



Results for announcement to the market

			March 2016 \$'000	March 2015 \$'000
Financial Results				
Revenue from ordinary activities	<i>Down</i>	<i>12.50%</i>	118,481	135,415
(Loss)/Profit from ordinary activities after tax attributable to members	<i>Down</i>	<i>351.49%</i>	(7,092)	2,820
Net (loss)/profit for the period attributable to members	<i>Down</i>	<i>351.49%</i>	(7,092)	2,820

Dividends	Amount per Ordinary Security	Franked amount per security
Interim dividend paid on 23 December 2015 Record date 8 December 2015	\$0.08	100%
2016 final dividend	Nil	Nil

Net Tangible Asset Backing	March 16	March 15
Net tangible asset backing per ordinary security	\$0.953	\$1.133

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 2016**

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

31 March 2016
ABN: 76 105 665 843

CONTENTS

Income Statement	1
Statement of Comprehensive Income	2
Statement of Financial Position	3
Statement of Changes in Equity	4
Statement of Cash Flows	5
Notes to the Financial Statements	6

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2016

		Consolidated	
	Note	2016 \$000	2015 \$000
Continuing operations			
Revenue	2(a)	118,481	135,415
Other revenue	2(a)	<u>123</u>	<u>112</u>
Total Revenue		118,604	135,527
Cost of sales and services rendered		<u>(89,351)</u>	<u>(95,314)</u>
Gross Profit		29,253	40,213
Other income	2(b)	2,591	13
Marketing expenses		(475)	(456)
Occupancy expenses		(4,503)	(4,697)
Corporate, shared services and board expenses		(3,878)	(4,898)
Business operating expenses		(22,190)	(24,823)
Technical expenses		(266)	(255)
Finance costs		(248)	(253)
Fixed Asset Impairment		(6,919)	-
Other expenses	3(a)	<u>(1,798)</u>	<u>(671)</u>
Profit / (loss) from continuing operations before income tax		(8,433)	4,173
Income tax benefit / (expense)		<u>1,341</u>	<u>(1,353)</u>
Net profit / (loss) for the period		<u>(7,092)</u>	<u>2,820</u>
Earnings / (Loss) Per Share			
Basic earnings / (loss) per share (cents per share)	6	(0.115)	0.046
Diluted earnings / (loss) per share (cents per share)	6	(0.115)	0.045

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2016

	Consolidated	
	2016 \$000	2015 \$000
Net profit / (loss) for the period	<u>(7,092)</u>	<u>2,820</u>
Other Comprehensive income		
Items in other comprehensive income that may be recycled subsequently through profit and loss		
Foreign currency translation	(101)	4,097
Net profit / (loss) on cash flow hedges	298	(73)
Other comprehensive income for the period	<u>197</u>	<u>4,024</u>
Total comprehensive profit / (loss) for the period attributable to members of the parent	<u>(6,895)</u>	<u>6,844</u>

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 MARCH 2016

	Note	Consolidated	
		31 March 2016 \$000	31 March 2015 \$000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		14,165	17,594
Trade and other receivables		26,476	26,081
Inventories		901	802
Other current assets		10,618	11,670
TOTAL CURRENT ASSETS		<u>52,160</u>	<u>56,147</u>
NON-CURRENT ASSETS			
Trade and other receivables		20	374
Property, plant and equipment	7	20,072	33,140
Deferred tax assets		6,166	4,836
Intangible assets and goodwill	8	14,248	14,747
TOTAL NON-CURRENT ASSETS		<u>40,506</u>	<u>53,097</u>
TOTAL ASSETS		<u>92,666</u>	<u>109,244</u>
CURRENT LIABILITIES			
Trade and other payables		14,194	17,582
Current tax liability		3,078	3,396
Interest bearing loans and borrowings		70	239
Derivative financial instruments		-	115
Provisions		1,170	1,678
TOTAL CURRENT LIABILITIES		<u>18,512</u>	<u>23,010</u>
NON-CURRENT LIABILITIES			
Trade and other payables		447	135
Interest bearing loans and borrowings		15	87
Deferred tax liabilities		224	818
Provisions		669	585
TOTAL NON-CURRENT LIABILITIES		<u>1,355</u>	<u>1,625</u>
TOTAL LIABILITIES		<u>19,867</u>	<u>24,635</u>
NET ASSETS		<u>72,799</u>	<u>84,609</u>
EQUITY			
Contributed equity	9	273,540	273,540
Reserves		(13,722)	(13,919)
Accumulated losses		(187,019)	(175,012)
TOTAL EQUITY		<u>72,799</u>	<u>84,609</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 2016

	Ordinary Shares	Retained Earnings/ (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 2014	273,804	(177,832)	(24,240)	6,560	170	78,462
Profit / (loss) for the period	-	2,820	-	-	-	2,820
Other comprehensive income	-	-	4,097	-	(73)	4,024
Total comprehensive income for the year	-	2,820	4,097	-	(73)	6,844
Transactions with owners in their capacity as owners						
Share buyback during the period	(264)	-	-	-	-	(264)
Cost of share based payments	-	-	-	86	-	86
Cash settlement of retention rights	-	-	-	(519)	-	(519)
Sub-total	(264)	2,820	4,097	(433)	(73)	6,147
Balance at 31 March 2015	273,540	(175,012)	(20,143)	6,127	97	84,609
Balance at 1 April 2015	273,540	(175,012)	(20,143)	6,127	97	84,609
Profit / (loss) for the period	-	(7,092)	-	-	-	(7,092)
Other comprehensive income	-	-	(101)	-	298	197
Total comprehensive income for the year	-	(7,092)	(101)	-	298	(6,895)
Transactions with owners in their capacity as owners						
Shares issued during the period	-	-	-	-	-	-
Dividends paid	-	(4,915)	-	-	-	(4,915)
Sub-total	-	(12,007)	(101)	-	298	(11,810)
Balance at 31 March 2016	273,540	(187,019)	(20,244)	6,127	395	72,799

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 2016

	Consolidated	
	31 March 2016 \$000	31 March 2015 \$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	122,446	135,181
Interest received	123	112
Payments to suppliers and employees	(117,792)	(121,209)
Interest paid	(248)	(253)
Income tax paid	(741)	(1,510)
Net cash flows derived from operating activities	11(a) <u>3,788</u>	<u>12,321</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	3,028	-
Purchase of property, plant and equipment	(4,985)	(9,092)
Purchase of intangible assets	-	(99)
Net cash flows used in investing activities	<u>(1,957)</u>	<u>(9,191)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(4,915)	-
Repayment of borrowings	(240)	(248)
Payment for cancelled retention/performance rights	-	(562)
Share buyback	-	(264)
Receipt of deposits	126	2,247
Net cash flows (used in)/derived from financing activities	<u>(5,029)</u>	<u>1,173</u>
Net increase / (decrease) in cash and cash equivalents held	(3,198)	4,303
Cash and cash equivalents at beginning of financial year	17,594	11,955
Net foreign exchange difference	(231)	1,336
Cash and cash equivalents at end of financial year	<u>14,165</u>	<u>17,594</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 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 2016 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.

The accounting policies adopted are consistent with those of the previous year.

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

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2016.

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

The Group did not adopt any new and or revised standards, amendments or interpretations from 1 April 2015 which had any effect on the financial position or performance of the Group.

Note 2 Revenue

	Consolidated Group	
	2016	2015
	\$000	\$000
a) Revenue		
— Rendering of services revenue from operating activities	118,481	135,415
— Other revenue - interest received	123	112
Total Revenue	<u>118,604</u>	<u>135,527</u>
b) Other Income		
— Insurance proceeds	2,510	-
— Other income	81	13
Total Other Income	<u>2,591</u>	<u>13</u>

During the year several assets were subject to insurance claims and in line with the relevant provisions of AASB 116, any associated loss or damage of the asset, compensation subsequently received and any subsequent replacement have been disclosed as separate events. Refer to note 3(a) for details on loss on disposal of property, plant and equipment.

Note 3 Other Expenses

	Consolidated Group	
	2016	2015
	\$000	\$000
a) Other Expenses		
— Loss on sale of property, plant and equipment	1,273	553
— Other	525	118
Total Other Expenses	<u>1,798</u>	<u>671</u>

Note 4 Income Tax

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

	Consolidated Group	
	2016	2015
	\$000	\$000
Income taxes		
Current income tax expense	573	3,609
Adjustments in respect of current income tax or previous years	(16)	(16)
Deferred income tax benefit relating to origination and reversal of temporary differences	<u>(1,898)</u>	<u>(335)</u>
Income tax (benefit) / expense	(1,341)	1,353
Income tax recognised in other comprehensive income	<u>(123)</u>	<u>-</u>
Total income taxes from continuing operations	<u>(1,464)</u>	<u>1,353</u>

Note 5 Dividends

	Consolidated Group	
	2016	2015
	\$000	\$000
Cash dividends on ordinary shares declared and paid		
Interim dividend for 2016: 8 cents per share (2015: nil)	<u>4,915</u>	<u>-</u>
	<u>4,915</u>	<u>-</u>
Franking credit balance		
The amount of franking credits available for subsequent financial year are:		
Franking account balance as at end of the financial year	7,250	9,357

Note 6 Earnings per Share

	Consolidated Group	
	2016	2015
	\$000	\$000
(a) Earnings used in calculating earnings per share		
For basic earnings per share	\$000	\$000
Net profit / (loss) attributable to ordinary equity holder of the parent	<u>(7,092)</u>	<u>2,820</u>
For diluted earnings per share		
Net profit / (loss) attributable to ordinary equity holders of the parent	<u>(7,092)</u>	<u>2,820</u>
	No.	No.
	Thousands	Thousands
(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	61,441	61,627
Dilutive effect of options	<u>100</u>	<u>133</u>
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	<u>61,541</u>	<u>61,760</u>

Note 7 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 2014	1,406	680	10,176	224	10,660	5,939	29,085
Additions	370	10	4,441	159	746	3,366	9,092
Disposals	(17)	-	(80)	(9)	(579)	(61)	(746)
Transfers	305	-	5,275	-	157	(5,737)	-
Transfer to intangible assets	-	-	(109)	-	-	-	(109)
Depreciation expense	(486)	(168)	(3,085)	(52)	(1,880)	-	(5,671)
Foreign exchange	14	5	72	-	1,370	28	1,489
Balance at 31 March 2015	1,592	527	16,690	322	10,474	3,535	33,140
Cost	4,245	1,880	27,837	547	25,595	3,535	63,639
Accumulated depreciation & impairment	(2,653)	(1,353)	(11,147)	(225)	(15,121)	-	(30,499)
Net carrying amount	1,592	527	16,690	322	10,474	3,535	33,140
Balance at 1 April 2015	1,592	527	16,690	322	10,474	3,535	33,140
Additions	105	-	423	12	207	4,237	4,984
Disposals	(192)	(443)	(2,855)	(14)	(679)	(137)	(4,320)
Transfers	1,093	1,769	(1,627)	-	5,763	(6,998)	-
Depreciation expense	(569)	(247)	(3,192)	(75)	(2,661)	-	(6,744)
Impairment expense	-	-	-	-	(6,919)	-	(6,919)
Foreign exchange	-	-	(9)	(2)	20	(78)	(69)
Balance at 31 March 2016	2,029	1,606	9,430	243	6,205	559	20,072
Cost	4,658	1,856	21,179	433	29,939	559	58,624
Accumulated depreciation & impairment	(2,629)	(250)	(11,749)	(190)	(23,734)	-	(38,552)
Net carrying amount	2,029	1,606	9,430	243	6,205	559	20,072

Impairment testing was performed at 31 March 2016 and an impairment loss of \$6,919,000 was recognised. The recoverable amount was based on value in use calculations.

Note 8 Intangible Assets and Goodwill

	Consolidated Group	
	2016 \$000	2015 \$000
Goodwill		
Balance at 1 April	13,255	12,938
Foreign exchange differences	(144)	317
Balance at 31 March	<u>13,111</u>	<u>13,255</u>
Other Intangible Assets		
Balance at 1 April	1,492	1,551
Additions	-	208
Amortisation	(355)	(267)
Balance at 31 March	<u>1,137</u>	<u>1,492</u>
Total Intangible Assets	<u>14,248</u>	<u>14,747</u>

Note 9 Issued Capital

	Consolidated Group	
	2016	2015
	\$000	\$000
61,441,291 (2015: 61,441,291) fully paid ordinary shares	273,540	273,540

(a) Ordinary Shares

	Consolidated Group	
	No.	\$000
At 1 April 2014	61,651,610	273,804
Movements during the prior period – share buyback	(210,319)	(264)
At 31 March 2015	<u>61,441,291</u>	<u>273,540</u>
At 1 April 2015	61,441,291	273,540
Movements during the current period - none	-	-
At 31 March 2016	<u>61,441,291</u>	<u>273,540</u>

Note 10 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 10 Operating Segments (continued)

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

	Continuing Operations					
	Engineering		Offshore Services		Total	
	2016	2015	2016	2015	2016	2015
	\$000	\$000	\$000	\$000	\$000	\$000
Revenue						
Sales to external customers	26,501	43,420	91,980	91,995	118,481	135,415
Intersegment sales	11,248	15,749	24,630	13,784	35,878	29,533
Other revenue	7	10	116	103	123	112
Total sales revenue	37,756	59,179	116,726	105,882	154,482	165,060
Internal sales elimination					(35,878)	(29,533)
Total revenue per the income statement					118,604	135,527

	Continuing Operations					
	Engineering		Offshore Services		Total	
	2016	2015	2016	2015	2016	2015
	\$000	\$000	\$000	\$000	\$000	\$000
Result						
Segment result before impairments, asset write downs and items below:	1,671	5,876	5,447	8,719	7,118	14,595
Fixed Asset Impairment	-	-	(6,919)	-	(6,919)	-
Segment results after impairment and before items below:	1,671	5,876	(1,472)	8,719	199	14,595

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

Finance costs	(248)	(253)
Unallocated Corporate, shared services and Board expenses	(7,549)	(9,285)
Share-based payments	(46)	(511)
Technical expenses	(266)	(255)
Foreign exchange loss	(523)	(118)
Net profit / (loss) from continuing operations before tax per the income statement	(8,433)	4,173

Note 10 Operating Segments (continued)

	Continuing Operations					
	Engineering		Offshore Services		Total	
	2016	2015	2016	2015	2016	2015
Segment assets	\$000	\$000	\$000	\$000	\$000	\$000
Segment operating assets	13,924	22,427	59,465	68,726	73,389	91,153
Goodwill	4,270	4,270	8,841	8,985	13,111	13,255
Segment assets	18,194	26,697	68,306	77,711	86,500	104,408

Reconciliation of segment assets to the statement of financial position

Deferred tax assets	6,166	4,836
Total assets from continuing operations per the statement of financial position	<u>92,666</u>	<u>109,244</u>

Entity Wide Information

Revenue from external customers by geographical locations is detailed below:

	Segment Revenues from External Customers		Carrying Amount of Total Assets	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Australia - country of domicile	72,700	79,232	50,195	53,544
Asia and Middle East	18,587	9,922	12,574	14,702
United Kingdom	27,194	46,261	29,897	40,998
	<u>118,481</u>	<u>135,415</u>	<u>92,666</u>	<u>109,244</u>

Note 11 Cash Flow Information

	Consolidated Group	
	2016 \$000	2015 \$000
(a) Reconciliation of net profit after tax to net cash flows from operations		
Profit / (loss) after income tax	(7,092)	2,820
Cash flows excluded from profit attributable to operating activities:		
Non-cash flows in profit		
Depreciation / Amortisation	7,099	5,938
Fixed Asset Impairment	6,919	-
Loss on disposal of plant and equipment	1,273	553
Share based payment expense	46	511
Foreign exchange loss	523	119
Other non-cash movements	109	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase)/decrease in trade and term receivables	(507)	(1,122)
Decrease/(Increase) in prepayments/other current assets	1,226	1,123
Decrease/(Increase) in inventories	(109)	138
Increase in deferred tax assets and liabilities	(1,775)	(1,970)
Increase/(decrease) in trade payables and accruals	(3,303)	1,783
Increase in income taxes payable	(307)	2,077
Increase in provisions	(314)	351
Cash flow from operations	<u>3,788</u>	<u>12,321</u>

(b) Bank Facilities	Consolidated Group	
	2016	2015
	\$000	\$000
ANZ Banking Facility	10,000	10,000
Bank Guarantees on Issue	<u>1,979</u>	<u>2,803</u>
Unutilised Facility	<u>8,021</u>	<u>7,197</u>

Note 12 Events after the Balance Sheet Date

Subsequent to the year end Neptune signed a 12 month vessel charter. Neptune expects to take delivery of the vessel in late July 2016 and the agreement comes with various extension options.

Note 13 Commitments

(a) Finance Lease Commitments	Consolidated Group	
	2016	2015
	\$000	\$000
Payable — minimum lease payments		
— not later than 12 months	91	250
— between 12 months and 5 years	<u>0</u>	<u>93</u>
Minimum lease payments	91	343
Less future finance charges	<u>(6)</u>	<u>(17)</u>
Present value of minimum lease payments	<u>85</u>	<u>326</u>

The finance leases relate to software and equipment financing. All finance leases will be settled within the next 5 years. The carrying value of finance leases and hire purchase contracts for various items of plant and machinery is \$227,118 (2015: \$276,000). There are no restrictions placed upon the lessee by entering into these leases.

(b) Operating Lease Commitments	Consolidated Group	
	2016	2015
	\$000	\$000
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable — minimum lease payments		
— not later than 12 months	2,521	3,485
— between 12 months and 5 years	8,115	6,860
— more than 5 years	<u>4,774</u>	<u>4,774</u>
Minimum lease payments	<u>15,410</u>	<u>15,119</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 ten 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 \$87,744 at balance date (2015: \$3,038,000). Commitments are in relation to survey equipment in Asia. This commitment is expected to be settled within 12 months of the balance sheet date. The 2015 commitment was settled during 2016.

Audit Report

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