## Results for announcement to the market

## 30 September 2018

| Financial Results | Sep 2018 $'000 | Sep 2017 $'000 |
|---|---|---|
| Revenue from ordinary activities | 30,428 | 38,900 |
| Loss after income tax | (4,047) | (3,897) |
| Net loss for the period attributable to members | (4,047) | (3,897) |

| Net Tangible Asset Backing | Sep 2018 | Mar 2018 |
|---|---|---|
| Net tangible asset backing per ordinary security | $0.401 | $0.465 |

**Financial statements**
Refer to the attached consolidated financial statements for the half year ended 30 September 2018.

**Accounting standards used by foreign entities**
Refer to Notes to the Consolidated Financial Statements for the half year ended 30 September 2018.

**Commentary on results and Outlook**
Refer to the Review and Results of Operations section of the Directors' Report of the attached consolidated financial statements for the half year ended 30 September 2018.

**Audit / review of accounts upon which this report is based and Qualification of audit / review**
This report is based on accounts that have been reviewed by Ernst & Young. Ernst & Young has issued an unqualified review report on the financial statements for the Neptune Marine Services Group for the half year ended 30 September 2018.

# NEPTUNE MARINE SERVICES LIMITED AND CONTROLLED ENTITIES

**ABN: 76 105 665 843**

**Interim Financial Report for the Half Year Ended 30 September 2018**

# NEPTUNE MARINE SERVICES LIMITED AND CONTROLLED ENTITIES

## 30 September 2018

### ABN: 76 105 665 843

## CONTENTS

# CORPORATE INFORMATION

**Directors**

Mr Boon Wee Kuah
*Chairman*

Mr Peter Wallace
*Non-Executive Director*

Mr Nicholas Cocks
*Non-Executive Director*

Mr Robin King
*Executive Director*

**Company Secretary**

Mr Ian Hobson

**Registered Office**

Neptune Marine Services Limited
404 Orrong Road
Welshpool, WA, 6106

**Principal Place of Business**

Neptune Marine Services Limited
404 Orrong Road
Welshpool, WA, 6106

**Share Registry**

Computershare Investor Services Pty Ltd
Level 11, 172 St Georges Tce
Perth, WA. 6000

**Auditors**

Ernst & Young
11 Mounts Bay Road
Perth, WA, 6000

**Stock Exchange**
ASX Limited
Central Park, 152-158 St Georges Tce
Perth, WA, 6000

**ASX Code**
NMS

# DIRECTORS' REPORT

Your Directors present their report on Neptune Marine Services Limited and its controlled entities ('the Group') for the half year ended 30 September 2018.

**Directors**

The names of the Group Directors in office during the half-year and until the date of this report are set out below. Directors were in office for the entire period unless otherwise stated.

Mr Boon Wee Kuah
Mr Peter Wallace
Mr Nicholas Cocks
Mr Robin King

**Review and Results of Operations**

The loss before tax amounted to $3.864 million (30 September 2017 loss: $3.973 million) and the consolidated loss of the Group after providing for income tax amounted to $4.047 million (30 September 2017 loss: $3.897 million).

The Company's financial results continued to be impacted by the challenging market conditions in the global Oil and Gas industry, with clients delaying non-essential projects and reducing operating and capital expenditure. The Company's Stabilisation service line has been impacted most by the challenging conditions with lower revenue and reduced Gross Margin percentage experienced for the first half of the year. However, despite the market conditions, Engineering and Manufacturing in the UK and Survey in Australia has performed strongly in the first half of the year.

The Company continues to undertake work on key projects with key clients including:

- Engineering and manufacturing work undertaken in the UK for BP and GE;
- Surveying work in Australia on the Ichthys field operated by Inpex;
- Diving work in Australia for Chevron at Barrow Island under the Company's long term MSA agreement and additional diving scopes for South32 at its Groote Eylandt facility; and
- Integrated service solutions provided to Oil Search in Papua New Guinea.

The working capital of the Group remains strong with a current working capital position of $9.468 million (31 March 2018: $12.256 million). In addition, the Group has derived positive operating cash flows of $0.584 million (negative operating cash flows for half year ended 30 September 2017: $3.308 million). Interest Bearing Debt also remains at very low levels with a total outstanding of $0.753 million (31 March 2018: $0.235 million).

**Rounding**

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (unless otherwise stated) under ASIC Corporations (Rounding in Financial/Directors' Reports) Instruments 2016/191. The Company is an entity to which the Instrument applies.

**Basic and diluted loss per share**

The basic and diluted loss per share is $0.066 (30 September 2017: basic and diluted loss per share is $0.063).

**Dividends**

There have been no dividends declared or paid during the six months to 30 September 2018 (nil for 30 September 2017).

**Significant Changes in State of Affairs**

No significant changes in the state of affairs occurred during the half-year ended 30 September 2018.

**Future Developments, Prospects and Business Strategies**

Neptune will focus on maximising revenue, managing its cost base, targeting new areas for growth and working to identify complementary partners as the challenging climate of the global oil and gas industry continues.

**Auditor Independence Declaration**

Section 307(c) of the *Corporations Act 2001* require the Company's auditors, Ernst & Young to provide the directors with a written Independence Declaration in relation to their review of the financial report for the half year ended 30 September 2018. The written Auditor's Independence Declaration on page 7 forms part of this Directors' report.

Signed for and on behalf of the Directors in accordance with a resolution of the Board.

**Boon Wee Kuah**
**Chairman**

Dated this 30th day of November 2018

## DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Neptune Marine Services Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of Neptune Marine Services Limited are in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 30 September 2018 and of its performance for the half year ended on that date; and
- (ii) complying with Australian Accounting Standards AASB 134 *Interim Financial Reporting* and the *Corporation Regulations 2001*; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

**Boon Wee Kuah**
**Chairman**

Dated this 30th day of November 2018

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
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# Auditor's Independence Declaration to the Directors of Neptune Marine Services Limited

As lead auditor for the review of Neptune Marine Services Limited for the half-year ended 30 September 2018, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Neptune Marines Services Limited and the entities it controlled during the financial period.

Ernst & Young

Ernst & Young

T G Dachs
Partner
30 November 2018



TD:KG:NEPTUNE:005

## CONSOLIDATED INCOME STATEMENT

**FOR THE HALF YEAR ENDED 30 SEPTEMBER 2018**

| | | Consolidated Group | |
|---|---|---|---|
| | | **6 months ended 30 September** | **6 months ended 30 September** |
| | **Note** | **2018** | **2017** |
| | | **$000** | **$000** |
| Revenue from rendering of service | 4(a) | 30,428 | 38,900 |
| Other revenue | 4(a) | 2 | 25 |
| Total revenue | 3, 4(a) | 30,430 | 38,925 |
| Cost of sales and services rendered | | (24,630) | (32,604) |
| **Gross profit** | | **5,800** | **6,321** |
| | | | |
| Other income | 4(b) | 522 | 1,072 |
| Marketing expenses | | (22) | (45) |
| Occupancy expenses | | (1,935) | (1,730) |
| Corporate, shared service and board expenses | 5(a) | (853) | (1,330) |
| Business operating expenses | 5(b) | (7,139) | (8,045) |
| Technical expenses | | (131) | (134) |
| Finance costs | | (101) | (82) |
| Other expenses | | (5) | - |
| Loss before income tax | | (3,864) | (3,973) |
| Income tax (expense) / benefit | 6 | (183) | 76 |
| **Loss for the period** | | **(4,047)** | **(3,897)** |
| | | | |
| **Earnings per share** | | | |
| Basic/diluted loss per share (cents per share) | 7 | (0.066) | (0.063) |

*The above consolidated income statement should be read in conjunction with the accompanying notes.*

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
**FOR THE HALF YEAR ENDED 30 SEPTEMBER 2018**

| | Consolidated Group | |
|---|---|---|
| | 6 months ended 30 September | 6 months ended 30 September |
| | 2018 | 2017 |
| | $000 | $000 |
| **Net loss for the period** | **(4,047)** | **(3,897)** |
| **Other Comprehensive Income** | | |
| **Items in other comprehensive income that may be reclassified subsequently to profit and loss** | | |
| Exchange differences on translating foreign operations | 550 | 210 |
| Net fair value gain on hedging instruments entered into for cash flow hedges | 38 | 25 |
| **Other comprehensive income for the period, net of tax** | **588** | **235** |
| **Total comprehensive loss for the period** | **(3,459)** | **(3,662)** |
| **Total comprehensive loss for the period attributable to members of the parent** | **(3,459)** | **(3,662)** |

*The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.*

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION
**AS AT 30 SEPTEMBER 2018**

| | | Consolidated Group | |
|---|---|---|---|
| | | 30 September | 31 March |
| | Note | 2018 | 2018 |
| **ASSETS** | | $000 | $000 |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 8 | 5,866 | 6,134 |
| Trade and other receivables | 9 | 8,859 | 11,616 |
| Inventories | | 1,751 | 1,523 |
| Derivative financial instruments | | 38 | - |
| Other current assets | 10 | 8,116 | 5,159 |
| **TOTAL CURRENT ASSETS** | | **24,630** | **24,432** |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 11 | 15,628 | 16,167 |
| Intangible assets and goodwill | 12 | 462 | 579 |
| **TOTAL NON CURRENT ASSETS** | | **16,090** | **16,746** |
| **TOTAL ASSETS** | | **40,720** | **41,178** |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 13 | 12,528 | 10,125 |
| Current tax liability | | 554 | 420 |
| Interest bearing loans and borrowings | | 753 | 203 |
| Provisions | | 1,327 | 1,428 |
| **TOTAL CURRENT LIABILITIES** | | **15,162** | **12,176** |
| **NON-CURRENT LIABILITIES** | | | |
| Trade and other payables | 13 | 228 | 248 |
| Interest bearing loans and borrowings | | - | 32 |
| Deferred tax liabilities | | 93 | 79 |
| Provisions | | 138 | 85 |
| **TOTAL NON-CURRENT LIABILITIES** | | **459** | **444** |
| **TOTAL LIABILITIES** | | **15,621** | **12,620** |
| **NET ASSETS** | | **25,099** | **28,558** |
| **EQUITY** | | | |
| Contributed equity | 14 | 273,540 | 273,540 |
| Reserves | | (14,241) | (14,829) |
| Accumulated losses | | (234,200) | (230,153) |
| **TOTAL EQUITY** | | **25,099** | **28,558** |

*The above consolidated statement of financial position should be read in conjunction with the accompanying notes.*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

**FOR THE HALF YEAR ENDED 30 SEPTEMBER 2018**

| | Ordinary Shares | Accumulated Losses | Foreign Currency Translation Reserve | Employee Equity Benefits Reserve | Hedge Reserve | Total |
|---|---|---|---|---|---|---|
| **Consolidated Group** | $000 | $000 | $000 | $000 | $000 | $000 |
| **Balance at 1 April 2017** | 273,540 | (200,164) | (22,063) | 6,127 | 211 | 57,651 |
| Net loss for the period | - | (3,897) | - | - | - | (3,897) |
| Other comprehensive income | - | - | 210 | - | 25 | 235 |
| **Total comprehensive (loss) / income for the period** | - | (3,897) | 210 | - | 25 | (3,662) |
| **Balance at 30 September 2017** | 273,540 | (204,061) | (21,853) | 6,127 | 236 | 53,989 |
| | | | | | | |
| **Balance at 1 April 2018** | 273,540 | (230,153) | (21,107) | 6,127 | 151 | 28,558 |
| Net loss for the period | - | (4,047) | - | - | - | (4,047) |
| Other comprehensive income | - | - | 550 | - | 38 | 588 |
| **Total comprehensive (loss) / income for the period** | - | (4,047) | 550 | - | 38 | (3,459) |
| **Balance at 30 September 2018** | 273,540 | (234,200) | (20,557) | 6,127 | 189 | 25,099 |

*The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.*

# CONSOLIDATED STATEMENT OF CASH FLOWS
**FOR THE HALF YEAR ENDED 30 SEPTEMBER 2018**

| | Note | Consolidated Group | |
|---|---|---|---|
| | | 6 months ended 30 September 2018 $000 | 6 months ended 30 September 2017 $000 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Receipts from customers | | 31,036 | 41,205 |
| Interest received | | 2 | 25 |
| Payments to suppliers and employees | | (30,330) | (44,441) |
| Interest paid | | (101) | (82) |
| Income tax paid | | (23) | (15) |
| Net cash flows from / (used in) operating activities | | 584 | (3,308) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Proceeds from property, plant and equipment | | 12 | 115 |
| Purchase of property, plant and equipment | | (272) | (774) |
| Purchase of intangible assets | | (19) | - |
| Net cash flows used in investing activities | | (279) | (659) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Repayment of borrowings | | (634) | (483) |
| Receipt of deposits for bank guarantee | | - | 1 |
| Net cash flows used in financing activities | | (634) | (482) |
| Net decrease in cash and cash equivalents held | | (329) | (4,449) |
| Cash and cash equivalents at beginning of financial period | | 6,134 | 12,603 |
| Net foreign exchange difference | | 61 | 195 |
| **Cash and cash equivalents at end of financial period** | 8 | 5,866 | 8,349 |

*The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.*

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**1. Corporate Information**

The interim financial report of Neptune Marine Services Limited ("Group") for the half-year ended 30 September 2018 was authorised for issue in accordance with a resolution of the Director's on 30th November 2018.

The interim financial report covers the consolidated Group of Neptune Marine Services Limited and its controlled entities. Neptune Marine Services Limited is a listed public company, incorporated and domiciled in Australia.

The nature of the operations and principal activities are described in Note 3.

**2. Basis of Preparation and Changes to the Group's Accounting Policies**

**Basis of Preparation**

This interim financial report for the half year ended 30 September 2018 is a condensed general purpose financial report prepared in accordance with AASB 134 *Interim Financial Reporting*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the 12 months ended 31 March 2018 and considered together with any public announcements made by Neptune Marine Services Limited during the half year ended 30 September 2018 in accordance with the continuous disclosure obligations of the ASX listing rules.

*Going Concern*

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

As at 30 September 2018, the consolidated entity had net current assets of $9.468 million (31 March 2018: $12.256 million). At that date, the consolidated entity had cash and cash equivalents of $5.866 million (31 March 2018: $6.134 million). For the half year ended 30 September 2018 the consolidated entity has made a loss before tax of $3.864 million (30 September 2017: $3.973 million) and had positive operating cash flows of $0.584 million (30 September 2017: negative operating cash flows of $3.308 million).

Neptune has an existing banking facility with ANZ, which has been under review since 31 July 2018 (the annual review date of the facility). MTQ Corporation Limited, being the ultimate holding company have undertaken to provide the necessary support to the Group, which is limited to the amount of the guarantee provided for the ANZ facility in the event that the facility becomes unavailable to the Group. This support letter provided by MTQ Corporation Limited will expire on 30 June 2019.

In addition, as disclosed under Note 18, subsequent to 30 September 2018, MTQ Corporation Limited provided the Group with a $2 million loan facility expiring 8 November 2019. MTQ Corporation Limited have confirmed that they will extend the repayment date of the $2 million loan to a date that is no sooner than 12 months from the date of signing the half year report in the event that recalling the loan facility will cause the Group to be insolvent.

The Directors have reviewed the Group's financial and operating performance to the date of signing the half year report, positive operating cash flows for the half year period to 30 September 2018, the business outlook and future cash flows, the assets and liabilities of the Group and the loan secured from MTQ Corporation Limited of $2 million. On this basis, it is the opinion of the Board of Directors that the consolidated entity will be able to continue as a going concern and that therefore, the basis of preparation is appropriate.

**2. Basis of Preparation and Changes to the Group's Accounting Policies** (continued)

**New Standards, Interpretations and Amendments thereof, adopted by the Group**

The accounting policies adopted are consistent with those of the previous financial reporting period except as follows:

- The recognition of revenue and measurement from contracts with customers (application of AASB 15)
- The recognition of measurement of financial instruments (application of AASB 9)

*AASB 15 "Revenue from Contracts with Customers"*

In the current financial year, the Group has applied AASB 15 *Revenue from Contracts with Customers*, which has come into effect for reporting periods commencing 1 January 2018. AASB 15 replaces existing guidance, including AASB 118 *Revenue* ("AASB 118") and AASB 111 *Construction Contracts* ("AASB 111"). It introduces a five-step model for assessing revenue recognition. The core principle is that revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. Revenue will be recognised when control over the goods or services is transferred which will be either at a point in time or over time. Revenue was previously recognised when it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

The Group has adopted AASB 15 using the modified retrospective approach resulting in the following:

- The comparative information for each of the primary financial statements and notes to the financial statements are presented based on the requirements of AASB 118, AASB 11 and related interpretations.
- The Group has elected under AASB 15 to apply this method only to contracts that were not completed as at the 1 April 2018. The cumulative catch-up adjustment to the opening balance of retained earnings (or other components of equity) as at 1 April 2018, for contracts that are not completed at the date of initial application, would be recognised in the statement of changes in equity for the six months ended 30 September 2018. See below for disclosure relating to impact.

*Change in revenue recognition principles effective from 1 April 2018*

Under the previous revenue recognition policy, the Group recognised revenue by reference to the stage of completion of a contract or contracts in progress at reporting date or at the time of completion of the contract and billing to the customer. Under AASB 15, revenue is recognised over time when a performance obligation is fulfilled, based on the amount of the expected transaction price allocated to the performance obligation.

The change in the revenue accounting policy has not resulted any adjustment on the Group's Consolidated Statement of Comprehensive Income and Consolidated Statement of Financial Position for the half year ended 30 September 2018.

*AASB 9 "Financial Instruments"*

Effective 1 January 2018, AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculation of impairment on financial assets, and new general hedge accounting requirements. The Group has applied AASB 9 retrospectively, with the initial application date of 1 April 2018.

(a) Classification and measurement

Under AASB 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

The new classification and measurement of the Group's debt financial assets are, as follow:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This includes the Group's trade and other receivables, and deposits under other current assets.

The assessment of the Group's business models was made as of the date of initial application, 1 April 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 April 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under AASB 139.

The adoption of AASB 9 has no impact on the classification and measurement of the Group's financial assets and liabilities. No restatement is required to the consolidated statement of financial position as at 31 March 2018 and consolidated statement of comprehensive income for the half year ended 30 September 2017.

**2. Basis of Preparation and Changes to the Group's Accounting Policies** (continued)

**New Standards, Interpretations and Amendments thereof, adopted by the Group** (continued)

(b) Impairment

AASB 9 introduces a forward-looking expected credit loss (ECL) approach to account for impairment losses for financial assets. This has replaced AASB 139's incurred loss approach.

AASB 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For Trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The adoption of the ECL requirements of AASB 9 did not result in any changes in impairment allowance for the Group's debt financial assets.

## 3. Operating Segment Information

**Identification of Reportable Segments**

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the nature of the services provided to customers. Discrete financial information about each of these operating businesses is reported to the Executive management on at least a monthly basis.

Neptune Marine Services comprises the two distinct divisions of Offshore Services and Engineering Services. Globally, the company has operational bases in Australia, South East Asia and the United Kingdom. The services provided to customers are on an Offshore and Engineering basis and can combine services from multiple regions. Management assesses performance and determines the allocation of resources based on products and services, as these are the sources of the Group's major risks and have the most impact on the rates of return.

*Offshore Services*

The Offshore Services division provides the oil and gas, marine and associated industries with a range of specialised services, including commercial diving, inspection, repair and maintenance support, difficult and confined area access via rope access, tension netting and modular platforms, remotely operated vehicles (ROVs), subsea pipeline/cable stabilisation and protection, hydro graphic surveying, positioning and geophysical support, and project management.

*Engineering Services*

The Engineering Services division provides the oil and gas, marine, renewable energy and associated industries with a range of specialised services, including subsea and pipeline engineering, fabrication, assembly and testing, refurbishment, installation, maintenance, the patented NEPSYS® dry underwater welding technology, and project management.

**Accounting Policies and Inter-segment Transactions**

The accounting policies used by the Group in reporting segments internally are the same as those to prepare the financial report except as detailed below:

*Inter-entity Sales*

Inter-entity sales are recognised based on an internally set transfer price. The price aims to reflect what the business operation could achieve if they sold their output and services to external parties at arm's length.

*Corporate charges*

Corporate charges comprise non–segmental expenses such as head office expenses and interest. Corporate charges are allocated to each business segment on a proportionate basis linked to segment revenue to determine a segmental result.

It is the Group's policy that if items of revenue and expense are not allocated to operating segments then any associated assets and liabilities are also not allocated to segments. This is to avoid asymmetrical allocations within segments which management believe would be inconsistent.

**3. Operating Segment Information** (continued)

The following items and associated assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Finance costs
- Corporate overhead & administration expenses
- Technical expenses
- Share-based payments
- Foreign exchange gain/ (loss)
- Deferred tax assets and liabilities

The following table presents revenue and profit information for the reportable segments:

| | Engineering | | Offshore Services | | Total | |
|---|---|---|---|---|---|---|
| | September 2018 | September 2017 | September 2018 | September 2017 | September 2018 | September 2017 |
| | $000 | $000 | $000 | $000 | $000 | $000 |
| **Revenue** | | | | | | |
| Sales to external customers | 8,321 | 6,646 | 22,107 | 32,254 | 30,428 | 38,900 |
| Intersegment sales | 2,777 | 3,721 | 6,027 | 6,831 | 8,804 | 10,552 |
| Other revenue | - | - | 2 | 25 | 2 | 25 |
| Total revenue | 11,098 | 10,367 | 28,136 | 39,110 | 39,234 | 49,477 |
| Internal sales elimination | | | | | (8,804) | (10,552) |
| | | | | | 30,430 | 38,925 |
| **Result** | | | | | | |
| Segment results before items below | (176) | 33 | (2,717) | (2,471) | (2,893) | (2,438) |
| | | | | | | |
| **Reconciliation of segment net profit before tax to net profit before tax** | | | | | | |
| Finance costs | | | | | (101) | (82) |
| Corporate overhead & administration expense | | | | | (770) | (1,349) |
| Technical expenses | | | | | (131) | (134) |
| Share-based payments | | | | | - | 19 |
| Foreign exchange gain | | | | | 31 | 11 |
| Net loss before tax per the income statement | | | | | (3,864) | (3,973) |

| | Engineering | | Offshore Services | | Total | |
|---|---|---|---|---|---|---|
| | September 2018 | March 2018 | September 2018 | March 2018 | September 2018 | March 2018 |
| | $000 | $000 | $000 | $000 | $000 | $000 |
| **Segment assets** | | | | | | |
| Operating assets | 9,013 | 8,417 | 31,707 | 32,761 | 40,720 | 41,178 |
| Goodwill | - | - | - | - | - | - |
| Segment assets | 9,013 | 8,417 | 31,707 | 32,761 | 40,720 | 41,178 |
| | | | | | | |
| **Reconciliation of segment assets to the statement of financial position** | | | | | | |
| Deferred tax assets | | | | | - | - |
| Total assets per the statement of financial position | | | | | 40,720 | 41,178 |

| | For the six months ended 30 September 2018 | | |
|---|---|---|---|
| | Engineering | Offshore Services | Total |
| **Geographical markets** | $000 | $000 | $000 |
| **Revenue** | | | |
| Australia – country of domicile | 1,630 | 16,801 | 18,432 |
| Asia and Middle East | - | 4,494 | 4,494 |
| United Kingdom | 6,691 | 812 | 7,504 |
| | 8,321 | 22,107 | 30,430 |

### 4. Revenue and Other Income

| | Consolidated Group 30 September 2018 $000 | Consolidated Group 30 September 2017 $000 |
|---|---|---|
| a) Revenue | | |
| — Rendering of services revenue from operating activities | 30,428 | 38,900 |
| — Interest received | 2 | 25 |
| Total Revenue | 30,430 | 38,925 |
| b) Other Income | | |
| — Insurance proceeds | - | 351 |
| — Foreign exchange gain | 31 | 11 |
| — Gain on disposal of property, plant and equipment | - | 60 |
| — Other income | 491 | 650 |
| Total Other Income | 522 | 1,072 |

### 5. Expenses

| | Consolidated Group 30 September 2018 $000 | Consolidated Group 30 September 2017 $000 |
|---|---|---|
| a) Corporate, shared service and board expenses | | |
| — Administrative costs | 119 | 167 |
| — Personnel expenses | 685 | 1,082 |
| — Depreciation expense | 37 | 48 |
| — Other | 12 | 33 |
| Total corporate, shared service and board expenses | 853 | 1,330 |
| b) Business operating expenses | | |
| — Administrative costs | 1,901 | 2,165 |
| — Personnel expenses | 4,528 | 5,236 |
| — Depreciation expense | 292 | 268 |
| — Other | 418 | 376 |
| Total Business operating expenses | 7,139 | 8,045 |

| | 2018 $000 | 2017 $000 |
|---|---|---|
| c) Depreciation and amortisation: | | |
| i) Included in cost of sales | | |
| — Depreciation | 1,029 | 1,201 |
| Total | 1,029 | 1,201 |
| ii) Included in administrative expenses | | |
| — Depreciation | 309 | 298 |
| — Amortisation | 136 | 136 |
| Total | 446 | 434 |
| Total depreciation and amortisation | 1,475 | 1,635 |

## 6. Income Tax

The major components of income tax expense in the income statement for the half-year are:

| | Consolidated Group | |
|---|---|---|
| | 30 September 2018 $000 | 30 September 2017 $000 |
| **Income taxes** | | |
| Current income tax expense | (175) | (206) |
| Deferred income tax (expense) / benefit related to origination and reversal of deferred taxes | (8) | 282 |
| **Income tax (expense) / benefit** | (183) | 76 |
| Income tax benefit recognised in other comprehensive income | 7 | 3 |
| **Total income taxes** | (176) | 79 |

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

## 7. Loss per Share

| | | Consolidated Group | |
|---|---|---|---|
| | | 30 September 2018 $000 | 30 September 2017 $000 |
| (a) | Earnings used in calculating loss per share | | |
| | **For basic loss per share** | | |
| | Net loss attributable to ordinary equity holders of the parent | (4,047) | (3,897) |
| | Net loss attributable to ordinary equity holder of the parent | (4,047) | (3,897) |
| | **For diluted loss per share** | | |
| | Net loss attributable to ordinary equity holders of the parent | (4,047) | (3,897) |
| | Net loss attributable to ordinary equity holder of the parent | (4,047) | (3,897) |
| | | **No.** | **No.** |
| (b) | Weighted average number of ordinary shares outstanding during the period used in calculating basic loss per share | 61,441 | 61,441 |
| | Dilutive effect of rights | - | - |
| | Weighted average number of ordinary shares outstanding during the period used in calculating dilutive loss per share | 61,441 | 61,441 |

## 8. Cash and Cash Equivalents

| | Consolidated Group | |
|---|---|---|
| | 30 September 2018 $000 | 31 March 2018 $000 |
| Cash at bank and in hand | 4,790 | 5,058 |
| Short term deposits | 1,076 | 1,076 |
| | 5,866 | 6,134 |

### 9. Trade and Other Receivables

| | Consolidated Group | |
|---|---|---|
| | 30 September 2018 | 31 March 2018 |
| CURRENT | $000 | $000 |
| Trade receivables | 10,894 | 13,577 |
| Allowance for impairment loss | (2,097) | (2,304) |
| | 8,797 | 11,273 |
| Other receivables | 62 | 343 |
| | 8,859 | 11,616 |

Due to the short-term nature of these receivables, their carrying value approximates their fair value.

### 10. Other Current Assets

| | Consolidated Group | |
|---|---|---|
| | 30 September 2018 | 31 March 2018 |
| CURRENT | $000 | $000 |
| Prepayments | 1,197 | 801 |
| Deposits | 135 | 132 |
| Contract assets | 6,784 | 4,226 |
| | 8,116 | 5,159 |

### 11. Property, Plant and Equipment

| | Office Furniture, Equipment & Software $000 | Leasehold Improvements $000 | Plant and Equipment $000 | Motor Vehicles $000 | ROV's & Vessels $000 | Construction in Progress $000 | Total $000 |
|---|---|---|---|---|---|---|---|
| **Consolidated Group:** | | | | | | | |
| **Balance at 31 March 2018** | | | | | | | |
| Gross carrying amount | 5,276 | 1,877 | 22,041 | 428 | 25,784 | 536 | 55,942 |
| Accumulated depreciation and impairment | (3,395) | (606) | (14,807) | (284) | (20,683) | - | (39,775) |
| **Net carrying amount** | **1,881** | **1,271** | **7,234** | **144** | **5,101** | **536** | **16,167** |
| **Balance at 30 September 2018** | | | | | | | |
| Gross carrying amount | 5,484 | 1,881 | 22,117 | 450 | 24,535 | 512 | 54,979 |
| Accumulated depreciation and impairment | (3,606) | (683) | (15,419) | (328) | (19,315) | - | (39,351) |
| **Net carrying amount** | **1,878** | **1,198** | **6,698** | **122** | **5,220** | **512** | **15,628** |

### 12. Intangible Assets and Goodwill

| | Consolidated Group | |
|---|---|---|
| | 30 September 2018 $000 | 31 March 2018 $000 |
| **Goodwill** | | |
| Opening balance | - | 12,558 |
| Foreign exchange differences | - | 452 |
| Impairment | - | (13,010) |
| Closing balance | - | - |
| **Development costs** | | |
| Opening balance | 579 | 851 |
| Additions | 19 | - |
| Amortisation | (136) | (272) |
| Closing balance | 462 | 579 |
| **Total Intangible Assets** | **462** | **579** |

**Development costs**

Development costs are carried at cost less accumulated amortisation and accumulated impairment losses. This intangible asset has been assessed as having a finite life and is amortised using the straight line method.

### 13. Trade and Other Payables

| | Consolidated Group | |
|---|---|---|
| | 30 September 2018 $000 | 31 March 2018 $000 |
| CURRENT | | |
| **Unsecured liabilities** | | |
| Trade payables | 5,089 | 4,032 |
| Sundry payables and accrued expenses | 7,010 | 5,671 |
| Deferred rent | 81 | 81 |
| Deferred revenue | 348 | 341 |
| | 12,528 | 10,125 |

| | Consolidated Group | |
|---|---|---|
| | 30 September 2018 $000 | 31 March 2018 $000 |
| NON CURRENT | | |
| **Unsecured liabilities** | | |
| Deferred rent | 228 | 248 |
| | 228 | 248 |

Due to the short-term nature of these payables, their carrying value approximates their fair value. Current payables are on 30-45 day payment terms.

## 14. Contributed Equity

| | Consolidated Group | |
|---|---|---|
| | 30 September 2018 $000 | 31 March 2018 $000 |
| 61,441,291 (31 March 18: 61,441,291) fully paid ordinary shares | 273,540 | 273,540 |

| Ordinary Shares | Consolidated Group | |
|---|---|---|
| | No. | $000 |
| At 30 September 2017 | 61,441,291 | 273,540 |
| Movements during the prior year | - | - |
| At 31 March 2018 | 61,441,291 | 273,540 |
| Movements during the current period | - | - |
| At 30 September 2018 | 61,441,291 | 273,540 |

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At the shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

## 15. Capital and Leasing Commitments

| | | Consolidated Group | |
|---|---|---|---|
| | | 30 September 2018 $000 | 31 March 2018 $000 |
| (a) | **Finance Lease Commitments** | | |
| | Payable — minimum lease payments; | | |
| | — not later than 12 months | 151 | 215 |
| | — between 12 months and 5 years | 62 | 32 |
| | Minimum lease payments | 213 | 247 |
| | Less future finance charges | (22) | (12) |
| | Present value of minimum lease payments | 191 | 235 |

| | | Consolidated Group | |
|---|---|---|---|
| (b) | **Operating Lease Commitments** | 30 September 2018 $000 | 31 March 2018 $000 |
| | Payable — minimum lease payments; | | |
| | — not later than 12 months | 2,138 | 2,272 |
| | — between 12 months and 5 years | 5,685 | 5,912 |
| | — longer than 5 years | 1,767 | 2,298 |
| | | 9,590 | 10,482 |

(c) The Group had contractual obligations to purchase plant & equipment for $0.020 million at balance date (31 March 2018: $0.176 million). Commitments are in relation to welding plants replacement. This commitment is expected to be settled within 12 months of the balance sheet date.

**16. Guarantees**

The Group has provided the following guarantees to its business associates, which commit the group to make payments on behalf of these entities upon failure to perform under the terms of the relevant contracts.

| | Consolidated Group | |
|---|---|---|
| | 30 September 2018 $000 | 31 March 2018 $000 |
| — Guarantees related to satisfactory contract performance | 522 | 737 |
| — Guarantees related to property leases | 1,532 | 1,532 |
| | 2,054 | 2,269 |

At date of signing of the half year report, the ANZ banking facility disclosed in the Financial Report for the year ended 31 March 2018 is under review and being negotiated between the Group and ANZ.

**17. Related Parties**

**Subsidiaries**

The consolidated financial statements include the financial statements of Neptune Marine Services Limited and its controlled entities. Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

**Ultimate parent**

MTQ Corporation Limited is the ultimate parent entity and the parent of the Group is Neptune Marine Services Limited.

**Transactions with related parties**

| | Sales to related parties | Purchases from related parties | Amounts owed by related parties | Amounts owed to related parties |
|---|---|---|---|---|
| | $000 | $000 | $000 | $000 |
| Entities with significant influence over the Group: | | | | |
| Premier Estate Pte Ltd | - | 53 | - | 29 |
| Premier Sea & Land Pte Ltd | - | 9 | - | 4 |
| MTQ Corporation | - | 92 | - | 47 |
| MTQ Oilfield Services WLL | 21 | 101 | 12 | 2 |
| MTQ Engineering Pte Ltd | 23 | - | - | - |
| Binder Group | 296 | - | 133 | - |
| Total | 340 | 255 | 145 | 82 |

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Any outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. See note 18 in relation to MTQ Corporation Ltd loan that was issued subsequent to balance date.

**18. Events after Balance Sheet Date**

**MTQ Corporation Limited Loan**

Subsequent to 30 September 2018, MTQ Corporation Limited provided the Group with a $2 million loan facility expiring 8 November 2019. MTQ Corporation Limited have confirmed that they will extend the repayment date of the $2 million loan to a date that is no sooner than 12 months from the date of signing the half year report in the event that recalling the loan facility will cause the Group to be insolvent.

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# Independent auditor's review report to the members of Neptune Marine Services Limited

## Report on the half-year financial report

### Conclusion

We have reviewed the accompanying half-year financial report of Neptune Marine Services Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 September 2018, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 September 2018 and of its consolidated financial performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 30 September 2018 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

T G Dachs
Partner
Perth
30 November 2018