	1,875
	76,508	102,760

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

15. Trade and other receivables (continued)

- (i) The insurance claims are for damages sustained by 8 (2015 : 13) 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 2016 is 115 days (2015 : 116 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.

Ageing of past due but not impaired:

	<u>30 June 2016</u> US\$'000	<u>30 June 2015</u> US\$'000
< 3 months	16,614	29,214
3 months to 6 months	2,543	6,523
6 months to 12 months	5,720	5,088
> 12 months	6,069	8,013
	<u>30,946</u>	<u>48,838</u>

Movement in allowance for doubtful debts:

	<u>30 June 2016</u> US\$'000	<u>30 June 2015</u> US\$'000
Balance at beginning of year	2,985	943
Allowance during the year	4,298	3,194
Amounts written off during the year	(3,017)	(1,152)
Balance at end of the year	<u>4,266</u>	<u>2,985</u>

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements

for the year ended 30 June 2016

15. Trade and other receivables (continued)

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 customer base.

Ageing of impaired trade receivables:

	<u>30 June 2016</u> US\$'000	<u>30 June 2015</u> US\$'000
< 90 days	290	1,050
90 to 120 days	455	1,224
> 120 days	3,521	711
	<u>4,266</u>	<u>2,985</u>

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 (2015: US\$150 million) to Manta Holdings Limited, the immediate holding Company of the Group which expires on 12 December 2023. The loan is unsecured, interest-free and repayable on demand.

17. Inventories

	<u>30 June 2016</u> US\$'000	<u>30 June 2015</u> US\$'000
Raw materials	1,399	1,201
Spare parts and consumables	4,096	6,278
Bunkers and lube oil	463	1,061
	<u>5,958</u>	<u>8,540</u>

18. Vessel held for sale

On 16 June 2016, the Group entered into an agreement to sell a tug (2015 : utility vessel) to an external party for a consideration of US\$1,600,000 (2015 : US\$1,500,000). Accordingly, the vessel to be sold was classified as vessel held for sale and was classified as a current asset on the consolidated statement of financial position. As at 30 June 2016, the vessel had a carrying amount of US\$1,600,000 (2015 : US\$1,500,000).

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

19. Subsidiaries

The details of significant subsidiaries as at 30 June 2016 are as follows:

<u>Name of subsidiaries and country of incorporation and operation</u>	<u>Principal activities</u>	<u>Effective equity interest held</u>	
		<u>30 June 2016</u>	<u>30 June 2015</u>
		%	%
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
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

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

19. Subsidiaries (continued)

<u>Name of subsidiaries and country of incorporation and operation</u>	<u>Principal activities</u>	<u>Effective equity interest held</u>	
		<u>30 June 2016</u> %	<u>30 June 2015</u> %
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.	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 ⁽ⁱⁱⁱ⁾ Australia	Investment holding	100	100
MEO Brunei Sdn Bhd Brunei	Owner and charterer of vessels and barges	70	70
Miclyn Express Offshore (B) Sdn Bhd ^{(i) (iv)} Brunei	Owner and charterer of vessels and barges	100	70
Bintang Samudera Sdn Bhd Malaysia	Owner and charterer of vessels and barges	100	100

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

19. Subsidiaries (continued)

<u>Name of subsidiaries and country of incorporation and operation</u>	<u>Principal activities</u>	<u>Effective equity interest held</u>	
		<u>30 June 2016</u> %	<u>30 June 2015</u> %
Setia Samudera Sdn Bhd Malaysia	Owner and charterer of vessels and barges	100	100

- (i) During the financial period, 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:

	<u>30 June 2016</u> US\$'000
Amounts paid on changes in ownership interest in subsidiary	(30)
Non-controlling interest acquired	635
Difference recognised in equity reserves (Note 31)	<u>605</u>

- (ii) A certain proportion of the equity interest of the Group is held through nominees.
- (iii) On 1 December 2014, the entity changed its name to Miclyn Express Offshore (Australia) Holdings Pty Ltd (formerly known as "Samson Maritime Holdings Pty Ltd, Australia").
- (iv) On 26 March 2015, the entity changed its name to Miclyn Express Offshore (B) Sdn Bhd (formerly known as "MEO Jisco Marine Sdn Bhd").

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

20. Joint ventures

	<u>30 June 2016</u> US\$'000	<u>30 June 2015</u> US\$'000
Investment in joint ventures	39,052	38,784
Share of post-acquisition profit, net of dividend received	35,618	27,820
	<u>74,670</u>	<u>66,604</u>

The details of the joint ventures are as follows:

<u>Name of joint ventures and country of incorporation and operation</u>	<u>Principal activities</u>	<u>Effective equity interest held</u>	
		<u>30 June 2016</u> %	<u>30 June 2015</u> %
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	-

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

Uniwise Offshore Limited

	<u>30 June 2016</u> US\$'000	<u>30 June 2015</u> US\$'000
Current assets	<u>19,645</u>	<u>11,419</u>
Non-current assets	<u>111,342</u>	<u>118,060</u>
Current liabilities	<u>(13,665)</u>	<u>(16,213)</u>
Non-current liabilities	<u>(12,929)</u>	<u>(19,432)</u>

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

20. Joint ventures (continued)**Uniwise Offshore Limited (continued)**

	Year ended 30 June 2016 US\$'000	Year ended 30 June 2015 US\$'000
Revenue	30,333	34,575
Profit for the year	9,706	13,330

The above profit for the year include the following:

Depreciation and amortisation	(5,033)	(4,835)
Interest income	48	6
Interest expense	(636)	(748)
Income tax expense	(224)	(347)

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 2016 US\$'000	30 June 2015 US\$'000
Net assets of the joint venture	104,393	93,834
Proportion of the Group's ownership interest in the joint venture	50%	50%
Carrying amount of the Group's interest in the joint venture	52,197	46,917

Uniwise Towage Limited

	30 June 2016 US\$'000	30 June 2015 US\$'000
Current assets	24,748	19,794
Non-current assets	10,775	15,748
Current liabilities	(2,058)	(2,558)
Non-current liabilities	-	(1,627)

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

20. Joint ventures (continued)**Uniwise Towage Limited (continued)**

	Year ended 30 June 2016 US\$'000	Year ended 30 June 2015 US\$'000
Revenue	5,186	8,969
Profit for the year	3,280	4,206
The above profit for the year include the following:		
Depreciation and amortisation	(862)	(1,577)
Interest income	465	243
Interest expense	(53)	(81)
Income tax expense	(316)	(392)

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 2016 US\$'000	30 June 2015 US\$'000
Net assets of the joint venture	33,465	31,357
Proportion of the Group's ownership interest in the joint venture	50%	50%
Carrying amount of the Group's interest in the joint venture	16,733	15,679

Aggregate information of joint ventures that are not individually material

	Year ended 30 June 2016 US\$'000	Year ended 30 June 2015 US\$'000
Profit for the year	2,625	2,091
Aggregate carrying amount of the Group's interests in these joint ventures	5,740	4,008

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

21. Property, plant and equipment

	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
Cost:									
At 1 July 2014	514,492	27,799	117	415	5,040	829	7,238	14,743	570,673
Additions	78,332	7,617	74	37	405	97	1,426	89,505	177,493
Disposals	(9,388)	(1,193)	-	(23)	108	(1)	(321)	-	(10,818)
Write-off	-	-	-	-	(11)	(16)	(19)	-	(46)
Transfer to vessels held for sale	(917)	(845)	-	-	-	(142)	-	-	(1,904)
Exchange differences	(3,634)	(154)	(26)	(13)	(218)	(39)	(341)	(188)	(4,613)
Transfer	82,634	4,691	39	-	223	-	1,041	(88,628)	-
At 30 June 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	(1,551)	(1,133)	-	-	-	-	-	-	(2,684)
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	671,934	44,001	206	409	5,787	823	12,676	357	736,193

MICLYN EXPRESS OFFSHORE LIMITED
Notes to financial statements
for the year ended 30 June 2016

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
Accumulated depreciation:									
At 1 July 2014	63,053	12,328	12	218	1,987	486	2,575	-	80,659
Depreciation for the year	22,935	7,791	24	78	620	105	1,737	-	33,290
Disposals	(3,971)	(702)	-	(16)	-	(1)	(24)	-	(4,714)
Write-off	-	-	-	-	(9)	(16)	(8)	-	(33)
Transfer to vessels held for sale	(106)	(211)	-	-	-	(87)	-	-	(404)
Exchange differences	(321)	(37)	(3)	(7)	(78)	(11)	(54)	-	(511)
At 30 June 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
Impairment:									
At 1 July 2014	-	-	-	-	-	-	-	-	-
Impairment loss recognised during the year	1,166	-	-	-	-	-	-	-	1,166
At 30 June 2015	1,166	-	-	-	-	-	-	-	1,166
Impairment loss recognised during the year	6,523	-	-	-	-	-	-	-	6,523
Disposals	(1,166)	-	-	-	-	-	-	-	(1,166)
At 30 June 2016	6,523	-	-	-	-	-	-	-	6,523
Carrying amount:									
At 30 June 2016	560,363	16,601	143	73	2,680	284	6,664	357	587,165
At 30 June 2015	578,763	18,746	171	143	3,027	252	4,798	15,432	621,332

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

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

As at 30 June 2016, 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 0% to 5.5% 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 11.2% was used to discount the cash flows. The cost of the equity component of the WACC was derived using the capital asset pricing model.

Sensitivity analysis

If management's estimate of discount rate and growth rate increase or decrease by 0.5%, the effect on the value in use will be as follows:

	<u>Discount rate</u>		<u>Growth rate</u>	
	Increase US\$'000	(Decrease) US\$'000	Increase US\$'000	(Decrease) US\$'000
Offshore support vessels	(14,494)	15,346	12,590	(12,012)
Crew/utility vessels	(9,052)	9,605	7,920	(7,537)
Tugs	(1,749)	1,858	1,559	(1,482)
Barges	(533)	561	450	(432)

Based on the value in use calculations, management is of the opinion that the vessels can be recovered at amounts higher than their carrying amounts, and hence, no impairment loss on vessels was required.

- a) During the financial year ended 30 June 2016, the Group recognised US\$6,523,000 (2015 : US\$1,166,000) of impairment loss on vessels in other expenses. The recoverable amount was based on fair value less cost to sell. The fair value less cost to sell was determined based on Sales and Purchase agreements.
- b) During the financial year ended 30 June 2016, the Group has pledged certain property, plant and equipment with carrying amount of US\$537,456,000 (2015 : US\$558,169,000) to secure banking facilities granted to the Group (Note 26).

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

22. Intangible assets

	<u>30 June 2016</u> US\$'000	<u>30 June 2015</u> US\$'000
<u>Composition:</u>		
Goodwill (Note (a))	32,837	32,837
Licences (Note (b))	230	346
	<u>33,067</u>	<u>33,183</u>

(a) Goodwill

	<u>30 June 2016</u> US\$'000	<u>30 June 2015</u> US\$'000
Cost and carrying amount:		
Balance at beginning of year	32,837	59,992
Loss on impairment	-	(27,155)
Balance at end of the year	<u>32,837</u>	<u>32,837</u>

The goodwill of US\$27,155,000 allocated to the Tugs/Barges and Offshore Support Vessels ("OSV") CGU's was associated with the acquisition of Miclyn Express Offshore (Australia) Holdings Pty Ltd by the Group. The Australia business had previously operated on a satisfactory basis, but without achieving any significant increase in market share.

In the past year, market conditions in the Australia region had deteriorated significantly and management was of the view that there would be no change to these conditions in the foreseeable future. These conditions had led to the impairment of the goodwill of US\$27,155,000 allocated to the Tugs/Barges and OSV CGU's.

The impairment loss has been included in profit or loss in the "other expense" line item in 2015.

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

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

Goodwill is allocated to the Group's cash generating units ("CGUs") identified according to business segments.

A segment-level summary of the goodwill allocation is as follows:

	30 June 2016 US\$'000	30 June 2015 US\$'000
Crew/utility vessels	32,837	32,837

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.

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 11.2 %, 0 % - 3.5 % and 3.5 % respectively (2015 : 11.0 %, 3.0 % and 3.0 %) are applied to the forecasted cash flows.

If management's estimate of discount rate and growth rate increases or decreases by 0.5 % (2015 : 0.5 %), the effect on the value in use will be as follows:

	30 June 2016		30 June 2015	
	Increase US\$'000	(Decrease) US\$'000	Increase US\$'000	(Decrease) US\$'000
<u>Crew/utility vessels</u>				
Discount rate	(12,691)	14,017	(15,338)	17,370
Growth rate	10,681	(9,378)	12,185	(10,760)

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.

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

22. Intangible assets (continued)**(b) Licences**

	30 June 2016 US\$'000	30 June 2015 US\$'000
Cost:		
Balance at beginning of year	1,763	1,661
Additions during the year	-	102
Balance at end of the year	1,763	1,763
Accumulated amortisation:		
Balance at beginning of year	(1,417)	(1,096)
Amortisation during the year	(116)	(321)
Balance at end of the year	(1,533)	(1,417)
Balance at end of the year	230	346

Licences represent the licence fees relating to the computer software.

23. Derivative financial instruments

	30 June 2016		30 June 2015	
	Assets	Liabilities	Assets	Liabilities
	US\$'000	US\$'000	US\$'000	US\$'000
Forward foreign exchange contracts	-	-	-	(10,593)

The Group utilises currency derivatives to hedge significant future transactions and cash flows. In 2015, the Group was a party to one forward foreign exchange contract which was entered into to hedge the foreign exchange movements in relation to the Singapore dollar denominated bond (Note 29).

The fair value of the forward foreign exchange contracts that was designated and effective as a cash flow hedge amounted to negative US\$10,593,000 as at 30 June 2015 and was recognised in other comprehensive income. The hedge was fully settled as at 30 June 2016. The fair value hierarchy for these financial instruments is Level 2.

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. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

23. Derivative financial instruments (continued)

As at 30 June 2016, the Group did not have any outstanding forward foreign exchange contracts. The following table details the forward foreign currency contracts outstanding as at the end of the reporting period.

	Foreign Currency		Contract Value		Fair Value	
	30 June 2016 S\$'000	30 June 2015 S\$'000	30 June 2016 US\$'000	30 June 2015 US\$'000	30 June 2016 US\$'000	30 June 2015 US\$'000
Buy S\$	-	200,000	-	158,153	-	(10,593)

24. 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% (2015 : 6%) per annum and is repayable in 9 quarterly instalments of US\$235,584 commencing 1 January 2016.

	30 June 2016 US\$'000	30 June 2015 US\$'000
- Prepayments	48	152
- Trade receivable from outside party	471	1,649
- Tax recoverable	2,223	4,223
	<u>2,742</u>	<u>6,024</u>

25. Trade and other payables

	30 June 2016 US\$'000	30 June 2015 US\$'000
Trade payables		
- Outside parties	8,344	29,678
- Related parties (Note 41)	893	381
	<u>9,237</u>	<u>30,059</u>
Non-trade payables:		
- Related parties (Note 41)	340	229
Other payables	6,907	4,836
Accrued expenses	36,094	39,722
Loans payable to related parties (Note 41)	12,369	2,850
	<u>64,947</u>	<u>77,696</u>

The average credit period for trade payables is 148 days (2015 : 111 days). No interest is charged on overdue balances.

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

25. Trade and other payables (continued)

The loans payable to related parties are unsecured, bear fixed interest rate of 3.0% per annum (2015 : 3.0% per annum) and are repayable on demand.

Trade payables principally comprise amounts outstanding for trade purchases.

26. Borrowings

	<u>30 June 2016</u> US\$'000	<u>30 June 2015</u> US\$'000
Secured - at amortised cost		
Bank loans	331,969	355,535
Finance lease liabilities (Note 27)	7	15
	<u>331,976</u>	<u>355,550</u>
Current	31,914	37,189
Non-current	300,062	318,361
	<u>331,976</u>	<u>355,550</u>

Summary of bank loans:

	<u>30 June 2016</u> US\$'000	<u>30 June 2015</u> US\$'000
Balance at beginning of year	355,535	241,893
Loans drawn during the financial year	365,500	190,500
Repayment of loans	(389,066)	(76,858)
Balance at end of year	<u>331,969</u>	<u>355,535</u>

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

26. Borrowings (continued)

Terms of outstanding loans are as follows:

	Interest rate	Loans period	30 June 2016 US\$'000	30 June 2015 US\$'000
Secured bank loans				
- USD syndicated term loan facility ⁽¹⁾	LIBOR + 2.75%	2014 - 2019	20,484	26,111
- USD syndicated revolving credit facility ⁽²⁾	LIBOR + 3.35%	2015 - 2020	58,500	-
- USD syndicated term loan facility ⁽²⁾	LIBOR + 3.35%	2015 - 2020	236,711	-
- USD syndicated term loan facility ⁽²⁾	LIBOR + 5.35%	2015 - 2020	16,274	-
- USD syndicated revolving credit facility ⁽³⁾	LIBOR + 2.75%	2013 - 2018	-	50,000
- USD syndicated revolving credit facility ⁽³⁾	LIBOR + 2.60%	2013 - 2018	-	94,000
- USD syndicated term loan facility ⁽³⁾	LIBOR + 2.60%	2013 - 2018	-	122,374
- USD syndicated term loan facility ⁽⁴⁾	LIBOR + 2.60%	2015 - 2020	-	29,620
- USD syndicated term loan facility ⁽⁵⁾	LIBOR + 2.60%	2015 - 2020	-	33,430
			331,969	355,535

(1) The facility is secured by vessels with a carrying amount of US\$30,640,000 (2015 : US\$32,096,000).

(2) The facilities are secured by pledges of share capital and assets of certain subsidiaries. The carrying amounts of assets pledged amounted to US\$537,456,000.

(3) In 2015, the facilities were secured by pledges of share capital and assets of certain subsidiaries. The carrying amounts of assets pledged amounted to US\$558,169,000.

(4) In 2015, the facility was secured by vessels with a carrying amount of US\$45,098,000.

(5) In 2015, the facility was secured by a vessel with a carrying amount of US\$50,277,000.

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

27. Obligations under finance leaseLeasing arrangements

Finance leases relate to vessel equipment with average lease terms of 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

	Minimum lease payments		Present value of minimum lease payments	
	Year ended 30 June 2016 US\$'000	Year ended 30 June 2015 US\$'000	Year ended 30 June 2016 US\$'000	Year ended 30 June 2015 US\$'000
Amount payable under finance lease:				
Within one year	7	8	7	8
Later than one year but not later than five years	-	7	-	7
Present value of lease obligation	7	15	7	15
Less: Future finance charges	-	-		
	7	15		
Included in the financial statements as:			30 June 2016 US\$'000	30 June 2015 US\$'000
- current borrowings			7	8
- non-current borrowings			-	7
			7	15

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 approximate their carrying amount.

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

28. 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.

	30 June 2016 US\$'000	30 June 2015 US\$'000
Cost:		
Balance at beginning and end of year	4,700	4,700
Accumulated amortisation:		
Balance at beginning of year	4,250	3,961
Amortisation for the year	248	289
Balance at end of year	4,498	4,250
Carrying amount:		
Balance at end of year	202	450
Current	202	289
Non-current	-	161

29. 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\$ 150.0 million. The bonds bear interest at a fixed rate of 8.75% per annum and are 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 of Singapore unless required by law. The bonds are secured by 107 existing vessels flagged in Australia, Indonesia, Panama, Malaysia and Singapore. As at 30 June 2016, the effective interest rate was 9.81% per annum. The fair value of the 8.75% senior secured guaranteed bonds at 30 June 2016 amounted to US\$147 million. The fair value of these financial liabilities was based on the quoted closing market prices on the last market day of the financial period. The fair value hierarchy for these financial instruments is Level 1.

On 12 December 2013, MEOL issued senior secured guaranteed bonds for SGD200.0 million. The bonds bore interest at a fixed rate of 8.50% per annum and were payable semi-annually in arrears on 12 June and 12 December in each year. Payments on the bonds were to be made without withholding or deduction for any taxes of Bermuda. The bonds were secured by 96 existing vessels flagged in Australia, Indonesia, Panama, Malaysia and Singapore. As at 30 June 2015, the effective interest rate was 11.44% per annum. The fair value of the 8.50% senior secured guaranteed bonds at 30 June 2015 amounted to US\$150 million. The fair value of these financial liabilities was based on the quoted closing market prices on the last market day of the financial year. The fair value hierarchy for these financial instruments was Level 1. The bonds were fully redeemed and settled as at 30 June 2016.

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

30. Share capital

	Number of shares (Par value at US\$0.1)	Share capital US\$'000
At beginning and end of 30 June 2016 and 30 June 2015	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). As described in Note 3.3, on amalgamation, the amount recognised as issued equity instruments in these consolidated financial statements is that of Manta Holding 2 Limited, being US\$0.10 of share capital.

31. Reserves

	30 June 2016 US\$'000	30 June 2015 US\$'000
<u>Composition</u>		
Other equity reserves	141,436	140,831
Translation reserve	(11,774)	(13,153)
Share based payments reserve	2,010	1,149
Hedging reserve	-	(863)
	<u>131,672</u>	<u>127,964</u>
<u>Movements</u>		
(a) Other equity reserves		
Balance at the beginning of year	140,831	142,752
Acquisition of additional interest in a subsidiary (Note 19)	605	(1,921)
Balance at end of year	<u>141,436</u>	<u>140,831</u>
(b) Translation reserve		
Balance at beginning of year	(13,153)	(6,394)
Exchange differences arising on translation of foreign operations	1,379	(6,759)
Balance at end of year	<u>(11,774)</u>	<u>(13,153)</u>
(c) Share-based payments reserve		
Balance at beginning of year	1,149	-
Recognition of share-based payments (Note 33)	861	1,149
Balance at end of year	<u>2,010</u>	<u>1,149</u>

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

31. Reserves (continued)

	<u>30 June 2016</u> US\$'000	<u>30 June 2015</u> US\$'000
(d) Hedging reserve		
Balance at beginning of year	(863)	33
Recognition of hedging reserve	863	(896)
Balance at end of year	<u>-</u>	<u>(863)</u>

32. Retained earnings

	<u>30 June 2016</u> US\$'000	<u>30 June 2015</u> US\$'000
Balance at beginning of year	274,962	287,610
Net loss attributable to owners of the Company	<u>(22,719)</u>	<u>(12,648)</u>
Balance at end of year	<u>252,243</u>	<u>274,962</u>

33. 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.

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

33. Share-based payments (continued)**(a) Management Equity plan (continued)**

The total number of Management Shares and Plan options accepted under this invitation amounted to 6,900,000 and 27,600,000 (2015 : 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. Based on the valuation report, an expense of US\$861,000 (2015 : US\$1,149,000) was recognised.

34. Dividend

During the financial years ended 30 June 2016 and 2015, the Group did not declare any dividend.

35. Non-controlling interests

	<u>30 June 2016</u> US\$'000	<u>30 June 2015</u> US\$'000
Balance at beginning of year	1,887	253
Share of profit for the year	1,040	1,438
Acquisition of non-controlling interest in subsidiary	(521)	-
Share capital contribution	-	196
Balance at end of year	2,406	1,887

36. Commitments

The Group had the following outstanding commitments:

	<u>30 June 2016</u> US\$'000	<u>30 June 2015</u> US\$'000
Capital commitments contracted but not provided for in respect of:		
Expenditure for vessels, contracted for	-	7,994

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

37. Operating lease arrangementThe Group as lessee

	<u>30 June 2016</u> US\$'000	<u>30 June 2015</u> US\$'000
Minimum lease payments under operating leases recognised as an expense in the financial year		
Charter hire	36,190	35,334
Others	1,584	1,646
	<u>37,774</u>	<u>36,980</u>

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

	<u>30 June 2016</u> US\$'000	<u>30 June 2015</u> US\$'000
Within one year	2,326	13,663
In the second to fifth year inclusive	214	1,209
	<u>2,540</u>	<u>14,872</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.

The Group as lessor

	<u>30 June 2016</u> US\$'000	<u>30 June 2015</u> US\$'000
Charter revenue	164,606	182,659

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:

	<u>30 June 2016</u> US\$'000	<u>30 June 2015</u> US\$'000
Within one year	58,994	85,694
In the second to fifth year inclusive	30,976	194,243
	<u>89,970</u>	<u>279,937</u>

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

38. Contingent liabilities

As at 30 June 2016, subsidiaries of the Group have issued secured corporate guarantees to banks for borrowings of certain joint ventures amounting to US\$Nil (2015 : US\$5,455,000).

39. Financial instruments, financial risk and capital risk management

(a) Capital risk 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 of 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 under certain borrowing arrangements.

As at 30 June 2016 and 2015, the Group is in compliance with all external imposed financial covenants. The Group's overall strategy remains unchanged from the financial year ended 30 June 2015.

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 not subject to any externally imposed capital requirements.

(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.

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

39. Financial instruments, financial risk and capital risk management (continued)**(c) Categories of financial instruments**

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

	<u>30 June 2016</u> US\$'000	<u>30 June 2015</u> US\$'000
Financial assets		
<u>At amortised cost</u>		
Cash and cash equivalents	13,835	16,237
Loans and receivables	210,286	237,040
	<u>224,121</u>	<u>253,277</u>
Financial liabilities		
<u>At amortised cost</u>		
Trade and other payables	64,947	77,696
Borrowings	331,976	355,550
Senior secured guaranteed bonds	146,162	142,740
<u>At fair value</u>		
Derivative financial instruments	-	10,593
	<u>543,085</u>	<u>586,579</u>

(d) Financial risk management policies and objectives

The Group's activities expose it to market risk (including currency risk and interest rate risk), credit risk and liquidity risk. During the financial year ended 30 June 2016, the Group did not hedge its interest rate exposure.

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.

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.

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

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

The Group's activities expose it to the financial risks of changes in foreign currency exchange rates (Note 39(f)). The Group is also subject to interest rates risk (Note 39(g)).

During the financial year 30 June 2015, the Group was a party to one forward foreign exchange contract which was entered into to hedge the foreign exchange movements in relation to the Singapore dollar denominated bond (Notes 23 and 29).

(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 needs 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 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

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

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

(f) Foreign currency risk management (continued)

	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
The Group								
At 30 June 2015								
Financial assets								
Cash and cash equivalents	1,079	498	189	822	-	254	214	128
Trade and other receivables	328	6,511	119	1,221	28,863	2,226	5,666	7
Total assets	1,407	7,009	308	2,043	28,863	2,480	5,880	135
Financial liabilities								
Trade and other payables	(6,743)	(2,408)	(914)	(1,332)	(212)	(1,789)	(88)	(516)
Senior secured guaranteed bonds	(142,740)	-	-	-	-	-	-	-
Total liabilities	(149,483)	(2,408)	(914)	(1,332)	(212)	(1,789)	(88)	(516)
Net (Liabilities)/Assets	(148,076)	4,601	(606)	711	28,651	691	5,792	(381)

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% (2015 : 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% (2015 : 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% (2015 : 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.

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

39. Financial instruments, financial risk and capital risk management (continued)**(f) Foreign currency risk management (continued)**

If the SGD, AED, MYR, AUD, SAR, THB and IDR change against the USD by 5% (2015 : 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:

	30 June 2016	30 June 2015
	← Increase / (Decrease) →	
	Profit or loss	Profit or loss
	US\$'000	US\$'000
SGD against USD	276	267
AUD against USD	(127)	(230)
MYR against USD	(73)	30
AED against USD	(56)	(36)
SAR against USD	(740)	(1,433)
THB against USD	(130)	(35)
IDR against USD	(396)	(290)

In 2015, the Singapore Dollar denominated bonds were excluded from the above analysis as the foreign currency risk had been hedged by entering into a forward foreign exchange contract (Note 23)

(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 2016 was US\$ 13,835,000 (2015 : US\$16,237,000). The impact of any interest rate change has been assessed to be immaterial.

For the financial years ended 30 June 2016 and 30 June 2015, 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 2016 and 30 June 2015.

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

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

(g) Cash flow and interest rate risk management (continued)

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% (2015 : 0.50%) with all other variables including tax rate being held constant, the profit or loss will be lower/higher by US\$1,660,000 (2015 : US\$1,778,000) as a result of higher/lower interest expense on these borrowings.

(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.

The maximum amount the Group could be forced to settle under the financial guarantee contract in Note 38, if the full guaranteed amount is claimed by the counterparty to the guarantee is US\$Nil (2015 : US\$5,455,000). Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

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's loan to immediate holding company is interest-free and repayable on demand. The Group has not recognised any allowance as the management is of the view that this receivable is recoverable.

There is no other class of financial assets that is past due and/or impaired except for trade receivables. As at 30 June 2016, trade receivables outstanding for more than 90 days is approximately US\$14,332,000 (2015 : US\$19,624,000), out of which US\$3,976,000 (2015 : US\$1,935,000) has been identified for impairment as at 30 June 2016. The majority of the balances are not impaired because these are from creditworthy customers in various sector.

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

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

The Group manages liquidity risk by maintaining sufficient cash 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 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
At 30 June 2015					
Financial liabilities					
Trade and other payables	77,696	-	-	-	77,696
Borrowings	47,641	61,393	283,586	(37,070)	355,550
Senior secured guaranteed bonds	-	151,240	-	(8,500)	142,740
Contingent liabilities	-	-	5,455	-	5,455
	125,337	212,633	289,041	(45,570)	581,441

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

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

All the non-derivative financial assets are expected to be repayable within one year and are non-interest bearing except for other non-current trade receivables (Note 24).

(j) Fair values of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables and loan to immediate holding company 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 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 financial statements approximate their fair values except as disclosed in the notes to the financial statement.

40. 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 2016 US\$'000	Year ended 30 June 2015 US\$'000
Short term benefits	1,880	1,678
Management equity plan	861	1,149
Post employment benefits	44	23
Long term benefits	-	107
	<u>2,785</u>	<u>2,957</u>

MICLYN EXPRESS OFFSHORE LIMITED

Notes to financial statements
for the year ended 30 June 2016

41. 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 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 2016 US\$'000	Year ended 30 June 2015 US\$'000
<u>Joint-ventures of the Group</u>		
Charter hire income	(2,164)	(766)
Management fee income	(69)	(60)
Ship management fee income	-	(172)
Sundry income	(115)	(84)
Ship management fee expense	180	-
Charter hire expenses	391	230
Repair expenses	-	39
Interest paid	163	12

42. Prior year's adjustments

Certain adjustments have been made to the previous year's financial statements to align with the current period's presentation.

As a result, certain line items have been restated as follows:

	Previously reported 30 June 2015 US\$'000	As restated 30 June 2015 US\$'000
Consolidated statement of profit or loss and comprehensive income		
Cost of sales	(188,248)	(202,713)
Administration expenses	(39,173)	(24,708)