



MICLYN EXPRESS OFFSHORE LIMITED
(Registration No. 42388)

**DIRECTORS' STATEMENT AND
FINANCIAL STATEMENTS**

YEAR ENDED 30 JUNE 2018

MICLYN EXPRESS OFFSHORE LIMITED

DIRECTORS' STATEMENT AND FINANCIAL STATEMENTS

C O N T E N T S

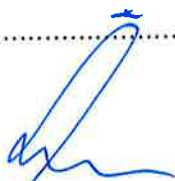
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MICLYN EXPRESS OFFSHORE LIMITED

DIRECTORS' STATEMENT

In the opinion of the directors, the consolidated financial statements of the Group as set out on pages 7 to 73 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 2018, and its consolidated financial performance and consolidated cash flows for the financial year then ended. On the basis of the disclosures made in Note 1 to the consolidated financial statements, at the date of this statement, there are reasonable grounds to believe that the Group will be able to pay its debts when they fall due.

ON BEHALF OF THE BOARD OF DIRECTORS


.....
Shane Gong
.....
Diederik Christiaan de Boer

06 MAY 2019

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Miclyn Express Offshore Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group as at 30 June 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, as set out on pages 7 to 73.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2018, and its consolidated financial performance and its consolidated cash flows for the financial year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

Material Uncertainty Related to Going Concern

As disclosed in Note 1 to the consolidated financial statements, as at 30 June 2018, the Group has bank loans of US\$310,782,000 (Note 25) and US\$150,000,000 8.75% senior secured guaranteed bonds which were due in November 2018 (the "bonds") (Note 27). As at the date of these consolidated financial statements, the Group has not made principal and interest payments due in respect of the bonds and certain senior secured bank facilities.

The Group has appointed financial and legal advisors during the financial year ended 30 June 2017 to assist in the restructuring of its debt obligations in respect of the bonds and senior secured bank loan facilities, with the objective of achieving a comprehensive, consensual restructuring of the Group's indebtedness, including discussing with potential investors to recapitalise and strengthen the Group's financial positions (the "Debt Restructuring"). The Group has applied to the Court under Section 211B of the Companies Act (Cap. 50) for an extension of the moratorium on any enforcement action by any creditors in order to facilitate the formulation of restructuring proposals. The extension was granted by the Court and the Group has until 5 August 2019 to continue negotiations with its senior secured bank lender and bond holders. Accordingly, the Group's ability to repay the bonds and amounts outstanding under the senior secured bank loan facilities is solely dependent on the successful conclusion of the Debt Restructuring negotiations. These events indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current financial year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matters	How the audit matter was addressed in the audit
Impairment assessment of vessels The Group has significant property, plant and equipment which comprises mainly vessels and its related capitalised expenditures, which collectively represents 66% of the Group's total assets as at 30 June 2018. Management believes that given the current prolonged market conditions in the industry, and where charter rates and utilisation rates have reduced significantly compared to prior periods, these are indicators that vessels may be impaired. Management has performed an impairment assessment to determine the recoverable amounts of the vessels, which are based on the higher of fair value less cost to sell and value in use. The valuation process to determine the value in use involves significant judgement and estimates in determining the appropriate assumptions and inputs to be applied in the impairment review exercise. Such key estimates include future charter rates, utilisation rates and discount rate. As a result of the impairment assessment, the Group recognised an impairment loss of US\$31,768,000 (2017 : US\$56,559,000) during the financial year ended 30 June 2018. The key assumptions to the impairment assessment are disclosed in Note 21 to the consolidated financial statements.	Our audit procedures focused on evaluating and challenging the key assumptions used by management in conducting the impairment review. We performed the following procedures: • challenged the key assumptions used in the value-in-use assessment (including those relating to daily charter rates/earnings, utilisation rates and revenue growth rates), with comparison to recent performance, trend analysis and market expectations; and • engaged our valuation specialists to independently develop an expectation for the discount rate used in the impairment analysis, and compared to the discount rate used by the management; and • by reference to prior years' forecasts, where relevant, assessed whether the Group had achieved them. We considered the adequacy of the disclosures in the consolidated financial statements in respect of impairment of vessels.



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

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

Management is responsible for the other information. The other information comprises the Directors' Statement set out on page 1, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

Responsibilities of Management and Directors for the Consolidated Financial Statements

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

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

The directors' responsibilities include overseeing the Company's financial reporting process.

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

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

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

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

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

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

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

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

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

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


Public Accountants and
Chartered Accountants
Singapore

6 May 2019

MICLYN EXPRESS OFFSHORE LIMITED

Consolidated statement of profit or loss and other comprehensive income For the year ended 30 June 2018

	Note	2018 US\$'000	2017 US\$'000
Revenue	5	127,513	161,050
Cost of sales		(125,895)	(143,994)
Gross profit		1,618	17,056
Other income	7	269	966
Administration expenses	8	(16,441)	(15,364)
Finance costs	10	(39,858)	(29,457)
Other expenses	11	(130,825)	(68,526)
Share of profit from joint ventures	20	3,459	3,738
Loss before income tax	12	(181,778)	(91,587)
Income tax expense	13	(6,304)	(4,556)
LOSS FOR THE YEAR		(188,082)	(96,143)
Other comprehensive loss:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		2,929	(2,229)
Other comprehensive income (loss) for the year, net of tax		2,929	(2,229)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(185,153)	(98,372)
Loss attributable to:			
Owners of the Company		(189,278)	(97,270)
Non-controlling interests		1,196	1,127
		(188,082)	(96,143)
Total comprehensive loss attributable to:			
Owners of the Company		(186,349)	(99,499)
Non-controlling interests		1,196	1,127
		(185,153)	(98,372)

See accompanying notes to consolidated financial statements.

MICLYN EXPRESS OFFSHORE LIMITED

Consolidated statement of financial position At 30 June 2018

	<u>Note</u>	<u>2018</u> US\$'000	<u>2017</u> US\$'000
Assets			
<i>Current assets</i>			
Cash and cash equivalents	14	10,088	11,789
Trade and other receivables	15	72,441	70,077
Inventories	16	5,944	5,958
Vessels held for sale	17	750	575
Total current assets		<u>89,223</u>	<u>88,399</u>
<i>Non-current assets</i>			
Loan to immediate holding company	18	4,489	127,365
Investment in joint ventures	20	77,903	78,423
Property, plant and equipment	21	438,045	499,073
Intangible assets	22	32,896	32,978
Other non-current assets	23	3,860	4,593
Total non-current assets		<u>557,193</u>	<u>742,432</u>
Total assets		<u>646,416</u>	<u>830,831</u>
Liabilities			
<i>Current liabilities</i>			
Trade and other payables	24	107,456	70,687
Borrowings	25	308,020	26,159
Senior secured guaranteed bonds	27	149,356	-
Current tax liabilities		3,488	3,935
Total current liabilities		<u>568,320</u>	<u>100,781</u>
<i>Non-current liabilities</i>			
Borrowings	25	-	291,798
Senior secured guaranteed bonds	27	-	147,758
Other payables	24	1,086	406
Deferred tax liabilities	13	4,783	3,286
Total non-current liabilities		<u>5,869</u>	<u>443,248</u>
Total liabilities		<u>574,189</u>	<u>544,029</u>
Net assets		<u>72,227</u>	<u>286,802</u>

MICLYN EXPRESS OFFSHORE LIMITED

**Consolidated statement of financial position
At 30 June 2018**

	<u>Note</u>	<u>2018</u> US\$'000	<u>2017</u> US\$'000
Equity			
<i>Capital and reserves</i>			
Share capital	28	-*	-*
Reserves	29	131,062	128,296
(Accumulated losses) Retained earnings	30	(63,564)	154,973
Equity attributable to owners of the Company		67,498	283,269
Non-controlling interests	33	4,729	3,533
Total equity		<u>72,227</u>	<u>286,802</u>

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

See accompanying notes to consolidated financial statements.

MICLYN EXPRESS OFFSHORE LIMITED

**Consolidated statement of changes in equity
For the year ended 30 June 2018**

	Share capital US\$'000	Other equity reserves US\$'000	Translation 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
Note								
Balance at 1 July 2016	-*	141,436	(11,774)	2,010	252,243	383,915	2,406	386,321
Loss for the year	-	-	-	-	(97,270)	(97,270)	1,127	(96,143)
Other comprehensive income for the year, net of tax	-	-	(2,229)	-	-	(2,229)	-	(2,229)
Total comprehensive (loss) income for the year	-	-	(2,229)	-	(97,270)	(99,499)	1,127	(98,372)
Transactions with owners, recognised directly in equity:								
Reversal of share-based payment	29(c)	-	-	(1,147)	-	(1,147)	-	(1,147)
Balance at 30 June 2017	-*	141,436	(14,003)	863	154,973	283,269	3,533	286,802

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

MICLYN EXPRESS OFFSHORE LIMITED

**Consolidated statement of changes in equity
For the year ended 30 June 2018**

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 (accumulated losses) US\$'000	Attributable to owners of the Company US\$'000	Non-controlling interests US\$'000	Total US\$'000
Balance at 1 July 2017	-*	141,436	(14,003)	-	863	154,973	283,269	3,533	286,802
Loss for the year	-	-	-	-	-	(189,278)	(189,278)	1,196	(188,082)
Other comprehensive income for the year, net of tax	-	-	2,929	-	-	-	2,929	-	2,929
Total comprehensive income (loss) for the year	-	-	2,929	-	-	(189,278)	(186,349)	1,196	(185,153)
Transactions with owners, recognised directly in equity:									
Recognition of fair value loss on loan to immediate holding company	-	-	-	-	-	(29,259)	(29,259)	-	(29,259)
Reversal of share-based payment	-	-	-	-	(163)	-	(163)	-	(163)
Balance at 30 June 2018	-*	141,436	(11,074)	-	700	(63,564)	67,498	4,729	72,227

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

See accompanying notes to consolidated financial statements.

MICLYN EXPRESS OFFSHORE LIMITED

Consolidated statement of cash flows **For the year ended 30 June 2018**

	2018 US\$'000	2017 US\$'000
Operating activities		
Loss before income tax	(181,778)	(91,587)
Adjustments for:		
Share of profit from joint ventures	(3,459)	(3,738)
Amortisation of provisions	-	(202)
Amortisation of intangible assets	82	89
Amortisation of drydocking expenditure	6,465	8,887
Depreciation of property, plant and equipment	26,817	29,097
Impairment loss on vessels	31,768	56,559
Allowance for doubtful debts	534	21
Impairment loss on loan to immediate holding company	93,617	11,800
Loss (Gain) on disposal of property, plant and equipment, net	430	(64)
Interest expense	39,840	29,412
Interest income	(51)	(108)
Reversal of share-based payments	(163)	(1,147)
Unrealised currency translation loss (gain)	1,858	(1,333)
Operating cash flows before movement in working capital	15,960	37,686
(Increase) Decrease in trade and other receivables	(2,332)	3,918
Increase in inventories	(20)	(9)
Increase in trade and other payables	6,109	3,193
Cash generated from operations	19,717	44,788
Income tax (paid) refunded	(471)	123
Net cash from operating activities	19,246	44,911
Investing activities		
Interest received	51	108
Proceeds from disposal of property, plant and equipment (Note B)	2,411	1,869
Payments for property, plant and equipment	(6,562)	(8,278)
Net cash used in investing activities	(4,100)	(6,301)

MICLYN EXPRESS OFFSHORE LIMITED

Consolidated statement of cash flows **For the year ended 30 June 2018**

	2018 US\$'000	2017 US\$'000
Financing activities		
Upfront expenses due to bonds and borrowings	(7)	(92)
Interest paid	(5,740)	(26,515)
Proceeds from borrowings (Note 25)	5,500	21,500
Repayments of borrowings (Note 25)	(16,620)	(35,519)
Net cash used in financing activities	(16,867)	(40,626)
Net decrease in cash and cash equivalents	(1,721)	(2,016)
Cash and cash equivalents at beginning of year	11,789	13,835
Effects of exchange rate changes on the balance of cash held in foreign currencies	20	(30)
Cash and cash equivalents at end of year (Note 14)	10,088	11,789
Restricted bank balances (Note 14)	(1,546)	(1,175)
Cash and bank balances (Note 14)	8,542	10,614

Note A:

During the current year, dividend receivable by certain joint ventures of the Group amounting to US\$3,979,000 (Note 20) was offset against loan payable to related parties (Note 24).

Note B:

Included in proceeds from disposal of property, plant and equipment of US\$2,411,000 (2017 : US\$1,869,000) are the proceeds from the completion of disposal of vessel held for sale which was outstanding as at 30 June 2017 (Note 17).

See accompanying notes to consolidated financial statements.

MICLYN EXPRESS OFFSHORE LIMITED

Notes to consolidated financial statements For the year ended 30 June 2018

1. General information

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

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

As at 30 June 2018, the Group has bank loans of US\$310,782,000 (Note 25) and US\$150,000,000 8.75% senior secured bonds (the "bonds") which were due in November 2018 (Note 27). The bank loans comprise of:

- i) term loan of US\$9,120,000 repayable over 16 monthly instalments;
- ii) term loan of US\$233,362,000 which comprises US\$81,000,000 repayable over 12 quarterly instalments and a final instalment due in November 2020; and
- iii) revolving credit facility of US\$68,300,000 due in November 2020.

As at the date of these consolidated financial statements, the Group has not made principal and interest payments due in respect of the bonds and certain senior secured bank loan facilities. The Group has also breached the financial covenants in respect of the bonds and senior secured bank loan facilities.

To address the financial obligations of the Group and to ensure the adequacy of funds required to meet its obligations and working capital needs, the Group has appointed financial and legal advisors during the financial year ended 30 June 2017 to assist in the restructuring of its debt obligations in respect of the bonds and senior secured bank loan facilities, with the objective of achieving a comprehensive, consensual restructuring of the Group's indebtedness, including discussing with potential investors to recapitalise and strengthen the Group's financial positions (the "Debt Restructuring"). The Group has applied to the Court under Section 211B of the Companies Act (Cap. 50) for an extension of the moratorium on any enforcement action by any creditors in order to facilitate the formulation of restructuring proposals. The extension was granted by the Court and the Group has until 5 August 2019 to continue negotiations with its senior secured bank lender and bond holders. Accordingly, the Group's ability to repay the bonds and the amounts outstanding under the senior secured bank loan facilities is solely dependent on the outcome of the Debt Restructuring.

As at the date of these consolidated financial statements, the Group remains actively engaged in negotiations with the lenders on the Debt Restructuring, and the Group is also in discussions with third party investors for the injection of fresh funds. The directors and management believe that the lenders, bond holders and its other stakeholders will continue to support the Group in its Debt Restructuring, and that there is reasonable likelihood that such restructuring can be successfully achieved.

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

MICLYN EXPRESS OFFSHORE LIMITED

Notes to consolidated financial statements For the year ended 30 June 2018

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

2. Adoption of new and revised accounting standards

On 1 July 2017, the Group adopted all the new and revised International Financial Reporting Standards ("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, except for certain presentation improvements arising from Amendments to IAS 7 *Statement of Cash Flows: Disclosure Initiative*.

Amendments to IAS 7 *Statement of Cash Flows: Disclosure Initiatives*

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

The Group's liabilities arising from financial activities and a reconciliation between the opening and closing balances of these liabilities are set out in Note 25. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior period. Apart from the additional disclosure in Note 25, the application of these amendments has no impact on the Group's consolidated financial statements.

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

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

¹ Applies to annual periods beginning on or after 1 January 2018, with early application permitted.

² Applies to annual periods beginning on or after 1 January 2019, with early application permitted if IFRS 15 is adopted.

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

MICLYN EXPRESS OFFSHORE LIMITED

Notes to consolidated financial statements For the year ended 30 June 2018

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

IFRS 9 Financial Instruments

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

Key requirements of IFRS 9:

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

MICLYN EXPRESS OFFSHORE LIMITED

Notes to consolidated financial statements For the year ended 30 June 2018

Management anticipates that the initial application of the new IFRS 9 will result in changes to the accounting policies relating to the impairment provisions of financial assets. The Group will consider whether a lifetime or 12-month expected credit losses on financial assets should be recognised, which is dependent on whether there has been a significant increase in the credit risk of the assets and liabilities from initial recognition to the date of initial application of IFRS 9. Additional disclosures will also be made. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group's financial statements in the period of initial application as the Group is currently finalising their transition adjustments.

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. Further clarifications to IFRS 15 were also issued in June 2016.

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.

Management has performed a preliminary analysis of the requirements of the initial application of IFRS 15. With regards to the revenue stream from mobilization and demobilization of vessels, management have assessed that revenue will be recognised for each of these performance obligations when control over the corresponding service is transferred to the customer.

In respect of the remaining revenue streams, management have assessed that these performance obligations are satisfied over time on a straight-line basis and that the method currently used to measure the progress towards complete satisfaction of these performance obligations will continue to be appropriate under IFRS 15.

Apart from providing more extensive disclosures on the Group's revenue transactions and segment reporting, management does not anticipate that the application of IFRS 15 will have a significant impact on the financial position and/or financial performance of the Group.

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IFRS 16 Leases

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

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

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

As at 30 June 2018, the Group has non-cancellable operating lease commitments of US\$5,214,000 (2017 : US\$5,774,000). A preliminary assessment indicates that these arrangements may meet the definition of a lease under IFRS 16, and hence the Group may recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. The new requirement to recognise a right-of-use asset and a related lease liability is expected to have an impact on the amount recognised in the Group's consolidated financial statements and the Group is currently assessing the potential impact including the transition options and practical expedients. Management does not plan to early adopt the new IFRS 16.

3. Significant accounting policies

3.1 Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with IFRS.

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

The financial statements were authorised for issue by the directors on 6 May 2019.

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.

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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 *Share-based Payment*, leasing transactions that are within the scope of IFRS 16 *Leases*, and measurements that have some similarities to fair value but not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

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

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

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

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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 in line with the Group's accounting policies.

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.

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.

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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.

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.

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.

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.

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3.5 Interests in joint ventures

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

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

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

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

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

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

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

When the Group entity has transactions with a joint venture of the Group, profits or losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

3.6 Goodwill

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

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

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

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

3.7 Non-current assets held for sale

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

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

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

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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.

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.

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.

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.

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.

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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.

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.

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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 under translation reserve (attributed to non-controlling interests as appropriate).

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

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

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

3.11 Borrowing costs

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

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

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

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Notes to consolidated financial statements For the year ended 30 June 2018

3.12 Retirement benefit costs

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

3.13 Employee leave entitlement

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

3.14 Share-based payments

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

Equity-settled share-based payments to employees and others providing similar services are measured at fair value of the equity instruments at the date of grant. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 31.

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.

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Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

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

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.

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Notes to consolidated financial statements For the year ended 30 June 2018

3.16 Property, plant and equipment

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

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

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

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

The estimated useful lives of assets are summarised as follows:

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

No depreciation is provided on vessels under construction.

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

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

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

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

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

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Notes to consolidated financial statements For the year ended 30 June 2018

3.17 Intangible assets

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

The estimated useful lives of licences are 5 years.

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

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.

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Notes to consolidated financial statements For the year ended 30 June 2018

3.20 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.

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 161 days (2017 : 138 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.

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

Derecognition of financial assets

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

3.21 Financial liabilities and equity instruments issued by the Group

Classification as debt or equity

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

Equity instruments

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

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

Other financial liabilities

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

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

Derecognition of financial liabilities

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

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Notes to consolidated financial statements For the year ended 30 June 2018

3.22 Fair value estimation for financial assets and financial liabilities

The carrying amounts of current financial assets and financial 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.

3.23 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.

3.24 Cash and cash equivalents in the statement of cash flows

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

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Notes to consolidated financial statements For the year ended 30 June 2018

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgement in applying accounting policies

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

- (i) Use of going concern assumption as disclosed in Note 1.

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 and loan from holding company, including the credit-worthiness of each customer and ability by the immediate holding company to repay the loan respectively. Management has assessed the recoverability of gross trade receivables of US\$58,029,000 (2017 : US\$57,593,000) (Note 15) and considered that an allowance for doubtful debts amounting to US\$4,765,000 (2017 : US\$4,231,000) (Note 15) was required. For loan from immediate holding company, management has assessed its recoverability and written down the receivable to US\$4,489,000 as at 30 June 2018. This amount was recovered from the immediate holding company subsequent to the end of the reporting period.

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 (2017 : US\$32,837,000). Details of the impairment review calculation are provided in Note 22.

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Impairment in value of investment in joint ventures

The Group follows the guidance of IAS 36 *Impairment of Assets* and IAS 39 *Financial Instruments: Recognition and Measurement* to determine whether there is any indication of impairment loss. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the market and economic environment in which the joint ventures operate, economic performance of these entities, the duration and extent to which the cost of investments in these entities exceed their net tangible assets values and fair value of investments less cost to sell.

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

Impairment of vessels

Vessels (including dry-docking) with net carrying amount of US\$428,510,000 (2017 : US\$488,562,000) were subject to impairment review in the financial year ended 30 June 2018. 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 or individual vessels as a single cash generating unit. For vessels of similar class, the Group manages its vessels interchangeably and centrally and cash flows generated by individual vessel are substantially dependent on the other vessels in that same asset class.

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

As a result of the impairment review, the Group recognised an impairment loss of US\$31,768,000 (2017 : US\$56,559,000) during the financial year ended 30 June 2018.

The carrying values of vessels are disclosed in Note 21.

Residual values and useful lives of vessels

The Group reviews the residual values and useful lives of vessels 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, net proceeds that would be obtained from disposal of the assets in the resale or scrap markets, the expected usage, maintenance and repair cost, technical or commercial obsolescence, and legal or similar limits to the use of vessels. During the year, management conducted a review of the residual value of the Group's vessels which resulted in a change in the residual value of the Group's vessels. The effects of these changes on residual value has resulted in additional depreciation expenses of US\$2,749,000 and is included in 'Cost of sales'.

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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 vessels are 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 2018 and 2017 are considered reasonable. The carrying amounts of the income tax payable for the Group at the end of reporting period amounted to US\$3,488,000 (2017 : US\$3,935,000) and the income tax expense is disclosed in Note 13.

5. Revenue

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

	Year ended 30 June 2018 US\$'000	Year ended 30 June 2017 US\$'000
Charter revenue	103,927	107,776
Project pipe transportation	14,365	34,299
Mobilisation/Demobilisation income	4,216	11,663
Ship management income	3,492	3,892
Rendering of services	1,396	3,276
Others	117	144
	<u>127,513</u>	<u>161,050</u>

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

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Notes to consolidated financial statements For the year ended 30 June 2018

6. Segmental information

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

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

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

(i) Segment revenue and results

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

	<u>Segment revenue</u>		<u>Segment profit (loss)</u>	
	Year ended 30 June 2018	Year ended 30 June 2017	Year ended 30 June 2018	Year ended 30 June 2017
	US\$'000	US\$'000	US\$'000	US\$'000
Offshore support vessels	54,686	65,760	(10,625)	(2,266)
Crew/Utility vessels	47,585	50,118	9,890	11,719
Tugs	363	405	(698)	(1,202)
Barges	8,580	10,330	1,742	2,303
Coastal survey vessels	-	624	(164)	(75)
Third party vessels	2,107	288	616	173
Project pipe transportation	14,365	34,299	857	6,404
	127,686	161,824	1,618	17,056
Eliminations	(173)	(774)	-	-
Total	127,513	161,050	1,618	17,056
Other income (Note 7)			269	966
Central administration costs and directors' salaries (Note 8)			(16,441)	(15,364)
Finance costs (Note 10)			(39,858)	(29,457)
Other expenses (Note 11)			(130,825)	(68,526)
Share of profit from joint ventures (Note 20)			3,459	3,738
Loss before tax			(181,778)	(91,587)
Income tax expense (Note 13)			(6,304)	(4,556)
Consolidated loss for the year			(188,082)	(96,143)

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

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

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(ii) Segment assets and liabilities

	30 June 2018 US\$'000	30 June 2017 US\$'000
Segment assets		
Offshore support vessels	269,819	310,967
Crew/Utility vessels	195,091	213,913
Tugs	8,256	9,009
Barges	43,998	46,286
Coastal survey vessels	534	440
Project pipe transportation	10,023	8,475
Total segment assets	527,721	589,090
Unallocated	118,695	241,741
Consolidated assets	646,416	830,831
Segment liabilities		
Offshore support vessels	68,764	50,190
Crew/Utility vessels	40,417	29,631
Tugs	1,034	984
Barges	6,666	4,813
Coastal survey vessels	21	35
Project pipe transportation	4,037	3,325
Total segment liabilities	120,939	88,978
Unallocated	453,250	455,051
Consolidated liabilities	574,189	544,029

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", "other 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.

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Notes to consolidated financial statements For the year ended 30 June 2018

(iii) Other segment information

	<u>Depreciation and amortisation</u>		<u>Impairment loss</u>		<u>Additions to non-current assets</u>	
	Year ended 30 June 2018	Year ended 30 June 2017	Year ended 30 June 2018	Year ended 30 June 2017	Year ended 30 June 2018	Year ended 30 June 2017
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Offshore support vessels	17,453	21,795	25,881	50,659	3,587	3,460
Crew/Utility vessels	10,548	9,969	5,887	-	1,699	1,632
Tugs	768	1,067	-	5,899	55	162
Barges	3,716	4,363	-	-	1,221	2,562
Coastal survey vessels	112	107	-	-	-	-
Project pipe transportation	7	22	-	-	-	-
Unallocated	760	750	-	-	-	462
	<u>33,364</u>	<u>38,073</u>	<u>31,768</u>	<u>56,558</u>	<u>6,562</u>	<u>8,278</u>

In addition to the depreciation and amortisation and impairment loss reported above, no impairment losses were recognised in respect of goodwill for 2018 and 2017.

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(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:

	<u>Revenue from external customers</u>		<u>Non-current assets</u>	
	Year ended 30 June 2018	Year ended 30 June 2017	Year ended 30 June 2018	Year ended 30 June 2017
	US\$'000	US\$'000	US\$'000	US\$'000
<u>Based on location where revenue was generated</u>				
Asia:				
Brunei	16,151	15,161	-	-
Indonesia	22,386	34,917	3,860	3,982
Malaysia	13,214	16,360	-	-
Singapore	-	-	115,288	239,377
Thailand	7,142	14,022	-	-
Rest of Asia	3,497	1,387	-	-
Inter-regional ⁽¹⁾	12,071	6,453	-	-
Australia	484	5,579	-	-
Africa	3,607	5,569	-	-
Middle East:				
Saudi Arabia	18,910	24,969	-	-
U.A.E	22,250	25,833	-	-
Rest of Middle East	7,801	10,800	-	-
	127,513	161,050	119,148	243,359
Vessels ⁽²⁾	-	-	419,654	476,983
Vessels under construction/ work in progress ⁽²⁾	-	-	742	1,430
Drydocking ⁽²⁾	-	-	8,856	11,579
Plant and machinery ⁽²⁾	-	-	5,202	5,335
Others	-	-	3,591	3,746
	127,513	161,050	557,193	742,432

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

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

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(v) Information about major customers

Included in Group's revenue are:

- Revenue from Offshore support vessels, Crew/utility vessels, Barges and Project pipe transportation of US\$13,642,000 (2017 : US\$6,210,000) derived from one customer;
- Revenue from Offshore Support Vessels and Crew/utility Vessels of US\$13,640,000 (2017 : US\$14,593,000) derived from one customer; and
- Revenue from Offshore Support Vessels and Crew/utility Vessels of US\$12,499,000 (2017 : US\$12,442,000) derived from one customer.

7. Other income

	Year ended 30 June 2018	Year ended 30 June 2017
	US\$'000	US\$'000
Management income	69	69
Amortisation of provisions	-	202
Dividend income	-	15
Sundry income	149	508
Interest income	51	108
Gain on disposal of property, plant and equipment	-	64
	<u>269</u>	<u>966</u>

8. Administration expenses

	Year ended 30 June 2018	Year ended 30 June 2017
	US\$'000	US\$'000
Employee-related expenses (Note 9)	9,394	8,328
Professional fees	2,836	2,628
Rental expenses	754	1,610
Depreciation of property, plant and equipment	780	739
Allowance for doubtful debt (Note 15)	534	21
Others	2,143	2,038
	<u>16,441</u>	<u>15,364</u>

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9. Employee-related expenses

	Year ended 30 June 2018	Year ended 30 June 2017
	US\$'000	US\$'000
Wages and salaries	6,842	6,696
Allowance and benefits	1,619	1,748
Employer's contribution to defined contribution plans	877	821
Share-based payments (Note 31)	(163)	(1,147)
Directors' fees	219	210
	<u>9,394</u>	<u>8,328</u>

10. Finance costs

	Year ended 30 June 2018	Year ended 30 June 2017
	US\$'000	US\$'000
Interest expense arising from:		
Bank loans	21,249	12,979
Related party	427	423
Bonds	15,304	13,110
Other finance costs	24	61
	<u>37,004</u>	<u>26,573</u>
Amortisation of debt upfront fee	2,836	2,839
Total interest expense	<u>39,840</u>	<u>29,412</u>
Commitment fee in relation to bank facility	18	45
	<u>39,858</u>	<u>29,457</u>

11. Other expenses

	Year ended 30 June 2018	Year ended 30 June 2017
	US\$'000	US\$'000
Loss on disposal of property, plant and equipment	430	-
Net foreign exchange loss	1,715	167
Restructuring expenses ⁽¹⁾	2,615	-
Impairment loss on vessels (Note 17 and 21)	31,768	56,559
Impairment loss on loan to immediate holding company	93,617	11,800
Others	680	-
	<u>130,825</u>	<u>68,526</u>

(1) During the year ended 30 June 2018, the Group incurred restructuring expenses amounting to US\$2,615,000 in relation to its Debt Restructuring (Note 1).

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Notes to consolidated financial statements For the year ended 30 June 2018

12. Loss before income tax

Loss before income tax has been arrived at after charging:

	Year ended 30 June 2018 US\$'000	Year ended 30 June 2017 US\$'000
Depreciation and amortisation:		
Depreciation of property, plant and equipment	26,817	29,097
Amortisation of drydocking expenditure	6,465	8,887
Amortisation of intangible assets	82	89
	<u>33,364</u>	<u>38,073</u>
Charter hire expense	19,220	16,495
Cost of inventories recognised as expense in cost of sales	<u>1,165</u>	<u>1,159</u>

13. Income tax expense

	Year ended 30 June 2018 US\$'000	Year ended 30 June 2017 US\$'000
Tax expense comprises:		
Current tax expenses in respect of the current year	499	348
Adjustments recognised in the current year in relation to prior years	(537)	283
Deferred tax expense relating to the origination and reversal of temporary differences	1,417	1,105
Foreign withholding tax paid	<u>4,925</u>	<u>2,820</u>
	<u>6,304</u>	<u>4,556</u>

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

	Year ended 30 June 2018 US\$'000	Year ended 30 June 2017 US\$'000
Loss before income tax	<u>(181,778)</u>	<u>(91,587)</u>
Tax at the domestic income tax rate of 17%* (2017 : 17%)	(30,902)	(15,570)
Tax exempt income	(2,813)	(2,269)
Tax effect of operating profits in other jurisdictions	6,712	2,067
Non-deductible expenses	28,382	8,113
Foreign withholding tax - Current year	3,654	2,820
Foreign withholding tax - Prior year	1,271	-
Adjustments recognised in the current year in relation to the prior years	-	283
Total tax expense	<u>6,304</u>	<u>4,556</u>

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

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

Deferred tax liabilities

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

	Accelerated tax depreciation US\$'000
At 1 July 2016	2,298
Adjustment	(117)
Credit to profit or loss	1,058
Exchange differences	47
At 30 June 2017	3,286
Adjustment	80
Credit to profit or loss	1,419
Exchange differences	(2)
At 30 June 2018	4,783

14. Cash and cash equivalents

	30 June 2018 US\$'000	30 June 2017 US\$'000
Cash and bank balances	10,088	11,789
Less: restricted bank balances ⁽¹⁾	(1,546)	(1,175)
	8,542	10,614

- (1) Restricted bank balances comprise of fixed deposits held under lien with a bank as collateral for bank facilities (Note 25) and labour guarantees amounting to US\$1,546,000 (2017 : US\$1,175,000).

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Notes to consolidated financial statements For the year ended 30 June 2018

15. Trade and other receivables

	30 June 2018 US\$'000	30 June 2017 US\$'000
Trade receivables	58,029	57,593
Allowance for doubtful debts	(4,765)	(4,231)
	<u>53,264</u>	<u>53,362</u>
Trade balances due from:		
Related parties (Note 37)	3,097	2,187
Non-trade balances due from:		
Related parties (Note 37)	3,879	3,464
Advances	427	1,283
Deposits	3,443	1,662
Prepayments	3,123	3,464
Insurance claims ⁽ⁱ⁾	827	643
Other receivables ⁽ⁱⁱ⁾	2,629	2,183
Value-added tax recoverable	1,752	1,829
	<u>72,441</u>	<u>70,077</u>

(i) The insurance claims are for damages sustained by 21 (2017 : 15) vessels which have been lodged with the insurer. Management is of the view that these claims are recoverable under the insurance policies in place.

(ii) Other receivables are unsecured, interest-free and repayable on demand.

The average days sales outstanding as at 30 June 2018 is 161 days (2017 : 138 days). No interest is charged on overdue trade and other receivables. The Group recognises allowance for doubtful debts against specific trade and other receivables determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

Trade and other receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period but against which the Group has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

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Notes to consolidated financial statements For the year ended 30 June 2018

The table below is an analysis of trade and other receivables:

	30 June 2018 US\$'000	30 June 2017 US\$'000
Not past due and not impaired	20,835	20,547
Past due but not impaired ⁽ⁱ⁾	35,058	34,998
Total trade and other receivables	55,893	55,545
Impaired receivables - collectively assessed	4,765	4,231
Less: Allowance for impairment	(4,765)	(4,231)
	-	-
Total trade and other receivables, net	55,893	55,545

Ageing of past due but not impaired:

	30 June 2018 US\$'000	30 June 2017 US\$'000
< 3 months	12,783	10,472
3 months to 6 months	5,754	8,945
6 months to 12 months	8,649	6,402
> 12 months	7,872	9,179
	35,058	34,998

Movement in allowance for doubtful debts:

	30 June 2018 US\$'000	30 June 2017 US\$'000
Balance at beginning of year	4,231	4,266
Allowance during the year (Note 8)	534	21
Amounts written off during the year	-	(56)
Balance at end of year	4,765	4,231

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. As at the end of the reporting period, trade amounts due from major outside parties amounting to US\$16,540,000 (2017 : US\$11,980,000) comprised of 4 (2017 : 2) customers with outstanding balances individually exceeding 5% (2017 : 5%) of the Group's trade receivables.

Other than as disclosed above, there is no significant concentration of credit risk with respect to the rest of trade receivables at the end of the reporting period to any single counterparty or any group of counterparties having similar characteristics except for the loan due from the immediate holding company as disclosed in Note 18.

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Ageing of impaired trade receivables:

	30 June 2018	30 June 2017
	US\$'000	US\$'000
< 90 days	-	242
90 to 120 days	27	69
> 120 days	4,738	3,920
	<u>4,765</u>	<u>4,231</u>

(i) These amounts are stated before any deduction for impairment losses.

16. Inventories

	30 June 2018	30 June 2017
	US\$'000	US\$'000
Raw materials	1,469	1,621
Spare parts and consumables	3,025	4,024
Bunkers and lube oil	1,450	313
	<u>5,944</u>	<u>5,958</u>

17. Vessels held for sale

As at 30 June 2018, the Group is in discussions to sell certain vessels to external parties. However, the sales had not been concluded as of 30 June 2018. Accordingly, these vessels are classified as current assets on the consolidated statement of financial position. The Group has recognised an impairment loss of US\$4,096,000 (2017 : US\$621,000) in respect of the vessels held for sale based on the expected selling prices.

As at 30 June 2018, the vessels have a carrying amount of US\$750,000 (2017 : US\$575,000).

18. Loan to immediate holding company

	30 June 2018	30 June 2017
	US\$'000	US\$'000
Loan to immediate holding company	139,165	139,165
Less: Write-down on loan to immediate holding company	(134,676)	(11,800)
	<u>4,489</u>	<u>127,365</u>

In 2013, the Group entered into an agreement with its immediate holding company, Manta Holdings Limited ("Manta"), to provide Manta a loan facility in the aggregate of up to US\$150 million (2017 : US\$150 million). The loan facility will expire on 12 December 2023, and the loan is repayable on demand, is unsecured and interest-free. The shareholders of the immediate holding company had in prior year represented that the loan is anticipated to be repaid from the proceeds arising from the sale of their interest in the Company in the future; such sale was however not expected to take place within the next 12 months from 30 June 2017.

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As at 30 June 2018, principal of US\$139,165,000 (2017 : US\$139,165,000) has been utilized by the immediate holding company. Based on the various discussions from the Debt Restructuring, management has assessed the recoverability of the loan and written down the loan to US\$4,489,000. This amount has been repaid by the immediate holding company subsequent to the end of the reporting period.

19. Subsidiaries

The details of significant subsidiaries as at 30 June 2018 are as follows:

Name of subsidiaries and country of incorporation and operation	Principal activities	Effective equity interest held	
		30 June 2018	30 June 2017
		%	%
MEO Finance Company Limited Bermuda	Investment holding	100	100
Miclyn Offshore Pte. Ltd. Singapore	Investment holding, owner and charterer of vessels	100	100
Miclyn Express Offshore Pte. Ltd. Singapore	Investment holding, chartering and management of vessels	100	100
Miclyn Shipbuilding & Engineering Pte. Ltd. Singapore	Ship building and ship repair	100	100
Miclyn Offshore (Middle East& Africa) FZE United Arab Emirates	Marketing offshore vessels and providing support services	100	100
Airmat Singapore Pte Ltd Singapore	Owner and charterer of vessels and barges	100	100
Entrons (Singapore) Pte Ltd Singapore	Owner and charterer of vessels and barges	100	100
Girino Enterprise Pte Ltd Singapore	Owner and charterer of vessels and barges	100	100
Express Offshore Solutions Pte. Ltd. Singapore	Provision of offshore transportation solutions and equipment	100	100

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Name of subsidiaries and country of incorporation and operation	Principal activities	Effective equity interest held	
		30 June 2018	30 June 2017
		%	%
Ken-Mok Engineering & Fabricators Pte Ltd Singapore	Owner and charterer of vessels and barges	100	100
Koleth (S) Pte Ltd Singapore	Owner and charterer of vessels and barges	100	100
Maldives Fishery Pte Ltd Singapore	Owner and charterer of vessels and barges	100	100
Ticwink Pte Ltd Singapore	Owner and charterer of vessels and barges	100	100
Offshore Charters Pte Ltd Singapore	Ship management, owner and charterer of vessels	100	100
Stardazz Pte Ltd Singapore	Owner and charterer of vessels and barges	100	100
Express Offshore Transport (UAE) LLC ⁽ⁱ⁾ United Arab Emirates	Owner and charterer of vessels and barges	100	100
MEO Investments Pte. Ltd. Singapore	Owner and charterer of vessels and barges	100	100
Miclyn Express Offshore (L) Bhd Malaysia	Owner and charterer of vessels and barges	100	100
Miclyn Express Offshore (Australia) Holdings Pty Ltd Australia	Investment holding	100	100
MEO Brunei Sdn Bhd Brunei	Owner and charterer of vessels and barges	70	70

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Name of subsidiaries and country of incorporation and operation	Principal activities	Effective equity interest held	
		30 June 2018	30 June 2017
		%	%
Miclyn Express Offshore (B) Sdn Bhd Brunei	Owner and charterer of vessels and barges	100	100
Bintang Samudera Sdn Bhd Malaysia ⁽ⁱ⁾	Owner and charterer of vessels and barges	100	100
Setia Samudera Sdn Bhd Malaysia ⁽ⁱ⁾	Owner and charterer of vessels and barges	100	100
Mulia Samudera (L) Berhad Malaysia ⁽ⁱ⁾	Vessel Owner and charterer	100	100

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

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20. Investment in joint ventures

	30 June 2018	30 June 2017
	US\$'000	US\$'000
Investment in joint ventures	35,073	39,052
Share of post-acquisition profit, net of dividend received	42,830	39,371
	<u>77,903</u>	<u>78,423</u>

The details of the joint ventures are as follows:

Name of joint ventures and country of incorporation and operation	Principal activities	Effective equity interest held	
		30 June 2018	30 June 2017
		%	%
Uniwise Holdings Limited Thailand	Investment holding	37.5	37.5
Uniwise Offshore Limited Thailand	Offshore support vessel business	50.0	50.0
Alliance Offshore Services Pte Ltd Singapore	Owner and charterer of vessels and barges	50.0	50.0
Uniwise Marine Services Holdings Limited Thailand	Investment holding	37.5	37.5
Uniwise Towage Limited Thailand	Offshore support vessel business	50.0	50.0
Miclyn Midad Marine Co LLC Saudi Arabia	Owner and charterer of vessels and barges	50.0	50.0

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

Uniwise Offshore Limited

	30 June 2018	30 June 2017
	US\$'000	US\$'000
Current assets	<u>17,126</u>	<u>15,628</u>
Non-current assets	<u>106,986</u>	<u>108,803</u>
Current liabilities	<u>(14,550)</u>	<u>(10,646)</u>
Non-current liabilities	<u>(1,556)</u>	<u>(6,561)</u>

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	Year ended 30 June 2018 US\$'000	Year ended 30 June 2017 US\$'000
Revenue	18,190	18,259
Profit for the year	789	2,844

The above profit for the year include the following:

Depreciation and amortisation	(5,212)	(4,951)
Interest income	190	162
Interest expense	(449)	(463)
Income tax expense	(208)	(263)

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 2018 US\$'000	30 June 2017 US\$'000
Net assets of the joint venture	108,006	107,224
Proportion of the Group's ownership interest in the joint venture	50%	50%
Carrying amount of the Group's interest in the joint venture	54,003	53,612

Uniwise Towage Limited

	30 June 2018 US\$'000	30 June 2017 US\$'000
Current assets	21,756	26,564
Non-current assets	9,705	10,522
Current liabilities	(740)	(256)

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	Year ended 30 June 2018 US\$'000	Year ended 30 June 2017 US\$'000
Revenue	4,533	4,536
Profit for the year	1,841	2,143

The above profit for the year include the following:

Depreciation and amortisation	(615)	(691)
Interest income	691	493
Interest expense	-	(21)
Income tax expense	(219)	(277)

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 2018 US\$'000	30 June 2017 US\$'000
Net assets of the joint venture	30,721	36,830
Proportion of the Group's ownership interest in the joint venture	50%	50%
Carrying amount of the Group's interest in the joint venture	15,361	18,415

Aggregate information of joint ventures that are not individually material

	Year ended 30 June 2018 US\$'000	Year ended 30 June 2017 US\$'000
Profit for the year	4,288	2,488
Aggregate carrying amount of the Group's interests in these joint ventures	8,539	6,396

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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	Work in progress US\$'000	Total US\$'000
Cost:									
At 1 July 2016	669,762	44,001	206	409	5,787	823	12,676	357	734,021
Additions	938	215	-	-	710	-	455	5,960	8,278
Disposals	(267)	-	-	-	(5)	(22)	-	(11)	(305)
Transfer to vessels held for sale	(3,058)	(227)	-	-	-	-	-	-	(3,285)
Exchange differences	(1,114)	(32)	1	1	24	-	23	-	(1,097)
Transfer	89	3,754	-	-	530	-	503	(4,876)	-
At 30 June 2017	666,350	47,711	207	410	7,046	801	13,657	1,430	737,612
Additions	991	1,132	-	25	507	53	1,619	2,235	6,562
Disposals	(2,831)	(5,378)	-	-	-	(40)	(5)	-	(8,254)
Transfer to vessels held for sale	(10,824)	-	-	-	-	-	-	-	(10,824)
Reclassification from vessel held for sale	365	22	-	-	-	-	38	-	425
Exchange differences	678	25	(12)	(2)	(35)	-	(15)	8	647
Transfer	62	2,576	-	-	-	-	293	(2,931)	-
At 30 June 2018	654,791	46,088	195	433	7,518	814	15,587	742	726,168
Accumulated depreciation:									
At 1 July 2016	105,048	27,400	63	336	3,107	539	6,012	-	142,505
Depreciation for the year	26,135	8,887	30	42	547	48	2,295	-	37,984
Disposals	(86)	-	-	-	(3)	(11)	-	-	(100)
Transfer to vessels held for sale	(1,944)	(145)	-	-	-	-	-	-	(2,089)
Exchange differences	(75)	(10)	-	1	19	-	15	-	(50)
At 30 June 2017	129,078	36,132	93	379	3,670	576	8,322	-	178,250
Depreciation for the year	24,007	6,465	27	32	618	48	2,085	-	33,282
Disposals	-	(5,378)	-	-	-	(35)	-	-	(5,413)
Transfer to vessels held for sale	(5,978)	-	-	-	-	-	-	-	(5,978)
Exchange differences	69	13	(6)	(3)	(29)	(1)	(22)	-	21
At 30 June 2018	147,176	37,232	114	408	4,259	588	10,385	-	200,162

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	Vessels US\$'000	Drydocking US\$'000	Leasehold land and building US\$'000	Furniture and fittings US\$'000	Office equipment US\$'000	Motor vehicles US\$'000	Plant and machinery US\$'000	Vessel under construction /work in progress US\$'000	Total US\$'000
Impairment:									
At 1 July 2016	4,351	-	-	-	-	-	-	-	4,351
Impairment loss recognised during the year	55,938	-	-	-	-	-	-	-	55,938
At 30 June 2017	60,289	-	-	-	-	-	-	-	60,289
Impairment loss recognised during the year	27,672	-	-	-	-	-	-	-	27,672
At 30 June 2018	87,961	-	-	-	-	-	-	-	87,961
Carrying amount:									
At 30 June 2018	419,654	8,856	81	25	3,259	226	5,202	742	438,045
At 30 June 2017	476,983	11,579	114	31	3,376	225	5,335	1,430	499,073

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Impairment tests for vessels

As at 30 June 2018, 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. The financial budgets are based on the remaining useful lives of the vessels ranging from 2 to 24 years.

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. A Weighted Average Cost of Capital ("WACC") of 10.5% (2017 : 11.3%) was used to discount the cash flows. The cost of the equity component of the WACC was derived using the capital asset pricing model.

Based on the review, the Group recognised US\$31,768,000 (2017 : US\$56,559,000) of impairment loss on vessels and vessels held for sale for the financial year ended 30 June 2018 (Note 11). The impairment was required due to the continued depressed charter rates and a slow-down in demand of vessels.

During the financial year ended 30 June 2018, the Group has pledged certain property, plant and equipment with carrying amount of US\$405,204,000 (2017 : US\$448,592,000) to secure banking facilities granted to the Group (Note 25) and senior secured guaranteed bonds of the group (Note 27).

Subsequent to the year ended 30 June 2018, the Group has entered into finance lease arrangements for certain vessels. The average term of finance leases entered into is 3 years. Unguaranteed residual value of assets leased under finance leases at the end of the reporting period is estimated to be at nil consideration.

22. Intangible assets

	30 June 2018 US\$'000	30 June 2017 US\$'000
Composition:		
Goodwill [Note (a)]	32,837	32,837
Licences [Note (b)]	59	141
	<u>32,896</u>	<u>32,978</u>

(a) Goodwill

Impairment tests for goodwill

Goodwill is allocated to the crew/utility vessel segment.

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

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

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Impairment tests for goodwill (continued)

Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risk specific to the CGU. Changes in charter rates and direct costs are based on expectations of future changes in the market. The management estimates a terminal value on equity based on the perpetuity growth model. Discount rate, growth rate and long-term growth rate of 10.5%, 6.7% to 8.5% and 3.0% (2017 : 11.3%, 0.1% to 8.1% and 4.5%) respectively are applied to the forecasted cash flows.

At 30 June 2018, any reasonable change to key assumptions applied is not likely to cause the recoverable amounts to fall below the carrying amounts of the CGU.

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

(b) Licences

	30 June 2018	30 June 2017
	US\$'000	US\$'000
Cost:		
Balance at beginning and end of year	1,763	1,763
Accumulated amortisation:		
Balance at beginning of year	(1,622)	(1,533)
Amortisation during the year	(82)	(89)
Balance at end of year	(1,704)	(1,622)
Balance at end of year	59	141

Licences represent the licence fees relating to the computer software.

23. Other non-current assets

	30 June 2018	30 June 2017
	US\$'000	US\$'000
Prepayments	-	140
Trade receivable from outside party	-	471
Value-added tax recoverable	3,860	3,982
	3,860	4,593

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24. Trade and other payables

	30 June 2018 US\$'000	30 June 2017 US\$'000
Trade payables:		
- Outside parties	11,985	13,457
- Related parties (Note 37)	2,801	1,032
	<u>14,786</u>	<u>14,489</u>
Non-trade payables:		
- Related parties (Note 37)	2,959	889
Other payables	8,153	7,538
Accrued expenses	38,408	32,365
Accrued interest expenses	32,742	1,518
Loans payable to related parties (Note 37)	10,408	13,888
Long term employee benefits	1,086	406
	<u>108,542</u>	<u>71,093</u>
Current	107,456	70,687
Non-current	1,086	406
	<u>108,542</u>	<u>71,093</u>

The average credit period for trade payables is 162 days (2017 : 146 days). No interest is charged on overdue balances.

The loans payable to related parties are unsecured, bear fixed interest rate of 3% (2017 : 3%) per annum and are repayable on demand.

Trade payables principally comprise amounts outstanding for trade purchases.

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

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25. Borrowings

	30 June 2018 US\$'000	30 June 2017 US\$'000
<u>Secured - at amortised cost</u>		
Bank loans	310,782	321,902
Less: bank loans issuing costs	(2,762)	(3,952)
	308,020	317,950
Finance lease liabilities (Note 26)	-	7
	308,020	317,957
Current	308,020	26,159
Non-current	-	291,798
	308,020	317,957

Terms of outstanding loans are as follows:

	Interest rate	Loans period	30 June 2018 US\$'000	30 June 2017 US\$'000
<u>Secured bank loans</u>				
- USD syndicated term loan facility ⁽¹⁾	LIBOR + 2.75%	2019	9,060	14,772
- USD syndicated revolving credit facility ⁽²⁾	LIBOR + 3.35%	2020	68,300	72,000
- USD syndicated term loan facility ⁽²⁾	LIBOR + 3.35%	2020	230,660	231,178
			308,020	317,950

- (1) A term loan principal of US\$9,120,000 (2017 : US\$14,880,000) from a non-principal lender is repayable over 16 monthly instalments.

The failure to make the payments referred to in Note 1 of the consolidated financial statements resulted in the cross default under this term loan facility and accordingly, the amount has been classified as a current liability as at 30 June 2018.

As at 30 June 2018, the lender has confirmed that it will not take action on the default as provided under the terms of the facility agreement, conditional upon continued compliance with all other terms and conditions of the facility agreement up to 30 November 2018. As at the date of these consolidated financial statements, the waiver of default has been extended to 30 June 2019.

- (2) Revolving credit of US\$68,300,000 (2017 : US\$72,000,000) is due in November 2020, while term loan principal of US\$233,362,000 (2017 : US\$235,022,000) which comprises US\$81,000,000 repayable over 12 quarterly instalments and a final instalment of US\$152,362,000 is due in November 2020.

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During the year, the Group did not make the principal instalments and interest payments on its term loan with the senior lender since 27 November 2017, and the Group has also breached certain loan covenants. Accordingly, these amounts have been classified as current liabilities as at 30 June 2018 and the Group has accrued for additional interest at 3% above the existing rate.

The banking facilities are secured by pledges of share capital and property, plant and equipment (Note 21) and cash and cash at bank (Note 14) of certain subsidiaries.

Reconciliation of liabilities arising from financing activities

The table below detail changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 July 2017 US\$'000	Financing cash flow ⁽ⁱ⁾ US\$'000	Amortisation of upfront fee US\$'000	Interest accruals US\$'000	Other changes ⁽ⁱⁱ⁾ US\$'000	30 June 2018 US\$'000
Bank loans (Note 25)	317,950	(11,120)	1,190	21,249	-	329,269
Finance leases (Note 26)	7	(7)	-	-	-	-
Senior secured guaranteed bonds (Note 27)	147,758	-	1,598	15,304	-	164,660
Loan payable to related parties (Note 24)	13,888	-	-	499	(3,979)	10,408
	<u>479,603</u>	<u>(11,127)</u>	<u>2,788</u>	<u>37,052</u>	<u>(3,979)</u>	<u>504,337</u>

- (i) The cash flows make up the net amount of proceeds from borrowings and repayments of borrowings in the statement of cash flows.
- (ii) Other changes relate to dividend received from joint ventures which was offset against loan payable to related parties.

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26. Obligations under finance lease

Leasing arrangements

Finance leases relate to vessel equipment with average lease terms of 3 years (2017 : 3 years) (Note 21). The Group has option to purchase the vessel equipment for a nominal amount at the conclusion of the lease arrangements. The Group's obligations under finance lease are secured by the lessors' title to the leased assets.

Finance lease liabilities

	<u>Minimum lease payments</u>		<u>Present value of minimum lease payments</u>	
	Year ended 30 June 2018	Year ended 30 June 2017	Year ended 30 June 2018	Year ended 30 June 2017
	US\$'000	US\$'000	US\$'000	US\$'000
Amount payable under finance lease, representing present value of lease obligation:				
Within one year	-	7	7	7
Less: Future finance charges	-	-		
	-	7		
			Year ended 30 June 2018	Year ended 30 June 2017
			US\$'000	US\$'000
Included in the consolidated financial statements as:				
- Current borrowings			-	7

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

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

27. Senior secured guaranteed bonds

Miclyn Express Offshore Pte. Ltd. ("MEOPL"), a subsidiary of the Company, issued the US\$150 million senior secured guaranteed bonds which had matured on 25 November 2018.

The bonds bear interest at a fixed rate of 8.75% per annum and is payable semi-annually in arrears on 25 May and 25 November in each year. Payments on the bonds are to be made without deducting withholding taxes in Singapore unless required by law. The bonds are secured by existing vessels flagged in Australia, Indonesia, Panama, Malaysia and Singapore (Note 21) and are subordinated to the bank loans (Note 25). As at 30 June 2018, the effective interest rate was 9.81% (2017 : 9.81%) per annum.

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As at the date of the consolidated financial statements, the Group has not made the payments of the principal amount and interests due in respect of the bonds. As a result, the Group is subjected to interest at 2% above the existing rate.

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

28. Share capital

	Number of shares (Par value at US\$0.1)	Share capital US\$'000
Cost:		
At beginning and end of year	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).

29. Reserves

	30 June 2018 US\$'000	30 June 2017 US\$'000
<u>Composition</u>		
Other equity reserves	141,436	141,436
Translation reserve	(11,074)	(14,003)
Share based payments reserve	700	863
	<u>131,062</u>	<u>128,296</u>

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Notes to consolidated financial statements For the year ended 30 June 2018

	30 June 2018 US\$'000	30 June 2017 US\$'000
<u>Movements</u>		
(a) Other equity reserves		
Balance at beginning and end of year	141,436	141,436
(b) Translation reserve		
Balance at beginning of year	(14,003)	(11,774)
Exchange differences arising on translation of foreign operations	2,929	(2,229)
Balance at end of year	(11,074)	(14,003)
(c) Share-based payments reserve		
Balance at beginning of year	863	2,010
Reversal of share-based payments (Note 31)	(163)	(1,147)
Balance at end of year	700	863

Other equity reserves

Other equity reserves arose from the following:

- (1) recognition of other equity reserves resulting from the Company's acquisition of MEO Finance Company Limited group in 2010.
- (2) issued equity instruments of Manta 2 Holdings Limited prior to the amalgamation of the Group with Manta 2 Holdings Limited in 2013 which was transferred to other equity reserves.
- (3) acquisition of additional interests in subsidiaries in the previous financial years.

Translation reserve

Exchange differences relating to the translation from the functional currencies of the Group's foreign operations in their respective functional currencies into United States dollars are brought to account by recognising those exchange differences in other comprehensive income and accumulating them in a separate component of equity under the translation reserve account.

Share-based payments reserve

Further disclosures are made in Note 31.

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Notes to consolidated financial statements For the year ended 30 June 2018

30. Retained earnings

	30 June 2018 US\$'000	30 June 2017 US\$'000
Balance at beginning of year	154,973	252,243
Net loss attributable to owners of the Company	(189,278)	(97,270)
Fair value loss on loan to immediate holding company	(29,259)	-
Balance at end of year	(63,564)	154,973

31. Share-based payments

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

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

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

Management Equity plan

As at 30 June 2018, the total number of Management Shares and Plan options accepted under this invitation amounted to 2,450,000 and 9,800,000 (2017 : 3,950,000 and 15,800,000) respectively.

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

32 Dividend

During the financial years ended 30 June 2018 and 2017, the Group did not declare any dividend.

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Notes to consolidated financial statements For the year ended 30 June 2018

33. Non-controlling interests

	30 June 2018 US\$'000	30 June 2017 US\$'000
Balance at beginning of year	3,533	2,406
Share of profit for the year	1,196	1,127
Balance at end of year	4,729	3,533

34. Operating lease arrangement

The Group as lessee

	30 June 2018 US\$'000	30 June 2017 US\$'000
Minimum lease payments under operating leases recognised as an expense in the financial year:		
Charter hire	19,220	16,495
Others	1,032	1,610
	20,252	18,105

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

	30 June 2018 US\$'000	30 June 2017 US\$'000
Within one year	4,581	4,663
In the second to fifth year inclusive	633	1,111
	5,214	5,774

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

	30 June 2018 US\$'000	30 June 2017 US\$'000
Charter revenue	105,323	111,052

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

	30 June 2018 US\$'000	30 June 2017 US\$'000
Within one year	89,237	77,308
In the second to fifth year inclusive	11,629	20,264
	<u>100,866</u>	<u>97,572</u>

35. Financial instruments, financial risk and capital management

(a) Capital management policies and objectives

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

The Group is required to fulfil certain financial covenants and capital requirements under the terms of its borrowing arrangements, and as disclosed in Note 25 and 26, the Group has not complied with the terms of its borrowing arrangements and is currently negotiating with the lenders to amend certain terms of the relevant debt documents. The Group's overall strategy remains unchanged from the financial year ended 30 June 2017.

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

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

(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.

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(c) Categories of financial instruments

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

	30 June 2018 US\$'000	30 June 2017 US\$'000
Financial assets		
At amortised cost:		
Cash and bank balances	10,088	11,789
Loans and receivables	72,055	192,620
	<u>82,143</u>	<u>204,409</u>
Financial liabilities		
At amortised cost:		
Trade and other payables	108,542	71,093
Borrowings	308,020	317,957
Senior secured guaranteed bonds	149,356	147,758
	<u>565,918</u>	<u>536,808</u>

(d) Financial risk management policies and objectives

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

The Group's overall financial risk management programme seeks to minimise potential adverse effects of financial performance of the Group. The Board of directors provides written principles and policies for overall financial risk management and these programmes cover specific areas, such as market risk (including foreign exchange risk and interest rate risk), credit risk, and liquidity risk and are reviewed by the management to ensure that they remain pertinent to the Group's operations. 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.

(e) Market risk management

The Group's activities expose it to the financial risks of changes in foreign currency exchange rates [Note 35(f)]. The Group is also subject to interest rates risk [Note 35(g)].

(f) Foreign currency risk management

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

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

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

	Singapore Dollar US\$'000	Australlian Dollar US\$'000	Malaysian Ringgit US\$'000	United Arab Emirates Dirham US\$'000	Saudi Arabia Riyal US\$'000	Thailand Baht US\$'000	Indonesian Rupiah US\$'000	Others US\$'000
<u>The Group</u>								
At 30 June 2018								
Financial assets								
Cash and bank balances	375	138	802	126	-	391	472	55
Trade and other receivables	258	2,233	6,547	1,272	6,274	2,223	9,456	456
Total assets	633	2,371	7,349	1,398	6,274	2,614	9,928	511
Financial liabilities								
Trade and other payables	(4,842)	-	(1,492)	(2,487)	(1,926)	-	-	(1,847)
Net (Liabilities) Assets	(4,209)	2,371	5,857	(1,089)	4,348	2,614	9,928	(1,336)

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

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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% (2017 : 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% (2017 : 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% (2017 : 5%) weakening of the United States Dollars against the relevant currency, there would be a comparable impact on the profit and equity, and the balances below would be negative.

If the SGD, AED, MYR, AUD, SAR, THB and IDR change against the USD by 5% (2017 : 5%) with all other variables including tax rate being held constant, the effects arising from the net financial liability/financial asset position will be as follows:

	Profit or loss <u>Increase/(Decrease)</u>	
	30 June 2018	30 June 2017
	US\$'000	US\$'000
SGD against USD	(210)	(212)
AUD against USD	119	220
MYR against USD	293	75
AED against USD	(54)	46
SAR against USD	217	991
THB against USD	131	31
IDR against USD	496	585

(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 bank balances at 30 June 2018 was US\$10,088,000 (2017 : US\$11,789,000). The impact of any interest rate change has been assessed to be immaterial.

For the financial years ended 30 June 2018 and 30 June 2017, 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 2018 and 30 June 2017.

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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% (2017 : 0.50%) with all other variables including tax rate being held constant, the profit or loss will be lower/higher by US\$1,540,000 (2017 : US\$1,590,000) 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 bank balances, 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, other than as disclosed in Note 15.

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially customers with good collection track record with the Group. The Group has assessed the recoverability on the loan from immediate holding company and written down the receivable to US\$4,489,000 as at 30 June 2018. This amount was recovered from the immediate holding company subsequent to the end of the reporting period.

There is no other class of financial assets that is past due and/or impaired except for trade and other receivables. As at 30 June 2018, trade and other receivables outstanding for more than 90 days is approximately US\$27,040,000 (2017 : US\$24,526,000), out of which US\$4,765,000 (2017 : US\$4,231,000) has been identified for impairment as at the end of the reporting period. The majority of the balances are not impaired because these are from creditworthy customers in various sectors.

(i) Liquidity risk management

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

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

	On demand or within 1 year	Between 1 and 2 year	Between 2 and 5 year	Adjustments	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 30 June 2018					
Financial liabilities					
Trade and other payables	107,456	-	1,086	-	108,542
Borrowings	321,404	-	-	(13,384)	308,020
Senior secured guaranteed bonds	154,527	-	-	(5,171)	149,356
	583,387	-	1,086	(18,555)	565,918

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	On demand or within 1 year	Between 1 and 2 year	Between 2 and 5 year	Adjustments	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 30 June 2017					
Financial liabilities					
Trade and other payables	70,687	-	406	-	71,093
Borrowings	32,093	67,460	244,687	(26,283)	317,957
Senior secured guaranteed bonds	-	160,883	-	(13,125)	147,758
	102,780	228,343	245,093	(39,408)	536,808

Financial assets

All the non-derivative financial assets are expected to be repayable within one year and are non-interest bearing except for loan to immediate holding company (Note 18) and other non-current trade receivables (Note 23).

(j) Fair values of financial assets and financial liabilities

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

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

- (i) the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- (ii) the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

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

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36. 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 2018 US\$'000	Year ended 30 June 2017 US\$'000
Short term benefits	2,203	1,630
Management equity plan	(163)	(1,147)
Long term employee benefits	329	406
	<u>2,369</u>	<u>889</u>

37. Related party transactions

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

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

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

	Year ended 30 June 2018 US\$'000	Year ended 30 June 2017 US\$'000
<u>Joint-ventures of the Group</u>		
Dividend income	-	(15)
Charter hire expenses	2,216	803
Charter hire income	(415)	(588)
Management fee income	(69)	(69)
Sundry income	(8)	(8)
Ship management fee expense	25	-
Interest paid	<u>447</u>	<u>423</u>