



Results for announcement to the market

			March 2019 \$'000	March 2018 \$'000
Financial Results				
Revenue from ordinary activities	<i>Up</i>	24.76%	84,449	67,689
Loss from ordinary activities after tax attributable to members	<i>Down</i>	89.65%	(3,104)	(29,989)
Net loss for the period attributable to members	<i>Down</i>	89.65%	(3,104)	(29,989)

Dividends	Payment Date	Amount per Ordinary Security	Franked amount per security	Tax rate for franking credit
2018 dividend	NA	Nil	Nil	Nil
2019 dividend	NA	Nil	Nil	Nil

Net Tangible Asset Backing	March 19	March 18
Net tangible asset backing per ordinary security	\$0.420	\$0.455

Other explanatory notes

All other information required to be disclosed by Neptune Marine in the Appendix 4E is either not applicable or has been included in the attached financial report.



NEPTUNE MARINE SERVICES LIMITED AND CONTROLLED ENTITIES

ABN: 76 105 665 843

**Preliminary Final Report for the Year Ended
31 March 2019**

**NEPTUNE MARINE SERVICES LIMITED
AND CONTROLLED ENTITIES
PRELIMINARY FINAL REPORT (UNAUDITED)**

31 March 2019

ABN: 76 105 665 843

CONTENTS

Consolidated Income Statement	2
Consolidated Statement of Comprehensive Income	3
Consolidated Statement of Financial Position	4
Consolidated Statement of Changes in Equity	5
Consolidated Statement of Cash Flows	6
Notes to the Financial Statements	7

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2019

		Consolidated	
	Note	2019 \$000	2018 \$000
Revenue	2(a)	84,449	67,689
Other revenue	2(a)	9	33
Total Revenue		<u>84,458</u>	<u>67,722</u>
Cost of sales and services rendered		<u>(67,725)</u>	<u>(57,534)</u>
Gross Profit		16,733	10,188
Other income	2(b)	987	1,414
Marketing expenses		(62)	(88)
Occupancy expenses		(3,813)	(3,522)
Corporate, shared services and board expenses		(1,968)	(2,762)
Business operating expenses		(14,150)	(16,112)
Technical expenses		(275)	(276)
Finance costs		(248)	(160)
Goodwill impairment		-	(13,010)
Other expenses	3(a)	<u>(23)</u>	<u>(9)</u>
Loss before income tax		(2,819)	(24,337)
Income tax expense		<u>(285)</u>	<u>(5,652)</u>
Net loss for the period		<u>(3,104)</u>	<u>(29,989)</u>
Loss Per Share			
Basic loss per share (in dollars)	5	(0.051)	(0.488)
Diluted loss per share (in dollars)	5	(0.051)	(0.488)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019

	Consolidated	
	2019	2018
	\$000	\$000
Net loss for the period	<u>(3,104)</u>	<u>(29,989)</u>
Other Comprehensive income		
Items in other comprehensive income that may be recycled subsequently through profit and loss		
Foreign currency translation	771	956
Net loss on cash flow hedges	(62)	(60)
Other comprehensive income for the period	<u>709</u>	<u>896</u>
Total comprehensive loss for the period attributable to members of the parent	<u>(2,395)</u>	<u>(29,093)</u>

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 MARCH 2019

		Consolidated	
	Note	2019 \$000	2018 \$000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		12,830	6,134
Trade and other receivables		16,575	11,616
Inventories		1,059	1,523
Derivative financial instruments		89	-
Other current assets		<u>7,073</u>	<u>5,159</u>
TOTAL CURRENT ASSETS		<u>37,626</u>	<u>24,432</u>
NON-CURRENT ASSETS			
Property, plant and equipment	6	14,690	16,167
Intangible assets and goodwill	7	<u>342</u>	<u>579</u>
TOTAL NON-CURRENT ASSETS		<u>15,032</u>	<u>16,746</u>
TOTAL ASSETS		<u>52,658</u>	<u>41,178</u>
CURRENT LIABILITIES			
Trade and other payables		21,771	10,125
Current tax liability		663	420
Interest bearing loans and borrowings		2,173	203
Provisions		<u>1,351</u>	<u>1,428</u>
TOTAL CURRENT LIABILITIES		<u>25,958</u>	<u>12,176</u>
NON-CURRENT LIABILITIES			
Trade and other payables		207	248
Interest bearing loans and borrowings		180	32
Deferred tax liabilities		4	79
Provisions		<u>146</u>	<u>85</u>
TOTAL NON-CURRENT LIABILITIES		<u>537</u>	<u>444</u>
TOTAL LIABILITIES		<u>26,495</u>	<u>12,620</u>
NET ASSETS		<u>26,163</u>	<u>28,558</u>
EQUITY			
Contributed equity	8	273,540	273,540
Reserves		(14,120)	(14,829)
Accumulated losses		<u>(233,257)</u>	<u>(230,153)</u>
TOTAL EQUITY		<u>26,163</u>	<u>28,558</u>

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019

	Ordinary Shares	Accumulated Losses	Foreign Currency Translation Reserve	Employee Equity Benefits Reserve	Hedge Reserve	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Consolidated Group						
Balance at 1 April 2017	273,540	(200,164)	(22,063)	6,127	211	57,651
Loss for the period	-	(29,989)	-	-	-	(29,989)
Other comprehensive income / (loss)	-	-	956	-	(60)	896
Total comprehensive income / (loss) for the year	-	(29,989)	956	-	(60)	(29,093)
Transactions with owners in their capacity as owners						
Dividends paid	-	-	-	-	-	-
Sub-total	-	(29,989)	956	-	(60)	(29,093)
Balance at 31 March 2018	273,540	(230,153)	(21,107)	6,127	151	28,558
Balance at 1 April 2018	273,540	(230,153)	(21,107)	6,127	151	28,558
Loss for the period	-	(3,104)	-	-	-	(3,104)
Other comprehensive income / (loss)	-	-	771	-	(62)	709
Total comprehensive income / (loss) for the year	-	(3,104)	771	-	(62)	(2,395)
Transactions with owners in their capacity as owners						
Dividends paid	-	-	-	-	-	-
Sub-total	-	(3,104)	771	-	(62)	(2,395)
Balance at 31 March 2019	273,540	(233,257)	(20,336)	6,127	89	26,163

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2019

	Consolidated	
	2019	2018
	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	80,411	75,797
Interest received	9	33
Payments to suppliers and employees	(74,694)	(79,975)
Interest paid	(211)	(160)
Income tax (paid) / refunded	(135)	109
Net cash flows from / (used in) operating activities	10(a) <u>5,380</u>	<u>(4,196)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	2	113
Purchase of property, plant and equipment	(416)	(1,723)
Purchase of intangible assets	(23)	-
Net cash flows used in investing activities	<u>(437)</u>	<u>(1,610)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan from controlling entity	2,000	-
Payment of loan from controlling entity	-	(48)
Payment of finance lease liabilities	(168)	(539)
Bank Guarantee	-	(27)
Net cash flows from / (used in) financing activities	<u>1,832</u>	<u>(614)</u>
Net increase / (decrease) in cash and cash equivalents held	6,775	(6,420)
Cash and cash equivalents at beginning of financial year	6,134	12,603
Net foreign exchange difference	(79)	(49)
Cash and cash equivalents at end of financial year	<u>12,830</u>	<u>6,134</u>

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Note 1 Statement of Significant Accounting Policies

The preliminary final report has been prepared in accordance with the Australian Securities Exchange Listing Rules as set out in Appendix 4E and in accordance with the measurement and recognition (but not full disclosure) requirements of the Australian Accounting Standards, *Corporations Act 2001* and other pronouncements of the Australian Accounting Standards.

As such, this Preliminary Final Report does not include all the notes of the type included in an annual financial report and accordingly, should be read in conjunction with the annual report for the year ended 31 March 2019 and with any public announcements made by Neptune Marine Services Limited during the reporting period in accordance with the disclosure requirements of the Corporations Act 2001.

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

The accounting policies adopted in the preparation of the Preliminary Final report are consistent with those of the previous year, except as follows:

- The recognition of revenue and measurement from contracts with customers (application of AASB 15 *Revenue from Contracts with Customers*)
- The recognition of measurement of financial instruments (application of AASB 9 *Financial Instruments*)

The Group did not early adopt any other standard, interpretation or amendment that has been issued but is not yet effective.

Note 2 Revenue

	Consolidated Group	
	2019	2018
	\$000	\$000
a) Revenue		
— Rendering of services revenue from operating activities	84,449	67,689
— Other revenue - interest received	9	33
Total Revenue	<u>84,458</u>	<u>67,722</u>
b) Other Income		
— Insurance proceeds	227	256
— Profit on sale of property, plant and equipment	-	67
— Government Rebates	111	273
— Other income	649	818
Total Other Income	<u>987</u>	<u>1,414</u>

Note 3 Other Expenses

	Consolidated Group	
	2019	2018
	\$000	\$000
a) Other Expenses		
— Loss on sale of property, plant and equipment	2	9
— Other	21	-
Total Other Expenses	<u>23</u>	<u>9</u>

Note 4 **Income Tax**

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

	Consolidated Group	
	2019	2018
	\$000	\$000
Income taxes		
Current income tax expense	341	240
Adjustments in respect of current income tax of previous years	15	(413)
Deferred income tax benefit relating to origination and reversal of temporary differences	(71)	(106)
Prior period deferred tax asset derecognised	-	5,931
Income tax expense	285	5,652
Income tax (benefit) / expense recognised in other comprehensive income	(4)	154
Total income taxes	281	5,806

Note 5 **Loss Per Share**

	Consolidated Group	
	2019	2018
	\$000	\$000
(a) Loss used in calculating earnings per share		
For basic loss per share		
Net loss attributable to ordinary equity holder of the parent	(3,104)	(29,989)
For diluted loss per share		
Net loss attributable to ordinary equity holder of the parent	(3,104)	(29,989)
	No.	No.
	Thousands	Thousands
(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	61,441	61,441
Dilutive effect of options	-	-
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	61,441	61,441

Note 6 Property, Plant and Equipment

Movements in carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial period

	Office Furniture, Equipment & Software \$000	Leasehold Improvements \$000	Plant and Equipment \$000	Leased Vehicle \$000	ROV's & Vessels \$000	Construction in Progress \$000	Total \$000
Consolidated Group:							
Balance at 1 April 2017	2,098	1,434	8,100	181	5,176	331	17,320
Additions	-	-	4	-	(1)	1,720	1,723
Disposals	(6)	-	(54)	-	(5)	-	(65)
Transfers	161	4	666	-	683	(1,517)	(3)
Depreciation expense	(431)	(167)	(1,520)	(41)	(884)	-	(3,043)
Foreign exchange	59	-	38	4	132	2	235
Balance at 31 March 2018	1,881	1,271	7,234	144	5,101	536	16,167
Cost	5,276	1,877	22,041	428	25,784	536	55,942
Accumulated depreciation & 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 1 April 2018	1,881	1,271	7,234	144	5,101	536	16,167
Additions	141	-	270	-	24	322	757
Disposals	-	-	(4)	-	-	(13)	(17)
Transfers	55	-	456	1	186	(698)	-
Depreciation expense	(406)	(147)	(1,267)	(32)	(852)	-	(2,704)
Foreign exchange	11	-	60	(7)	411	12	487
Balance at 31 March 2019	1,682	1,124	6,749	106	4,870	159	14,690
Cost	5,484	1,881	22,858	451	27,280	159	58,113
Accumulated depreciation & impairment	(3,802)	(757)	(16,109)	(345)	(22,410)	-	(43,423)
Net carrying amount	1,682	1,124	6,749	106	4,870	159	14,690

Impairment testing was performed at 31 March 2019 and no impairment has been recognised. The recoverable amount was based on value in use and fair value calculations.

Note 7 Intangible Assets and Goodwill

	Consolidated Group	
	2019 \$000	2018 \$000
Goodwill		
Opening balance	-	12,558
Foreign exchange differences	-	452
Impairment	-	(13,010)
Closing balance	-	-
Other Intangible Assets		
Opening balance	579	851
Addition	35	-
Amortisation	(272)	(272)
Closing balance	342	579
Total Intangible assets	342	579

Note 8	Issued Capital	Consolidated Group	
		2019	2018
		\$000	\$000
61,441,291 (2018: 61,441,291) fully paid ordinary shares		273,540	273,540
(a)	Ordinary Shares	Consolidated Group	
		No.	\$000
At 1 April 2017		61,441,291	273,540
Movements during the prior period		-	-
At 31 March 2018		61,441,291	273,540
At 1 April 2018		61,441,291	273,540
Movements during the current period		-	-
At 31 March 2019		61,441,291	273,540

Note 9 Operating Segments

Identification of Reportable Segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by Neptune's management team 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 Neptune's management team on at least a monthly basis.

Types of Products and Services

The reportable segments are based on aggregated operating segments determined by the similarity of the products produced and sold and/or services provided, as these are the sources of the Group's major risks and have the most effect on the rates of return. Neptune Marine Services comprises the two distinct divisions: 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.

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 contained in note 2 to the Annual Report and in the prior period, 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 so as 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.

Unallocated items

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, shared service and Board expenses
- Technical expenses
- Share-based payments
- Foreign exchange gain/ (loss)
- Deferred tax assets

Note 9 Operating Segments (continued)

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

	Continuing Operations					
	Engineering		Offshore Services		Total	
	2019	2018	2019	2018	2019	2018
	\$000	\$000	\$000	\$000	\$000	\$000
Revenue						
Sales to external customers	17,167	12,466	67,282	55,223	84,449	67,689
Intersegment sales	5,994	5,899	31,080	13,633	37,074	19,532
Other revenue	1	-	8	33	9	33
Total sales revenue	23,162	18,365	98,370	68,889	121,532	87,254
Internal sales elimination					(37,074)	(19,532)
Total revenue per the income statement					84,458	67,722

	Continuing Operations					
	Engineering		Offshore Services		Total	
	2019	2018	2019	2018	2019	2018
	\$000	\$000	\$000	\$000	\$000	\$000
Results						
Segment results before impairments, asset write downs and items below:	566	4,150	(971)	(9,797)	(405)	(5,647)
Goodwill impairment	-	(4,035)	-	(8,975)	-	(13,010)
Segment results	566	125	(971)	(18,782)	(405)	(18,657)

Reconciliation of segment net profit before tax to net profit before tax

Finance costs					(248)	(160)
Unallocated Corporate, shared services and Board expenses					(1,943)	(5,300)
Share-based payments					-	19
Technical expenses					(275)	(276)
Foreign exchange gain					52	37
Net loss from continuing operations before tax per the income statement					(2,819)	(24,337)

Note 9 Operating Segments (continued)

	Continuing Operations					
	Engineering		Offshore Services		Total	
	2019	2018	2019	2018	2019	2018
Segment assets	\$000	\$000	\$000	\$000	\$000	\$000
Segment operating assets	9,162	8,417	43,407	32,761	52,569	41,178
Reconciliation of segment assets to the statement of financial position						
Derivative financial instruments					89	-
Total assets from continuing operations per the statement of financial position					52,658	41,178

Entity Wide Information

Revenue from external customers and operating assets by geographical locations is detailed below:

	Segment Revenues from External Customers		Carrying Amount of Total Assets	
	2019	2018	2019	2018
	\$000	\$000	\$000	\$000
Australia - country of domicile	56,988	38,845	33,019	20,087
Asia and Middle East	12,220	16,603	10,963	12,461
United Kingdom	15,241	12,241	8,587	8,630
	84,449	67,689	52,569	41,178

Note 10 Cash Flow Information

	Consolidated Group	
	2019	2018
(a) Reconciliation of net loss after tax to net cash flows from operations	\$000	\$000
Loss after income tax	(3,104)	(29,989)
Cash flows excluded from profit attributable to operating activities:		
Non-cash flows in profit		
Depreciation / Amortisation	2,977	3,317
Goodwill impairment	-	13,010
Net loss / (profit) on disposal of plant and equipment	2	(58)
Finance costs	37	-
Share based payment expense	-	(19)
Foreign exchange gain	(52)	(37)
Other non-cash movements	(97)	(598)
Changes in assets and liabilities		
(Increase) / decrease in trade and other receivables	(6,454)	7,904
(Increase) / decrease in prepayments and other current assets	(8)	306
Decrease / (increase) in inventories	538	(420)
(Increase) / decrease in deferred tax assets and liabilities	(75)	5,817
Increase / (decrease) in trade payables and other payables	9,691	(3,579)
Increase / (decrease) in income taxes payable	260	(83)
Increase in provisions	1,665	233
Cash flow from / (used in) operations	5,380	(4,196)

(b) Bank Facilities	Consolidated Group	
	2019	2018
	\$000	\$000
ANZ Banking Facility	3,075	10,300
Bank Guarantees on Issue	(2,071)	(2,269)
Credit Card Facility	(34)	(34)
Unutilised Facility	<u>970</u>	<u>7,997</u>

Note 11 Events after the Balance Sheet Date

There have been no events after balance sheet date that have a material impact on the financial statements.

Note 12 Commitments

(a) Finance Lease Commitments	Consolidated Group	
	2019	2018
	\$000	\$000
Payable — minimum lease payments		
— not later than 12 months	149	215
— between 12 months and 5 years	<u>194</u>	<u>32</u>
Minimum lease payments	343	247
Less future finance charges	<u>(30)</u>	<u>(12)</u>
Present value of minimum lease payments	<u>313</u>	<u>235</u>

The finance leases relate to software and equipment financing. All finance leases will be settled within the next 5 years and there are no restrictions placed upon the lessee by entering into these leases.

(b) Operating Lease Commitments	Consolidated Group	
	2019	2018
	\$000	\$000
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable — minimum lease payments		
— not later than 12 months	2,189	2,272
— between 12 months and 5 years	5,955	5,912
— more than 5 years	<u>1,438</u>	<u>2,298</u>
Minimum lease payments	<u>9,582</u>	<u>10,482</u>

All operating leases of the Group relate to the leasing of premises. All leases are payable monthly. These leases have a varied life of between one and six years. There are no restrictions placed upon the lessee by entering into these leases.

(c) Capital Expenditure Commitments

The Group had contractual obligations to purchase plant and equipment for \$44,489 (2018: \$176,025) at balance date. Commitments are in relation to Diving equipment in Australia. These commitments are expected to be settled within 12 months of balance sheet date.

Audit Report

The preliminary final report is based on financial statements which are in the process of being audited.