



## Results for announcement to the market

			<b>March 2018 \$'000</b>	<b>March 2017 \$'000</b>
<b>Financial Results</b>				
Revenue from ordinary activities	<i>Down</i>	<i>17.34%</i>	67,689	81,891
Loss from ordinary activities after tax attributable to members	<i>Down</i>	<i>264.39%</i>	(29,989)	(8,230)
Net loss for the period attributable to members	<i>Down</i>	<i>264.39%</i>	(29,989)	(8,230)

<b>Dividends</b>	Payment Date	Amount per Ordinary Security	Franked amount per security	Tax rate for franking credit
2017 special interim dividend	14 September 2016	8 cents	8 cents	30%
2018 special interim dividend	NA	Nil	Nil	Nil

<b>Net Tangible Asset Backing</b>	<b>March 18</b>	<b>March 17</b>
Net tangible asset backing per ordinary security	\$0.465	\$0.720

### 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 2018**

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

**31 March 2018**  
**ABN: 76 105 665 843**

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**CONSOLIDATED INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 MARCH 2018**

		<b>Consolidated</b>	
	<b>Note</b>	<b>2018</b>	<b>2017</b>
		<b>\$000</b>	<b>\$000</b>
Revenue	2(a)	67,689	81,891
Other revenue	2(a)	33	80
Total Revenue		67,722	81,971
Cost of sales and services rendered		(57,534)	(64,734)
Gross Profit		10,188	17,237
Other income	2(b)	1,414	678
Marketing expenses		(88)	(110)
Occupancy expenses		(3,522)	(3,792)
Corporate, shared services and board expenses		(2,762)	(2,396)
Business operating expenses		(16,112)	(18,762)
Technical expenses		(276)	(288)
Finance costs		(160)	(202)
Goodwill impairment		(13,010)	-
Other expenses	3(a)	(9)	(286)
<b>Loss before income tax</b>		<b>(24,337)</b>	<b>(7,921)</b>
Income tax expense		(5,652)	(309)
<b>Net loss for the period</b>		<b>(29,989)</b>	<b>(8,230)</b>
<b>Loss Per Share</b>			
Basic loss per share (in dollars)	6	(0.488)	(0.134)
Diluted loss per share (in dollars)	6	(0.488)	(0.134)

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 MARCH 2018**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
<b>Net loss for the period</b>	<u><b>(29,989)</b></u>	<u><b>(8,230)</b></u>
<b>Other Comprehensive income</b>		
Items in other comprehensive income that may be recycled subsequently through profit and loss		
Foreign currency translation	956	(1,819)
Net loss on cash flow hedges	(60)	(184)
<b>Other comprehensive income for the period</b>	<u><b>896</b></u>	<u><b>(2,003)</b></u>
<b>Total comprehensive loss for the period attributable to members of the parent</b>	<u><b>(29,093)</b></u>	<u><b>(10,233)</b></u>

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**FOR THE YEAR ENDED 31 MARCH 2018**

		Consolidated	
	Note	31 March 2018 \$000	31 March 2017 \$000
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		6,134	12,603
Trade and other receivables		11,616	16,556
Inventories		1,523	1,086
Other current assets		5,159	7,278
<b>TOTAL CURRENT ASSETS</b>		<b>24,432</b>	<b>37,523</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	16,167	17,320
Deferred tax assets		-	5,931
Intangible assets and goodwill	8	579	13,409
<b>TOTAL NON-CURRENT ASSETS</b>		<b>16,746</b>	<b>36,660</b>
<b>TOTAL ASSETS</b>		<b>41,178</b>	<b>74,183</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		9,784	13,162
Current tax liability		420	451
Interest bearing loans and borrowings		203	309
Provisions		977	850
<b>TOTAL CURRENT LIABILITIES</b>		<b>11,384</b>	<b>14,772</b>
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables		248	333
Interest bearing loans and borrowings		32	465
Deferred tax liabilities		79	191
Provisions		877	771
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,236</b>	<b>1,760</b>
<b>TOTAL LIABILITIES</b>		<b>12,620</b>	<b>16,532</b>
<b>NET ASSETS</b>		<b>28,558</b>	<b>57,651</b>
<b>EQUITY</b>			
Contributed equity	9	273,540	273,540
Reserves		(14,829)	(15,725)
Accumulated losses		(230,153)	(200,164)
<b>TOTAL EQUITY</b>		<b>28,558</b>	<b>57,651</b>

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 2018**

	Ordinary Shares	Accumulated Losses	Foreign Currency Translation Reserve	Employee Equity Benefits Reserve	Hedge Reserve	Total
	\$000	\$000	\$000	\$000	\$000	\$000
<b>Consolidated Group</b>						
<b>Balance at 1 April 2016</b>	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)
<b>Total comprehensive income for the year</b>	-	(8,230)	(1,819)	-	(184)	(10,233)
<b>Transactions with owners in their capacity as owners</b>						
Dividends paid	-	(4,915)	-	-	-	(4,915)
Sub-total	-	(13,145)	(1,819)	-	(184)	(15,148)
<b>Balance at 31 March 2017</b>	273,540	(200,164)	(22,063)	6,127	211	57,651
<b>Balance at 1 April 2017</b>	273,540	(200,164)	(22,063)	6,127	211	57,651
Loss for the period	-	(29,989)	-	-	-	(29,989)
Other comprehensive income	-	-	956	-	(60)	896
<b>Total comprehensive income for the year</b>	-	(29,989)	956	-	(60)	(29,093)
<b>Transactions with owners in their capacity as owners</b>						
Dividends paid	-	-	-	-	-	-
Sub-total	-	(29,989)	956	-	(60)	(29,093)
<b>Balance at 31 March 2018</b>	273,540	(230,153)	(21,107)	6,127	151	28,558

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 2018**

	<b>Consolidated</b>	
	<b>31 March 2018 \$000</b>	<b>31 March 2017 \$000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	75,797	90,369
Interest received	33	80
Payments to suppliers and employees	(79,975)	(85,231)
Interest paid	(160)	(202)
Income tax paid	109	(76)
Net cash flows (used in) / derived from operating activities	11(a) (4,196)	4,940
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of property, plant and equipment	113	66
Purchase of property, plant and equipment	(1,723)	(903)
Repayment of loan to controlling entity	(48)	(79)
Net cash flows used in investing activities	(1,658)	(916)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid	-	(4,915)
Repayment of borrowings	(539)	(240)
Bank Guarantee	(27)	-
Receipt of deposits	-	30
Net cash flows used in financing activities	(566)	(5,125)
Net decrease in cash and cash equivalents held	(6,420)	(1,101)
Cash and cash equivalents at beginning of financial year	12,603	14,165
Net foreign exchange difference	(49)	(461)
<b>Cash and cash equivalents at end of financial year</b>	<b>6,134</b>	<b>12,603</b>

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 2018 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 2018.

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

**Note 2 Revenue**

		<b>Consolidated Group</b>	
		<b>2018</b>	<b>2017</b>
		<b>\$000</b>	<b>\$000</b>
a) Revenue			
— Rendering of services revenue from operating activities		67,689	81,891
— Other revenue - interest received		33	80
Total Revenue		<u>67,722</u>	<u>81,971</u>
b) Other Income			
— Insurance proceeds		256	121
— Profit on sale of property, plant and equipment		67	-
— Government Rebates		273	-
— Other income		818	557
Total Other Income		<u>1,414</u>	<u>678</u>

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 accounted for as separate transactions. Refer to note 3(a) for details on loss on disposal of property, plant and equipment.

**Note 3 Other Expenses**

		<b>Consolidated Group</b>	
		<b>2018</b>	<b>2017</b>
		<b>\$000</b>	<b>\$000</b>
a) Other Expenses			
— Loss on sale of property, plant and equipment		9	70
— Other		-	216
Total Other Expenses		<u>9</u>	<u>286</u>

**Note 4 Income Tax**

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

	Consolidated Group	
	2018	2017
	\$000	\$000
<b>Income taxes</b>		
Current income tax expense	240	220
Adjustments in respect of current income tax of previous years	(413)	(111)
Deferred income tax (benefit) / expense relating to origination and reversal of temporary differences	(106)	200
Prior period deferred tax asset derecognised	5,931	-
<b>Income tax expense</b>	<b>5,652</b>	<b>309</b>
Income tax (benefit) / expense recognised in other comprehensive income	154	(108)
<b>Total income taxes</b>	<b>5,806</b>	<b>201</b>

**Note 5 Dividends**

	Consolidated Group	
	2018	2017
	\$000	\$000
<b>Cash dividends on ordinary shares declared and paid</b>		
Interim dividend for 2018: 0 cents per share (2017: 8 cents per share)	-	4,915
	-	4,915
<b>Franking credit balance</b>		
The amount of franking credits available for subsequent financial year are:		
Franking account balance as at end of the financial year	5,144	5,144

**Note 6 Earnings per Share**

	Consolidated Group	
	2018	2017
	\$000	\$000
(a) Earnings used in calculating earnings per share		
<b>For basic loss per share</b>		
Net loss attributable to ordinary equity holder of the parent	(29,989)	(8,230)
<b>For diluted loss per share</b>		
Net loss attributable to ordinary equity holders of the parent	(29,989)	(8,230)
	<b>No.</b>	<b>No.</b>
	<b>Thousands</b>	<b>Thousands</b>
(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
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	61,441	61,541

**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
<b>Consolidated Group:</b>							
<b>Balance at 1 April 2016</b>	<b>2,029</b>	<b>1,606</b>	<b>9,430</b>	<b>243</b>	<b>6,205</b>	<b>559</b>	<b>20,072</b>
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)
<b>Balance at 31 March 2017</b>	<b>2,098</b>	<b>1,434</b>	<b>8,100</b>	<b>181</b>	<b>5,176</b>	<b>331</b>	<b>17,320</b>
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)
<b>Net carrying amount</b>	<b>2,098</b>	<b>1,434</b>	<b>8,100</b>	<b>181</b>	<b>5,176</b>	<b>331</b>	<b>17,320</b>
<b>Balance at 1 April 2017</b>	<b>2,098</b>	<b>1,434</b>	<b>8,100</b>	<b>181</b>	<b>5,176</b>	<b>331</b>	<b>17,320</b>
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
<b>Balance at 31 March 2018</b>	<b>1,881</b>	<b>1,271</b>	<b>7,234</b>	<b>144</b>	<b>5,101</b>	<b>536</b>	<b>16,167</b>
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)
<b>Net carrying amount</b>	<b>1,881</b>	<b>1,271</b>	<b>7,234</b>	<b>144</b>	<b>5,101</b>	<b>536</b>	<b>16,167</b>

Impairment testing was performed at 31 March 2018 and no impairment has been recognised. The recoverable amount was based on value in use and fair value calculations.

**Note 8 Intangible Assets and Goodwill**

	<b>Consolidated Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
<b>Goodwill</b>		
Balance at 1 April	12,558	13,111
Foreign exchange differences	452	(553)
Impairment	(13,010)	-
Balance at 31 March	-	12,558
<b>Other Intangible Assets</b>		
Balance at 1 April	851	1,137
Amortisation	(272)	(286)
Balance at 31 March	579	851
<b>Total Intangible assets</b>	<b>579</b>	<b>13,409</b>

**Note 9 Issued Capital**

	Consolidated Group	
	2018	2017
	\$000	\$000
61,441,291 (2017: 61,441,291) fully paid ordinary shares	273,540	273,540

**(a) Ordinary Shares**

	Consolidated Group	
	No.	\$000
At 1 April 2016	61,441,291	273,540
Movements during the prior period	-	-
At 31 March 2017	61,441,291	273,540
At 1 April 2017	61,441,291	273,540
Movements during the current period	-	-
At 31 March 2018	61,441,291	273,540

**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	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000
<b>Revenue</b>						
Sales to external customers	12,466	16,086	55,223	65,805	67,689	81,891
Intersegment sales	5,899	6,348	13,633	29,787	19,532	36,135
Other revenue	0	3	33	77	33	80
Total sales revenue	18,365	22,437	68,889	95,669	87,254	118,106
Internal sales elimination					(19,532)	(36,135)
Total revenue per the income statement					67,722	81,971
	Continuing Operations					
	Engineering		Offshore Services		Total	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000
<b>Result</b>						
Segment result before impairments, asset write downs and items below:	4,150	599	(9,797)	(1,852)	(5,647)	(1,253)
Goodwill Impairment	(4,025)	-	(8,985)	-	(13,010)	-
Segment results after impairment and before items below:	125	599	(18,782)	(1852)	(18,657)	(1,253)
<b>Reconciliation of segment net profit before tax to net profit before tax</b>						
Finance costs					(160)	(202)
Unallocated Corporate, shared services and Board expenses					(5,300)	(6,131)
Share-based payments					19	162
Technical expenses					(276)	(288)
Foreign exchange loss					37	(209)
Net loss from continuing operations before tax per the income statement					(24,337)	(7,921)

## Note 10 Operating Segments (continued)

	Continuing Operations					
	Engineering		Offshore Services		Total	
	2018	2017	2018	2017	2018	2017
	\$000	\$000	\$000	\$000	\$000	\$000
Segment assets						
Segment operating assets	8,417	7,460	32,761	48,234	41,178	55,694
Goodwill	-	3,573	-	8,985	-	12,558
Segment assets	8,417	11,003	32,761	57,219	41,178	68,252

## Reconciliation of segment assets to the statement of financial position

Deferred tax assets	-	5,931
Total assets from continuing operations per the statement of financial position	41,178	74,183

## Entity Wide Information

Revenue from external customers by geographical locations is detailed below:

	Segment Revenues from External Customers		Carrying Amount of Total Assets	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Australia - country of domicile	38,845	53,864	20,087	42,283
Asia and Middle East	16,603	14,756	12,461	12,035
United Kingdom	12,241	13,271	8,630	19,865
	67,689	81,891	41,178	74,183

## Note 11 Cash Flow Information

	Consolidated Group	
	2018 \$000	2017 \$000
(a) Reconciliation of net loss after tax to net cash flows from operations		
Loss after income tax	(29,989)	(8,230)
<b>Cash flows excluded from profit attributable to operating activities:</b>		
<b>Non-cash flows in profit</b>		
Depreciation / Amortisation	3,317	3,901
Goodwill Impairment	13,010	-
Net (profit) / loss on disposal of plant and equipment	(58)	69
Share based payment expense	(19)	(161)
Foreign exchange (gain)/loss	(37)	216
Other non-cash movements	(598)	(86)
<b>Changes in assets and liabilities</b>		
Decrease in trade and other receivables	7,904	8,836
Decrease in prepayments and other current assets	306	959
(Increase) in inventories	(420)	(212)
Decrease in deferred tax assets and liabilities	5,817	311
(Decrease) in trade payables and other payables	(3,579)	(424)
(Decrease) in income taxes payable	(83)	(78)
(Decrease) / increase in provisions	233	(161)
<b>Cash flow (used in) / from operations</b>	<b>(4,196)</b>	<b>4,940</b>

(b) Bank Facilities	Consolidated Group	
	2018	2017
	\$000	\$000
ANZ Banking Facility	10,000	10,000
Bank Guarantees on Issue	(2,269)	(2,500)
Unutilised Facility	<u>7,731</u>	<u>7,500</u>

The ANZ Banking facility has a cash advance sub limit of \$5 million (2017: \$10 million). As at 31 March 2018, the total of the cash advance facility used was \$nil (2017:\$nil)

#### 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	
	2018	2017
	\$000	\$000
Payable — minimum lease payments		
— not later than 12 months	33	340
— between 12 months and 5 years	<u>214</u>	<u>471</u>
Minimum lease payments	247	811
Less future finance charges	<u>(12)</u>	<u>(37)</u>
Present value of minimum lease payments	<u>235</u>	<u>774</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	
	2018	2017
	\$000	\$000
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable — minimum lease payments		
— not later than 12 months	2,272	2,268
— between 12 months and 5 years	5,912	7,279
— more than 5 years	<u>2,298</u>	<u>2,380</u>
Minimum lease payments	<u>10,482</u>	<u>11,927</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 seven 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 \$176,025 at balance date. Commitments are in relation to Diving equipment in Australia and lifting frames in Asia. 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.