



Results for announcement to the market

			March 2017 \$'000	March 2016 \$'000
Financial Results				
Revenue from ordinary activities	<i>Down</i>	<i>30.88%</i>	81,891	118,481
Loss from ordinary activities after tax attributable to members	<i>Down</i>	<i>16.05%</i>	(8,230)	(7,092)
Net loss for the period attributable to members	<i>Down</i>	<i>16.05%</i>	(8,230)	(7,092)

Dividends	Payment Date	Amount per Ordinary Security	Franked amount per security	Tax rate for franking credit
2016 interim dividend	23 December 2015	8 cents	8 cents	30%
2017 special interim dividend	14 September 2016	8 cents	8 cents	30%

Net Tangible Asset Backing	March 17	March 16
Net tangible asset backing per ordinary security	\$0.720	\$0.953

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.

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NEPTUNE MARINE SERVICES LIMITED AND CONTROLLED ENTITIES

ABN: 76 105 665 843

**Preliminary Final Report for the Year Ended
31 March 2017**

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

31 March 2017

ABN: 76 105 665 843

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CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2017

		Consolidated	
	Note	2017 \$000	2016 \$000
Revenue	2(a)	81,891	118,481
Other revenue	2(a)	80	123
Total Revenue		<u>81,971</u>	<u>118,604</u>
Cost of sales and services rendered		<u>(64,734)</u>	<u>(89,351)</u>
Gross Profit		17,237	29,253
Other income	2(b)	678	2,591
Marketing expenses		(110)	(475)
Occupancy expenses		(3,792)	(4,503)
Corporate, shared services and board expenses		(2,396)	(3,878)
Business operating expenses		(18,762)	(22,190)
Technical expenses		(288)	(266)
Finance costs		(202)	(248)
Fixed asset impairment		-	(6,919)
Other expenses	3(a)	<u>(286)</u>	<u>(1,798)</u>
Loss before income tax		(7,921)	(8,433)
Income tax (expense)/ benefit		<u>(309)</u>	<u>1,341</u>
Net loss for the period		<u>(8,230)</u>	<u>(7,092)</u>
Loss Per Share			
Basic loss per share (in dollars)	6	(0.134)	(0.115)
Diluted loss per share (in dollars)	6	(0.134)	(0.115)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017

	Consolidated	
	2017 \$000	2016 \$000
Net loss for the period	<u>(8,230)</u>	<u>(7,092)</u>
Other Comprehensive income		
Items in other comprehensive income that may be recycled subsequently through profit and loss		
Foreign currency translation	(1,819)	(101)
Net (loss) /profit on cash flow hedges	(184)	298
Other comprehensive income for the period	<u>(2,003)</u>	<u>197</u>
Total comprehensive loss for the period attributable to members of the parent	<u>(10,233)</u>	<u>(6,895)</u>

The accompanying notes form part of these financial statements.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 MARCH 2017

	Note	Consolidated	
		31 March 2017 \$000	31 March 2016 \$000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		12,603	14,165
Trade and other receivables		16,556	26,476
Inventories		1,086	901
Other current assets		7,278	10,618
TOTAL CURRENT ASSETS		<u>37,523</u>	<u>52,160</u>
NON-CURRENT ASSETS			
Trade and other receivables		-	20
Property, plant and equipment	7	17,320	20,072
Deferred tax assets		5,931	6,166
Intangible assets and goodwill	8	13,409	14,248
TOTAL NON-CURRENT ASSETS		<u>36,660</u>	<u>40,506</u>
TOTAL ASSETS		<u>74,183</u>	<u>92,666</u>
CURRENT LIABILITIES			
Trade and other payables		13,162	14,194
Current tax liability		451	3,078
Interest bearing loans and borrowings		309	70
Provisions		850	1,170
TOTAL CURRENT LIABILITIES		<u>14,772</u>	<u>18,512</u>
NON-CURRENT LIABILITIES			
Trade and other payables		333	447
Interest bearing loans and borrowings		465	15
Deferred tax liabilities		191	224
Provisions		771	669
TOTAL NON-CURRENT LIABILITIES		<u>1,760</u>	<u>1,355</u>
TOTAL LIABILITIES		<u>16,532</u>	<u>19,867</u>
NET ASSETS		<u>57,651</u>	<u>72,799</u>
EQUITY			
Contributed equity	9	273,540	273,540
Reserves		(15,725)	(13,722)
Accumulated losses		(200,164)	(187,019)
TOTAL EQUITY		<u>57,651</u>	<u>72,799</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 2017**

	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 2015	273,540	(175,012)	(20,143)	6,127	97	84,609
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						
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
Balance at 1 April 2016	273,540	(187,019)	(20,244)	6,127	395	72,799
Loss for the period	-	(8,230)	-	-	-	(8,230)
Other comprehensive income	-	-	(1,819)	-	(184)	(2,003)
Total comprehensive income for the year	-	(8,230)	(1,819)	-	(184)	(10,233)
Transactions with owners in their capacity as owners						
Dividends paid	-	(4,915)	-	-	-	(4,915)
Sub-total	-	(13,145)	(1,819)	-	(184)	(15,148)
Balance at 31 March 2017	273,540	(200,164)	(22,063)	6,127	211	57,651

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 2017

	Consolidated	
	31 March 2017 \$000	31 March 2016 \$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	90,369	122,446
Interest received	80	123
Payments to suppliers and employees	(85,231)	(117,792)
Interest paid	(202)	(248)
Income tax paid	(76)	(741)
Net cash flows derived from operating activities	11(a) <u>4,940</u>	<u>3,788</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	66	3,028
Purchase of property, plant and equipment	(903)	(4,985)
Repayment of loan to controlling entity	(79)	-
Net cash flows used in investing activities	<u>(916)</u>	<u>(1,957)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(4,915)	(4,915)
Repayment of borrowings	(240)	(240)
Receipt of deposits	30	126
Net cash flows used in financing activities	<u>(5,125)</u>	<u>(5,029)</u>
Net decrease in cash and cash equivalents held	(1,101)	(3,198)
Cash and cash equivalents at beginning of financial year	14,165	17,594
Net foreign exchange difference	(461)	(231)
Cash and cash equivalents at end of financial year	<u><u>12,603</u></u>	<u><u>14,165</u></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 2017 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 Preliminary Final report are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2017.

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 2016 which had any effect on the financial position or performance of the Group.

Note 2 Revenue

		Consolidated Group	
		2017	2016
		\$000	\$000
a)	Revenue		
	— Rendering of services revenue from operating activities	81,891	118,481
	— Other revenue - interest received	80	123
	Total Revenue	81,971	118,604
b)	Other Income		
	— Insurance proceeds	121	2,510
	— Other income	557	81
	Total Other Income	678	2,591

During the prior 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	
		2017	2016
		\$000	\$000
a)	Other Expenses		
	— Loss on sale of property, plant and equipment	70	1,273
	— Other	216	525
	Total Other Expenses	286	1,798

Note 4 Income Tax

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

	Consolidated Group	
	2017	2016
	\$000	\$000
Income taxes		
Current income tax expense	220	573
Adjustments in respect of current income tax or previous years	(111)	(16)
Deferred income tax benefit relating to origination and reversal of temporary differences	200	(1,898)
Income tax (benefit) / expense	309	(1,341)
Income tax recognised in other comprehensive income	(108)	(123)
Total income taxes	201	(1,464)

Note 5 Dividends

	Consolidated Group	
	2017	2016
	\$000	\$000
Cash dividends on ordinary shares declared and paid		
Interim dividend for 2017: 8 cents per share (2016: 8 cents per share)	4,915	4,915
	<u>4,915</u>	<u>4,915</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	5,144	7,250

Note 6 Earnings per Share

	Consolidated Group	
	2017	2016
	\$000	\$000
(a) Earnings used in calculating earnings per share		
For basic loss per share	\$000	\$000
Net loss attributable to ordinary equity holder of the parent	(8,230)	(7,092)
For diluted loss per share		
Net loss attributable to ordinary equity holders of the parent	(8,230)	(7,092)
	<u>(8,230)</u>	<u>(7,092)</u>
	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	100	100
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	<u>61,541</u>	<u>61,541</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 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
Balance at 1 April 2016	2,029	1,606	9,430	243	6,205	559	20,072
Additions	241	-	36	-	-	1,076	1,353
Disposals	(10)	-	(89)	-	(33)	-	(132)
Transfers	310	17	793	-	182	(1,302)	-
Depreciation expense	(447)	(189)	(1,930)	(55)	(993)	-	(3,614)
Foreign exchange	(25)	-	(140)	(7)	(185)	(2)	(359)
Balance at 31 March 2017	2,098	1,434	8,100	181	5,176	331	17,320
Cost	5,071	1,872	21,563	424	26,270	331	55,531
Accumulated depreciation & impairment	(2,973)	(438)	(13,463)	(243)	(21,094)	-	(38,211)
Net carrying amount	2,098	1,434	8,100	181	5,176	331	17,320

Impairment testing was performed at 31 March 2017 and no impairment has been recognised. The recoverable amount was based on value in use calculations.

Note 8 Intangible Assets and Goodwill

	Consolidated Group	
	2017 \$000	2016 \$000
Goodwill		
Balance at 1 April	13,111	13,255
Foreign exchange differences	(553)	(144)
Balance at 31 March	12,558	13,111
Other Intangible Assets		
Balance at 1 April	1,137	1,492
Amortisation	(286)	(355)
Balance at 31 March	851	1,137
Total Intangible Assets	13,409	14,248

Note 9 Issued Capital

	Consolidated Group	
	2017	2016
	\$000	\$000
61,441,291 (2016: 61,441,291) fully paid ordinary shares	273,540	273,540

(a) Ordinary Shares

	Consolidated Group	
	No.	\$000
At 1 April 2015	61,441,291	273,540
Movements during the prior period	-	-
At 31 March 2016	<u>61,441,291</u>	<u>273,540</u>
At 1 April 2016	61,441,291	273,540
Movements during the current period	-	-
At 31 March 2017	<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	
	2017	2016	2017	2016	2017	2016
	\$000	\$000	\$000	\$000	\$000	\$000
Revenue						
Sales to external customers	16,086	26,501	65,805	91,980	81,891	118,481
Intersegment sales	6,348	11,248	29,787	24,630	36,135	35,878
Other revenue	3	8	77	115	80	123
Total sales revenue	<u>22,437</u>	<u>37,757</u>	<u>95,669</u>	<u>116,725</u>	<u>118,106</u>	<u>154,482</u>
Internal sales elimination					(36,135)	(35,878)
Total revenue per the income statement					<u>81,971</u>	<u>118,604</u>
Result						
Reconciliation of segment net profit before tax to net profit before tax						
Segment result before impairments, asset write downs and items below:	599	1,671	(1,852)	5,447	(1,253)	7,118
Fixed asset impairment	-	-		(6,919)	-	(6,919)
Segment results after impairment and before items below:	<u>599</u>	<u>1,671</u>	<u>(1,852)</u>	<u>(1,472)</u>	<u>(1,253)</u>	<u>199</u>
Finance costs					(202)	(248)
Unallocated Corporate, shared services and Board expenses					(6,131)	(7,549)
Share-based payments					162	(46)
Technical expenses					(288)	(266)
Foreign exchange loss					(209)	(523)
Net loss from continuing operations before tax per the income statement					<u>(7,921)</u>	<u>(8,433)</u>

Note 10 Operating Segments (continued)

	Continuing Operations					
	Engineering		Offshore Services		Total	
	2017	2016	2017	2016	2017	2016
Segment assets	\$000	\$000	\$000	\$000	\$000	\$000
Segment operating assets	7,460	13,924	48,234	59,465	55,694	73,389
Goodwill	3,573	4,270	8,985	8,841	12,558	13,111
Segment assets	11,033	18,194	57,219	68,306	68,252	86,500
Reconciliation of segment assets to the statement of financial position						
Deferred tax assets					5,931	6,166
Total assets from continuing operations per the statement of financial position					<u>74,183</u>	<u>92,666</u>

Entity Wide Information

Revenue from external customers by geographical locations is detailed below:

	Segment Revenues from External Customers		Carrying Amount of Total Assets	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Australia - country of domicile	53,864	72,700	42,283	50,195
Asia and Middle East	14,756	18,587	12,035	12,574
United Kingdom	13,271	27,194	19,865	29,897
	<u>81,891</u>	<u>118,481</u>	<u>74,183</u>	<u>92,666</u>

Note 11 Cash Flow Information

	Consolidated Group	
	2017 \$000	2016 \$000
(a) Reconciliation of net loss after tax to net cash flows from operations		
Loss after income tax	(8,230)	(7,092)
Cash flows excluded from profit attributable to operating activities:		
Non-cash flows in profit		
Depreciation / Amortisation	3,901	7,099
Fixed Asset Impairment	-	6,919
Loss on disposal of plant and equipment	69	1,273
Share based payment expense	(161)	46
Foreign exchange loss	216	523
Other non-cash movements	(86)	109
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
Decrease/(Increase) in trade and term receivables	8,836	(507)
Decrease in prepayments/other current assets	959	1,226
Increase in inventories	(212)	(109)
Increase/(decrease) in deferred tax assets and liabilities	311	(1,775)
Decrease in trade payables and accruals	(424)	(3,303)
Decrease in income taxes payable	(78)	(307)
Decrease in provisions	(161)	(314)
Cash flow from operations	<u>4,940</u>	<u>3,788</u>

(b) Bank Facilities	Consolidated Group	
	2017	2016
	\$000	\$000
ANZ Banking Facility	10,000	10,000
Bank Guarantees on Issue	2,500	1,979
Unutilised Facility	<u>7,500</u>	<u>8,021</u>

Note 12 **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 13 **Commitments**

(a) Finance Lease Commitments	Consolidated Group	
	2017	2016
	\$000	\$000
Payable — minimum lease payments		
— not later than 12 months	340	91
— between 12 months and 5 years	471	0
Minimum lease payments	811	91
Less future finance charges	(37)	(6)
Present value of minimum lease payments	<u>774</u>	<u>85</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 software licences, IT equipment, plant and machinery is \$694,919 (2016: \$227,118). There are no restrictions placed upon the lessee by entering into these leases.

(b) Operating Lease Commitments	Consolidated Group	
	2017	2016
	\$000	\$000
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable — minimum lease payments		
— not later than 12 months	2,268	2,521
— between 12 months and 5 years	7,279	7,980
— more than 5 years	2,380	4,774
Minimum lease payments	<u>11,927</u>	<u>15,275</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 \$484,766 at balance date (2016: \$87,744). Commitments are in relation to ROV equipment in the UK and Bulk Cement Silos in Asia. These commitments are expected to be settled within 12 months of the balance sheet date. The 2016 commitment was settled during 2016.

Audit Report

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

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