

NEPTUNE MARINE SERVICES LIMITED AND CONTROLLED ENTITIES

ABN: 76 105 665 843

**Annual Financial Report For The Year Ended
30 June 2009**

NEPTUNE MARINE SERVICES LIMITED AND CONTROLLED ENTITIES

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NEPTUNE MARINE SERVICES LIMITED ABN: 76 105 665 843 AND CONTROLLED ENTITIES DIRECTORS' REPORT

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2009.

The names of directors in office at any time during or since the end of the year are:

Mr Christian Lange
Mr Ross Kennan
Ms Cathryn Curtin (resigned 2nd January 2009)
Mr David Agostini
Mr Robert Scott
Mr Geoff Newman (appointed 16 October 2008)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company Secretary

The following person held the position of company secretary at the date of this report: Mr Gabriel Chiappini. Mr Chiappini was appointed company secretary on 20 August 2007. He is currently company secretary for a number of ASX listed companies. Mr Chiappini is a Chartered Accountant and member of the Australian Institute of Company Directors. He graduated from Edith Cowan University in 1990 with a Bachelor of Business majoring in Finance and Accounting and has worked predominantly in London and Perth with experience in the property, investment banking and biotechnology sectors.

Principal Activities

The principal activities of the consolidated group during the financial year were:

- the provision and expansion of an integrated suite of subsea services to the oil and gas, marine and renewable energy sectors, both domestically and internationally;
- the identification and execution of projects utilising the group's suite of complementary services;
- migration of the Neptune Marine integrated service model into international target markets; and
- ongoing international commercialisation of the Nepsys Dry Underwater Welding Technology.

Operating Results

The consolidated profit of the group after providing for income tax amounted to \$20,971,000 (2008: \$7,407,000).

Dividends Paid or Recommended

No dividend has been declared or paid by the Company to the date of this report and no dividend is proposed in respect of the year ended 30 June 2009.

Review of Operations

A realignment of the business during the year resulted in the establishment of two distinct divisions, namely Offshore Services and Engineering Services. Across the two divisions, more than \$100 million worth of new and extended contracts were awarded during the period.

Offshore Services

A combination of consistently high levels of organic growth and the contribution of new acquisitions resulted in the division generating revenues of \$128.1 million for the full year.

Early in the period the capabilities of the division were expanded via the acquisition of Perth based Access Management (WA) Pty Ltd, one of the largest specialist (difficult) access companies in the Asia Pacific region. With operations in both Perth and Singapore, the services provided by Access Management (subsequently renamed Neptune Access IRM) directly complement Neptune's integrated service offering and its focus on developing a greater presence in the Australasian region.

Contributing further to this focus was the acquisition of the Nor Sea, a 70.05 metre dynamically positioned anchor handling, tug and supply (AHTS) construction support vessel. Renamed the MV Neptune Trident, the vessel generated consistent revenues throughout the year.

The MV Neptune Trident complements the service provided by the recently refurbished MV Neptune ROV Supporter and provides the business with greater scope and flexibility in the execution of offshore projects. Both vessels were fitted with Neptune's new build Swift XL remotely operated vehicles (ROVs) during the year. A total of three ROVs were purchased during the period.

A major highlight during the year was the completion, by the Neptune Geomatics business unit, of the subsea gas pipeline route survey on the Ichthys Gas Field Development offshore Western Australia. At some 860 kilometres, the survey was one of the longest of its type to be completed in Australian waters.

With its comprehensive range of subsea inspection, maintenance and repair solutions, Neptune Diving Services (Australia) continued to be a reliable performer throughout the Australasian region while, in the United States, US Underwater Services benefited from increased industry demand for the NEPSYS® dry underwater welding technology.

The unique advantages of NEPSYS® were realised further during the year with international contracts awarded and completed in the Gulf of Mexico and the historically challenging North Sea. Representing a first for the technology in the UK, the North Sea project was mobilised out of Neptune's Aberdeen base following a comprehensive phase of prequalification and associated engineering design and fabrication.

The effective solution to subsea pipeline stabilisation and protection provided by Neptune's Sea-Struct business unit resulted in the award and completion of numerous contracts throughout Australia, Brunei, China, Indonesia, Vietnam, Malaysia, Taiwan and Hong Kong. The synergies that exist in South East Asia between Sea-Struct, Neptune Access IRM and the ROV & Vessel Division are expected to result in further growth opportunities across the region for the Neptune group.

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Engineering Services

Additional international capacity and an industry reputation for quality and capability resulted in the division generating revenues of \$60.8 million for the full year.

As was the case for Offshore Services, the Engineering Services division was strengthened further during the period via the acquisition of Aberdeen based Subsea Engineering Services, a specialist provider of subsea consultancy and project services to the global oil and gas industry.

Regarded as a vital component in Neptune's international growth strategy, the acquisition of Subsea Engineering Services (subsequently renamed Neptune Subsea Engineering) further enhances Neptune's subsea capabilities and builds on the successful integration of Neptune Deeptech to provide significant growth opportunities for the group in the resurgent North Sea region. Additionally, the acquisition provides Neptune with greater market presence in the UK and advanced technical capabilities in the design of specialist subsea equipment.

The addition of Neptune Subsea Engineering also brought with it complementary engineering support to Neptune Deeptech that continued to operate at or near capacity throughout most of the year. In addition to the fabrication of specialist subsea and offshore oil and gas equipment for its blue chip client base, Neptune Deeptech also advanced its partnership in the development of marine renewable energy (wave) technologies for commercial application.

Locally, Perth based Link Weld Engineering maintained a full order book throughout the year, headlined by the fabrication of two major subsea spool packages for Woodside's Pluto LNG Project and Greater Enfield Area Project 09, both of which are located offshore Western Australia.

Providing engineering support to these and a range of other projects was the Perth based team from Subsea Developments Australasia.

Financial Position

The net assets, including goodwill of \$144,267,000, of the consolidated group have increased to \$181,933,000 at 30 June 2009 from \$133,581,000 at 30 June 2008. This increase is a result of the following factors:

- improved operating performance of the group;
- the purchase of two new businesses through the issuing of additional shares in the company during the year.

The directors believe the group is in a strong and stable financial position to expand and grow its current operations.

Significant Changes in State of Affairs

The following significant changes in the state of affairs of the parent entity occurred during the financial year:

(i) The purchase of two trading entities to be included in the Neptune Group. The entities purchased were Access Management Pty Ltd and Neptune Subsea Engineering Ltd.

(ii) The issuing of shares in Neptune Marine Services Limited to provide the funds to purchase the entities at (i).

(iii) Loans & borrowings

On 30 September 2008, Neptune borrowed \$25,000,000 from the National Australia Bank. The loan was used to finance the purchase of the Nor Sea vessel. The loan is secured through registered mortgages over two vessels known as the Nor Sea and ROV Supporter, as well as fixed and floating charges over the assets of the Neptune Companies excluding the US entities. Neptune has entered into an interest rate swap for \$17,000,000 of the debt facility at a fixed interest rate of 5.99%. The remaining portion of the loan is at floating rates.

On 7th January 2009, Neptune borrowed GBP 3,000,000 from the National Australia Bank. The loan was used to fund the purchase of Neptune Subsea Engineering Ltd, a UK based acquisition. The loan is secured through fixed and floating charges over the assets of the Neptune Companies excluding the US entities.

On 25th September 2008, Neptune borrowed \$7,400,000 from the National Australia Bank as a debtor facility.

After Balance Date Events

- 1) Neptune Marine Services Limited has signed a Letter Of Intent (LOI) for the acquisition of Singapore based Core IRM Pte Ltd ("Core IRM"), a major provider of inspection, repair & maintenance (IRM) services to the oil & gas and petrochemical industries.

Under the terms of the agreement, Neptune proposes to acquire the entire issued capital for SGD\$13 million (AUD\$11.35 million*) with the added consideration of a SGD\$1 million (AUD\$872,000*) conditional payment that will be based on Core IRM's EBIT performance for the 12 month period to 31 December 2009. The acquisition will be funded 90% by way of equity funds raised via the share placement that was announced on 5 June, 2009, and 10% via the issue of Neptune's ordinary shares to the vendor. The acquisition is subject to the completion of satisfactory due diligence and contractual documentation.

* Foreign exchange rate of \$1.1460 as at 15 July 2009 for AUD\$: SGD\$ equivalent.

- 2) Neptune Marine Services Limited closed an oversubscribed Share Purchase Plan on 22 July 2009. Applications were received for approximately \$26.49 million or 52.99 million shares. As announced on 5 June 2009, the SPP was to be capped at \$10 million, with the flexibility to accept oversubscriptions. In accordance with the terms of the SPP, the shares applied for in each application were scaled back on a pro-rata basis by 50% regardless of the amount applied for. Accordingly, \$13.33 million was refunded back to the investors.
- 3) Neptune Marine Services Limited held its Extraordinary General Meeting on 13 July 2009 wherein shareholders voted overwhelmingly in favour of the tranche 2 placement of 56.0 million shares to institutional and sophisticated investors as part of its A\$40 million capital raising announced on 5 June, 2009. Capital raised via the placement would be used to fund Neptune's ongoing growth and development and will focus on corporate acquisitions, new asset acquisitions and continued organic growth of Neptune's existing operations.

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- 4) Neptune Marine Services Limited has signed a Letter Of Intent (LOI) for the acquisition of Aberdeen based Submersible Technology Services (Holdings) Limited ("STS"), a leading provider of remotely operated vehicle ("ROV") and survey support services to the offshore oil and gas industry.

Under the terms of the agreement, Neptune proposes to acquire the entire issued capital of STS for GBP 16 million (AUD \$31.39 million*) (plus an adjustment for STS working capital less debt at completion of the acquisition) with added conditional consideration based on STS's EBITDA performance for the calendar year 2009. The acquisition will be funded 91-95% by a cash payment, with the balance via the issue of Neptune's ordinary shares to a portion of the vendors who are part of the STS management team. The acquisition is subject to the completion of satisfactory due diligence and contractual documentation.

* Foreign exchange rate of \$0.5098 for AUD\$: GBP equivalent.

Directors' interests

The relevant interest of each director in the shares and options issued by the company at the date of this report is as follows:

	Ordinary Shares	Options over ordinary shares
Mr Christian Lange	459,267	7,000,000
Mr Ross Kennan	290,047	-
Mr David Agostini	145,120	200,000
Mr Robert Scott	126,892	-
Mr Geoff Newman	41,786	-

Future Developments, Prospects and Business Strategies

To further improve the consolidated group's profit and maximise shareholder wealth, the following strategies will continue to be implemented:

- (i) Continue to focus on and expand the integrated services model of the Neptune Group, to include the newly acquired businesses and Nepsys technology.
- (ii) Continue to build strong, long term relationships with blue chip customers, EPIC contractors and oil and gas operators above and beyond the relationships that already exist with these valuable clients.

These strategies, together with accelerating international exposure of the Neptune Group, expanding service and regional capability, continued selected acquisitions in both Australia and internationally, and the continued growth and expansion of the Nepsys technology internationally pave the way for the Neptune Group to become a significant provider of services within the oil and gas industry.

Environmental Issues

The company continues to develop and maintain its environmental management system in accordance with the requirements of the Department of Environmental Protection. There were no breaches recorded during the financial year.

Information on Directors

- | | |
|---|--|
| Mr Christian Lange | — Chief Executive Officer and Managing Director |
| Qualifications | — MBA from Curtin University; Member, Australian Institute of Company Directors. |
| Experience | — Mr Lange, aged 42, is a former international Vice President for the global oilfield services group, Schlumberger Limited. In a 16-year career with Schlumberger, Mr Lange held a range of Senior Executive positions responsible for operations, capital markets, marketing, business strategy and general management. |
| | He is also a former Managing Director and Chief Executive Officer of the minerals based manufacturing and distribution company, SDS Corporation Limited. |
| | Mr Lange currently chairs the Risk Management committee at Neptune Marine Services Ltd. |
| Directorships held in other listed entities | — Mr Lange was a non-executive Director of Coretrack Limited, a company listed on the ASX, until he resigned in June 2006. Mr Lange is currently a non-executive Director of Surtron Technologies and Mobilarm Ltd. |

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Mr Ross Kennan	— Chairman
Qualifications	— Fellow, Institution of Engineers, Australia; Fellow, Australian Institute of Company Directors; Member (Retired), Royal Australian Chemical Institute; Chartered Engineer, Chartered Chemist (Retired).
Experience	— Mr Kennan, aged 70, has had an accomplished international career, most notably as Vice President and SBU Co-chair for international diversified technology and manufacturing company, Honeywell Inc, where he spent 26 years in Senior Executive positions. Mr Kennan has over 17 years of international experience which enable him to provide strategic advice to further support Neptune Marine's continual global growth. Mr Kennan currently chairs the Human Resource and Compensation committee at Neptune Marine Services Limited.
Directorships held in other listed entities	— Mr Kennan currently sits on several boards and has recently retired from his position as a Chairperson of CEO mentoring group, The Executive Connection. Mr Kennan does not hold any Directorships in other listed entities.
Ms Cathryn Curtin	— Cathryn Curtin resigned on the 2nd January 2009.
Mr David Agostini	— Non-Executive Director
Qualifications	— Bachelor of Science in Geological Engineering from NCSU. Fellow, Institution of Engineers; Chartered Engineer; Graduate of the Institute of Company Directors.
Experience	— Mr Agostini, aged 70, is highly experienced in working with Government, universities and research groups. Mr Agostini is currently the Adjunct Professor at the Centre of Oil and Gas Engineering, at the University of WA, chaired the School's industry advisory board and the Industry Reference Group supporting the WA State Government in reforming Western Power in WA. He also holds a similar position with the advisory board of the Australian Resources Research Centre. Mr Agostini is the chairman of the governing board of the WA Energy Research Alliance and was a member of the four-man panel chaired by Senator Warwick Parer which carried out the Australian Energy Markets Review for COAG over 12 months in 2002. His professional career includes positions as General Manager of Woodside's North West Shelf interests, including the decision-making forum for marketing LNG into Asia; and is a former Woodside General Manager of Operations, covering the 3 Train LNG plant, domestic gas plant, North Rankin and Goodwin offshore platforms, the Cossack Pioneer floating production system and offshore drilling rigs. Mr Agostini is also a former General Manager Gas for Woodside; and Deputy Strategy Manager for Shell in The Hague, covering downstream refining and LNG operations in the USA, Africa, and the Middle East. Mr Agostini currently chairs the Occupational Health, Safety and Environment committee at Neptune Marine Services Limited.
Directorships held in other listed entities	— Mr Agostini does not hold any Directorships in other listed entities.
Mr Robert Scott	— Non-Executive Director
Qualifications	— Fellow of the Institute of Chartered Accountants in Australia.
Experience	— Mr Scott, aged 62, has had a distinguished career spanning 35 years as a Chartered Accountant with major accounting firms. He retired as an International Partner of Arthur Andersen in 1995 and currently consults in corporate structuring and taxation planning to Gooding Pervan Chartered Accountants. Based in Perth, Mr Scott is now a professional non-executive Director of various public companies in the energy and financial services sectors.
Directorships held in other listed entities	— Mr Scott currently holds the following Directorships, Amadeus Energy Limited - Director since March 1996, bioMD Limited - Chairman since June 1999, Australian Renewable Fuels Limited - Director since December 2002, Homeloans Limited - Director since November 2000, CGA Mining Ltd - Director since January 2009, all of which are listed entities. Mr Scott resigned from New Guinea Energy Ltd - where he was a Director since July 2006 on 31 May 2009. Mr Scott was also a Non-Executive Director of ETW Limited from July 2005 to August 2007.

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Mr Geoff Newman	— Non-Executive Director (appointed 16 October 2008)
Qualifications	— Mr Newman has a Bachelor of Economics (Honours) and a Master of Business Administration from the University of Western Australia. He is also Fellow of the Australian Society of Certified Practising Accountants (FCPA) and a Fellow of the Australian Institute of Company Directors (FAICD). Mr Newman chairs the Capital Management committee at Neptune Marine Services Limited.
Experience	— Mr Newman, aged 57, has over 25 years experience in finance, marketing and general management roles in organisations either directly involved in the resources sector or providing services and products to businesses in that sector. In 1995, after managing Bunnings Pulpwood operations for a number of years, he joined Coogee Chemicals Pty Ltd as Commercial Manager and then was appointed to the Board as Finance Director in the following year. Until August 2005, he was Finance Director/CFO and Company Secretary of both Coogee Chemicals and its oil and gas subsidiary Coogee Resources Limited before he retired from the Coogee group of companies at the end of June 2006. Mr Newman is Chairman of Mt Magnet South and the unlisted public company Ledge Finance Limited. He is also Principal of Geryl Advisory Services, a firm providing corporate and financial advice to companies in the resources sector.
Directorships held in other listed entities	— Mr Newman currently holds the following Directorships; Mount Magnet South NL – Chairman since May 2006.

REMUNERATION REPORT (Audited)

This report details the nature and amount of remuneration for each director of Neptune Marine Services Limited, and for the executives receiving the highest remuneration.

Remuneration policy

The remuneration policy of Neptune Marine Services Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the consolidated group's financial results. The Board of Neptune Marine Services Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the consolidated group, as well as create goal congruence between directors, executives and shareholders.

The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Binomial methodology.

Company performance, shareholder wealth and director and executive remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. There have been two methods applied in achieving this aim, the first being a performance based bonus based on key performance indicators, and the second being the issue of options to the majority of executives to encourage the alignment of personal and shareholder interests. The company believes this policy will have the effect of increasing shareholder wealth in the future.

Directors and Key Management Remuneration Policy

The board's policy for determining the nature and amount of remuneration of key management for the group is as follows:

The remuneration structure for key management personnel is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the company. The contracts for service between the company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement key management personnel are paid employee benefit entitlements accrued to date of retirement. Any options not exercised before or on the date of termination lapse.

The key performance areas include Occupational Health, Safety and Environment, Human Resources Management, Financial Performance, Financial Management and Total Shareholder return.

The key management personnel are also remunerated based on key performance areas that include Occupational Health, Safety and Environment, Human Resources Management, Financial Performance, Financial Management and Total Shareholder return. Health and Safety targets are measured on meeting industry standards that include but are not limited to such areas as lost time injuries and medical treatment cases. As a part of meeting Environmental standards, Neptune is committed to establishing and maintaining an Environmental Management System with measurable objectives and targets that are to be met by key management personnel. Human Resources Management is measured by staff turnover and key staff retention. Key Management personnel are also remunerated based on financial performance and management via agreed earn out schemes per business sector.

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Along with these key areas and in light of the Company's need to attract, retain and motivate key executives, the board of directors of the Company engages remuneration consultants to assist the Board's review of the employment market for key executives, and best practice in executive remuneration and incentive programs, from both a short term and long term perspective. The reviews resulted in the Board adopting the Executive Long Term Incentive Performance Rights Plan (LTI Plan) and the Executive Short Term Incentive Performance Rights Plan (STI Plan). The object of the LTI Plan is to reward performance that achieves long term growth in shareholder value. The object of the STI Plan is to reward successful implementation of strategies for growth through acquisitions and subsequent integration and completion of larger projects. Both Plans seek to reward and incentivise the executive in part by aligning the interests of key executives with those of shareholders, and is intended to form part of the overall remuneration package of the executive. As part of the Australian Federal Government Budget for 2009, it introduced changes to Company Employee Share Option plans resulting in most ASX companies either deferring their Executive and employee option plans or putting a freeze on the option plans until the legislation has been finalised.

In line with these changes Neptune Marine Services Ltd, deferred its Executive Option plan and as an interim measure to ensure we continue to reward performance, the incentives awarded for STI and LTI performance during FY 2009 were approved to be paid in cash. Please refer to the remuneration table on page 7 for details in relation to the CEO and CFO. Subject to a satisfactory outcome from the Government's legislation, it is the company's philosophy to return to the STI & LTI equity incentive plans outlined above.

The employment conditions of the Managing Director, Mr Lange and other key management personnel are formalised in contracts of employment. Managing Director and the key management personnel are permanent employees of Neptune Marine Services Limited.

The Company entered into an executive service agreement with Mr Lange to act as Managing Director of the Company effective from February 2008. If the Company terminated the agreement for any reason other than pursuant to specified circumstances, including offences involving fraud or dishonesty or committal of a serious or persistent breach of the agreement which was incapable of satisfactory remedy, the Company would be required to pay to Mr Lange all remuneration accrued up to and including the date of termination, payment in lieu of annual leave and long service leave to which he is entitled at the date of termination, and an amount equal to 12 months base salary plus any accrued performance entitlements. Mr Lange's current cash salary at the date of this report is \$750,000 per annum.

The remuneration committee determines the proportion of fixed and variable compensation for each key management personnel. Refer below.

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DIRECTORS' REPORT**

Directors and Key Management Personnel Remuneration (audited)

	Short-term benefits				Post Employment Benefits	Other Long-term Benefits	Share-based Payment		Total \$000
	Cash, salary & commissions \$000	Bonus \$000	Non-cash benefit \$000	Other \$000	Superannuation \$000	Other \$000	Equity \$000	Options \$000	
2009									
Directors									
Mr Christian Lange	650	400	14	(40)	61	-	-	425	1,510
Mr Ross Kennan	120	-	-	-	11	-	20	-	151
Ms Cathryn Curtin	30	-	-	-	3	-	5	-	38
Mr David Agostini	60	-	-	7	6	-	10	-	83
Mr Robert Scott	60	-	-	15	7	-	10	-	92
Mr Geoff Newman	40	-	-	3	4	-	8	-	55
Key Management Personnel									
Mr Geoffrey Edwards	262	150	7	(6)	24	-	-	123	560
Mr David Husband	180	-	-	11	18	-	-	-	209
Mr Mark Lindsay	180	-	-	27	50	-	-	-	257
Mr Russell Collins	180	1	-	15	18	-	-	-	214
	<u>1,762</u>	<u>551</u>	<u>21</u>	<u>32</u>	<u>202</u>	<u>-</u>	<u>53</u>	<u>548</u>	<u>3,169</u>

	Accrued bonus \$000	Total including accrued bonus \$000	Proportion of remuneration based on performance %	Value of options as proportion of remuneration %
2009				
Directors				
Mr Christian Lange	1,040	2,550	73%	17%
Mr Ross Kennan	-	151	0%	0%
Ms Cathryn Curtin	-	38	0%	0%
Mr David Agostini	-	83	0%	0%
Mr Robert Scott	-	92	0%	0%
Mr Geoff Newman	-	55	0%	0%
Key Management Personnel				
Mr Geoffrey Edwards	209	769	63%	16%
Mr David Husband	-	209	0%	0%
Mr Mark Lindsay	-	257	0%	0%
Mr Russell Collins	-	214	1%	0%
	<u>1,249</u>	<u>4,418</u>		

The above individuals were identified as key management personnel as they collectively form the strategic management committee.

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	Short-term benefits				Post Employment Benefits	Other Long-term Benefits	Share-based Payment		Total	Proportion of remuneration based on performance	Value of options as proportion of remuneration
	Cash, salary & commissions	Bonus \$000	Non-cash benefit \$000	Other \$000	Superannuation \$000	Other \$000	Equity \$000	Options \$000	\$000	%	%
2008											
Directors											
Mr Christian Lange	563	-	9	30	53	-	-	831	1,486	56%	56%
Mr Ross Kennan	72	-	10	-	105	-	20	-	207	0%	0%
Ms Cathryn Curtin	66	-	10	-	6	-	10	-	92	0%	0%
Mr David Agostini	34	-	10	9	40	-	10	-	103	0%	0%
Mr Robert Scott	67	-	10	17	8	-	10	-	112	0%	0%
Key Management Personnel											
Mr Geoffrey Edwards	211	30	12	-	19	-	-	161	433	44%	37%
Mr Geoffrey O'Connor	171	38	6	15	17	-	-	81	328	36%	25%
Mr Graeme Creedon	52	34	(1)	-	53	-	-	-	138	24%	0%
Mr Colin Murphy	54	-	7	15	111	-	-	42	229	0%	18%
Mr Timothy Proctor	194	-	-	-	17	-	-	-	211	0%	0%
Mr David Husband	148	-	-	20	51	-	-	-	219	0%	0%
Mr Russell Collins	180	1	-	19	18	-	-	-	218	1%	0%
Mr Nino Amato	240	-	-	20	23	-	-	49	332	0%	15%
Mr Mike Erinakes	161	-	-	-	-	-	-	82	243	0%	34%
Mr Mark Lindsay	137	-	8	23	46	-	-	-	214	0%	0%
Mr Anthony Kerr	137	-	11	23	46	-	-	-	217	0%	0%
Mr Bart van der Groen	137	-	8	23	46	-	-	-	214	0%	0%
Mr Martin Anderson	171	-	-	-	-	-	-	-	171	0%	0%
Mr David McLean	57	-	-	-	6	-	-	-	63	0%	0%
	2,852	103	100	214	665	-	50	1,246	5,230		

- The short term incentive bonus is for performance during the 30 June 2009 financial year using the criteria as set out in each executive or employees' contract. The amount was determined after performance reviews were completed and approved by the Board post balance sheet date.
- The fair value of the options is calculated at the date of grant using a binomial model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options recognised in this reporting period.
- During the year the company paid a premium of \$68,500 in respect of directors' and officers' liability insurance policy, insuring the directors of the company, the company secretary, and all executive officers of the company against a liability incurred while acting in the capacity of a director, secretary, or executive officer to the extent permitted by the Corporations Act 2001. The insurance policies do not contain details of premiums paid in respect of individual directors or officers of the company. As a result, the premium has not been allocated to the directors and key management personnel.

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Service Agreements

Non-Executive Directors - Neptune Marine Services Limited

- Terms of Agreement – All Non-Executive Directors have ongoing agreements of employment.
- One third of the non-executive Directors must retire each year, and can be re-elected at the AGM.
- All Non-Executive Directors are paid a monthly base salary and superannuation.
- Termination is controlled based on five (5) options and paid fully to the date of termination of the appointment only; 1. One third retire annually for re-election, 2. If held office for more than three years then seek re-election, 3. At any time by written notice by the individual, time notification not stated, 4. If not re-elected at an AGM or 5. By Company resolution.

Mr Geoffrey Edwards - Chief Financial Officer - Neptune Marine Services Limited

- Terms of agreement - Ongoing basis commenced 30 October 2006.
- Remuneration includes base salary, superannuation, car allowance and incentive options and bonus scheme.
- There is no other compensation than that stated above.
- There is no clause of remuneration review timing or requirement in the contract.
- Termination terms are by mutual consent via writing, without notice for misconduct or breach of conditions, by Neptune giving six months notice, or by the executive giving three months notice, or if the Employee becomes incapable of performing his obligations for more than 60 consecutive days.

Mr David Husband - Group Vice President - Engineering - Neptune Marine Services Limited

- Terms of agreement - Minimum of 3 years commenced 2 March 2007.
- Remuneration includes base salary, superannuation, car allowance and incentive options.
- There is no other compensation than that stated above.
- There is no clause of remuneration review timing or requirement in the contract.
- Termination terms are by mutual consent via writing, without notice for misconduct or breach of conditions, by Neptune giving two months notice, or if the Employee becomes incapable of performing his obligations for more than 60 consecutive days.

Mr Mark Lindsay - Group Vice President - Offshore - Neptune Marine Services Limited

- Terms of agreement - Minimum of 3 years commenced 1 August 2007.
- Remuneration includes base salary, superannuation, car allowance and incentive options.
- There is no other compensation than that stated above.
- There is no clause of remuneration review timing or requirement in the contract.
- Termination terms are by mutual consent via writing, without notice for misconduct or breach of conditions, by Neptune giving two months notice, or if the Employee becomes incapable of performing his obligations for more than 60 consecutive days.

Mr Russel Collins - Pipeline Business Manager - Neptune Marine Services Limited

- Terms of agreement - Minimum of 3 years commenced 2 March 2007.
- Remuneration includes base salary, superannuation, car allowance and incentive options.
- There is no other compensation than that stated above.
- There is no clause of remuneration review timing or requirement in the contract.
- Termination terms are by mutual consent via writing, without notice for misconduct or breach of conditions, by Neptune giving two months notice, or if the Employee becomes incapable of performing his obligations for more than 60 consecutive days.

Options granted as part of remuneration for the year ended 30 June 2009

Options are issued to employees and Directors as per the incentive option scheme detailed in note 28.

Options Granted As Remuneration

Terms & Conditions for Each Grant

	Vested in 2008/2009 (1)	Granted No	Grant Date	Value per Option at Grant Date	Exercise Price	First Exercise Date	Last Exercise Date
2009 Directors							
Mr Christian Lange	1,000,000	1,000,000	13/12/2008	0.14	0.28	13/12/2009	12/12/2013
		1,000,000	13/12/2008	0.14	0.28	13/12/2010	12/12/2013
		1,000,000	13/12/2008	0.14	0.28	13/12/2011	12/12/2013
Key Management Personnel							
Mr Geoffrey Edwards	225,000	133,334	13/12/2008	0.14	0.28	13/12/2009	12/12/2013
		133,333	13/12/2008	0.14	0.28	13/12/2010	12/12/2013
		133,333	13/12/2008	0.14	0.28	13/12/2011	12/12/2013
	1,225,000	3,400,000					

(1) Options vested relate to options granted in prior years

**NEPTUNE MARINE SERVICES LIMITED ABN: 76 105 665 843 AND CONTROLLED ENTITIES
DIRECTORS' REPORT**

2008	Vested in 2007/2008 (1)	Granted No	Grant Date	Value per Option at Grant Date	Exercise Price	First Exercise Date	Last Exercise Date
Directors							
Nil							
Key Management Personnel							
Mr Geoffrey Edwards	100,000	125,000	22/08/2007	0.49	0.84	22/08/2008	22/08/2012
		125,000	22/08/2007	0.49	0.84	22/08/2009	22/08/2012
		125,000	22/08/2007	0.49	0.84	22/08/2010	22/08/2012
		125,000	22/08/2007	0.49	0.84	22/08/2011	22/08/2012
Mr Geoffrey O'Connor	100,000	100,000	22/08/2007	0.49	0.84	22/08/2007	22/08/2012
Mr Colin Murphy	-	100,000	22/08/2007	0.49	0.84	22/08/2008	22/08/2012
	<u>200,000</u>	<u>700,000</u>					

(1) Options vested relate to options granted in prior years

All options granted, vest within one to four years of grant date.

Exercise price equals the market price at date of the grant for those options granted prior to the 18 June, 2008. Thereafter, the board approved that the exercise price will be the higher of 12 month VWAP or 30 trading day VWAP plus 10%.

The service and performance criteria set to determine remuneration are included in this remuneration report.

On termination with cause any unvested options will immediately be forfeited.

Options Granted as part of Remuneration

	Value of Options Granted \$	Value of Options Exercised \$	Value of Options Lapsed \$	Remuneration Consisting of Options %
2009				
Directors				
Mr Christian Lange	422,700	-	-	17%
Key Management Personnel				
Mr Geoffrey Edwards	56,360	-	-	16%
	<u>479,060</u>	<u>-</u>	<u>-</u>	
2008				
Directors				
Key Management Personnel				
Mr Geoffrey Edwards	244,900	-	-	37%
Mr Geoffrey O'Connor	48,980	-	-	25%
Mr Graham Creedon	48,980	21,745	52,210	0%
	<u>342,860</u>	<u>21,745</u>	<u>52,210</u>	

**NEPTUNE MARINE SERVICES LIMITED ABN: 76 105 665 843 AND CONTROLLED ENTITIES
DIRECTORS' REPORT**

Shares Issued on exercise of Compensation Options

	No. of Shares Issued	Price per Share \$	Unpaid per Share \$
2009			
Directors			
Key Management Personnel			
Nil	Nil	Nil	Nil
2008			
Directors			
Key Management Personnel			
Mr Graham Creedon	66,000	0.59	Nil
	<hr style="width: 100%; border: 1px solid black;"/>		
	66,000		

Meetings of Directors

During the financial year, 11 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Audit & Governance Committee Meetings		Human Resources & Compensation Committee Meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Directors' names						
Mr Christian Lange	11	11	-	-	-	-
Mr Ross Kennan	11	11	5	5	2	2
Ms Cathryn Curtin	6	5	-	-	1	1
Mr David Agostini	11	10	-	-	-	-
Mr Robert Scott	11	11	5	5	1	1
Mr Geoff Newman	9	9	3	3	-	-
	Capital Management Committee		Occupational Health, Safety & Environment Committee			
	Number eligible to attend	Number attended	Number eligible to attend	Number attended		
Directors' names						
Mr Christian Lange	5	5	5	5		
Mr Ross Kennan	5	5	1	1		
Ms Cathryn Curtin	N/A	N/A	N/A	N/A		
Mr David Agostini	-	-	5	5		
Mr Robert Scott	N/A	N/A	N/A	N/A		
Mr Geoff Newman	5	5	-	-		

**NEPTUNE MARINE SERVICES LIMITED ABN: 76 105 665 843 AND CONTROLLED ENTITIES
DIRECTORS' REPORT**

Indemnifying Officers or Auditor

The company has agreed to indemnify current and former directors of the company against all liabilities to another person (other than the company or a related body corporate) that may arise from their position as directors of the company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet to the maximum extent permitted by law, the full amount of any such liabilities, including costs and expenses.

The company has also agreed to indemnify certain senior executives and officers for all liabilities to another person (other than the company or a related body corporate) that may arise from their position in the company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet to the maximum extent permitted by law, the full amount of any such liabilities, including costs and expenses.

The company paid a premium, during the year in respect of a directors' and officers' liability insurance policy, insuring the directors of the company, the company secretary, and all executive officers of the company against a liability incurred while acting in the capacity of a director, secretary, or executive officer to the extent permitted by the Corporations Act 2001. The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses' insurance contracts, as such disclosure is prohibited under the terms of the contract.

Options

At the date of this report, the unissued ordinary shares of Neptune Marine Services Limited under option are as follows:

	Weighted average exercise price	Number under option
Listed	\$0.20	15,362,922
Unlisted	\$0.56	<u>17,786,250</u>
		<u>33,149,172</u>

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Employee details

Details of the number of permanent employees in the consolidated group as at 30 June 2009 are set out below:

	2009 No.	2008 No.
Full time equivalent employees	609	397

Non-audit Services

Amounts paid to the auditor of the company, Stantons International, and its related practices for all non-audit services provided during the year were nil.


Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2009 has been received and can be found on page 13 of the directors' report.

Rounding of Amounts

The company is an entity to which ASIC Class Order 98/100 applies. Accordingly, amounts in the financial 98/100 statements and directors' report have been rounded to the nearest thousand dollars.

Signed in accordance with a resolution of the Board of Directors.

Chairman 
Mr Ross Kennan

Chief Executive Officer and Managing Director 
Mr Christian Lange

Dated this 24th day of September 2009

24 September 2009

Board of Directors
Neptune Marine Services Limited
Level 16, 140 St Georges Terrace
PERTH WA 6000

Dear Directors

RE: NEPTUNE MARINE SERVICES LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Neptune Marine Services Limited.

As the Audit Director for the audit of the financial statements of Neptune Marine Services Limited for the year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely
STANTONS INTERNATIONAL
(Authorised Audit Company)



K Lingard
Director

NEPTUNE MARINE SERVICES LIMITED ABN: 76 105 665 843 AND CONTROLLED ENTITIES
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Note	Consolidated Group		Parent Entity	
		2009 \$000	2008 \$000	2009 \$000	2008 \$000
Revenue	2	188,959	86,713	15,206	14,218
Cost of Sales	3	(93,389)	(41,487)	(9,173)	(11,674)
Gross Profit		95,570	45,226	6,033	2,544
Other income	2	2,045	1,851	19,831	9,201
Derivative financial instrument		(480)	-	(480)	-
Marketing expenses		(1,018)	(469)	(752)	(322)
Occupancy expenses	3	(4,370)	(2,135)	(1,080)	(734)
Corporate and administrative expenses		(13,421)	(10,348)	(4,914)	(2,811)
Depreciation of property, plant and equipment	3	(7,251)	(1,534)	(316)	(186)
Technical expenses		(256)	(4)	(256)	(4)
Employee benefits expense	3	(33,177)	(18,282)	(7,869)	(3,712)
Share based payments	3	(1,143)	(1,583)	(1,143)	(1,583)
Foreign exchange gain/(loss)	3	389	(118)	14,697	(4,794)
Finance costs	3	(2,326)	(497)	(1,950)	(51)
Repairs and maintenance	3	(2,130)	(451)	(76)	(52)
Finance costs - Deferred Payments (inferred)	3	(2,545)	(1,878)	(2,218)	(1,363)
Other expenses		-	(14)	-	-
Profit / (loss) before income tax		29,887	9,764	19,508	(3,867)
Income tax (expense) / credit	4	(8,916)	(2,357)	(2,341)	999
Profit / (loss) from continuing operations		20,971	7,407	17,167	(2,868)
Profit / (loss) for the year		20,971	7,407	17,167	(2,868)
Profit / (loss) attributable to members of the parent entity		20,971	7,407	17,167	(2,868)
Overall Operations					
Basic earnings per share (cents per share)	8	6.94	3.00		
Diluted earnings per share (cents per share)	8	6.85	2.95		

The accompanying notes form part of these financial statements.

**NEPTUNE MARINE SERVICES LIMITED ABN: 76 105 665 843 AND CONTROLLED ENTITIES
BALANCE SHEET AS AT 30 JUNE 2009**

	Note	Consolidated Group		Parent Entity	
		2009 \$000	2008 \$000	2009 \$000	2008 \$000
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	9	24,277	18,155	9,887	10,857
Trade and other receivables	10	38,355	19,884	4,653	6,850
Inventories	11	4,602	3,310	594	101
Other current assets	16	2,297	1,014	1,511	569
TOTAL CURRENT ASSETS		69,531	42,363	16,645	18,377
NON-CURRENT ASSETS					
Trade and other receivables	10	998	1,473	71,550	76,628
Financial assets	12	-	-	147,326	58,550
Property, plant and equipment	14	69,277	23,067	1,482	5,760
Deferred tax assets	19	4,299	1,630	1,782	1,797
Intangible assets	15	145,810	114,776	1,543	1,440
Other non-current assets	16	339	-	339	-
TOTAL NON-CURRENT ASSETS		220,723	140,946	224,022	144,175
TOTAL ASSETS		290,254	183,309	240,667	162,552
CURRENT LIABILITIES					
Trade and other payables	17	46,665	21,488	22,096	11,106
Financial liabilities	18	12,835	2,094	9,537	456
Current tax liabilities	19	6,781	3,417	2,080	35
Short-term provisions	20	1,888	867	527	258
Derivative financial instruments	21	205	-	205	-
TOTAL CURRENT LIABILITIES		68,374	27,866	34,445	11,855
NON-CURRENT LIABILITIES					
Trade and other payables	17	12,717	18,020	10,518	15,576
Financial liabilities	18	24,335	3,545	23,825	213
Deferred tax liabilities	19	2,620	297	58	-
Derivative financial instruments	21	275	-	275	-
TOTAL NON-CURRENT LIABILITIES		39,947	21,862	34,676	15,789
TOTAL LIABILITIES		108,321	49,728	69,121	27,644
NET ASSETS		181,933	133,581	171,546	134,908
EQUITY					
Issued capital	22	157,733	139,405	157,733	139,405
Reserves	23	6,981	(2,072)	5,267	4,124
Accumulated profits / (losses)		17,219	(3,752)	8,546	(8,621)
Parent interest		181,933	133,581	171,546	134,908
TOTAL EQUITY		181,933	133,581	171,546	134,908

The accompanying notes form part of these financial statements.

NEPTUNE MARINE SERVICES LIMITED ABN: 76 105 665 843 AND CONTROLLED ENTITIES
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2009

Note	Ordinary Share Capital	Accumulated Earnings / (Losses)	Foreign Currency Translation Reserve	Option Reserve	Total
	\$000	\$000	\$000	\$000	\$000
Consolidated					
Balance at 1 July 2007	66,011	(11,159)	(315)	2,110	56,647
Shares issued during the year	74,394	-	-	-	74,394
Transaction costs (including deferred tax provision)	(1,771)	-	-	-	(1,771)
Profit attributable to members of parent entity	-	7,407	-	-	7,407
Adjustments from translation of foreign controlled entities	-	-	(5,881)	-	(5,881)
Exercise of options	771	-	-	-	771
Cost of share based payments	-	-	-	2,014	2,014
Sub-total	<u>139,405</u>	<u>(3,752)</u>	<u>(6,196)</u>	<u>4,124</u>	<u>133,581</u>
Balance at 30 June 2008	139,405	(3,752)	(6,196)	4,124	133,581
Shares issued during the year	18,858	-	-	-	18,858
Transaction costs (including deferred tax provision)	(555)	-	-	-	(555)
Profit attributable to members of parent entity	-	20,971	-	-	20,971
Adjustments from translation of foreign controlled entities	-	-	7,910	-	7,910
Exercise of options	25	-	-	-	25
Cost of share based payments	-	-	-	1,143	1,143
Sub-total	<u>157,733</u>	<u>17,219</u>	<u>1,714</u>	<u>5,267</u>	<u>181,933</u>
Balance at 30 June 2009	<u>157,733</u>	<u>17,219</u>	<u>1,714</u>	<u>5,267</u>	<u>181,933</u>

The accompanying notes form part of these financial statements.

Note	Ordinary Share Capital	Accumulated Earnings / (Losses)	Foreign Currency Translation Reserve	Option Reserve	Total
	\$000	\$000	\$000	\$000	\$000
Parent Entity					
Balance at 1 July 2007	66,011	(5,753)	-	2,110	62,368
Shares issued during the year	74,394	-	-	-	74,394
Transaction costs (including deferred tax provision)	(1,771)	-	-	-	(1,771)
Loss attributable to members of parent entity	-	(2,868)	-	-	(2,868)
Exercise of options	771	-	-	-	771
Cost of share based payments	-	-	-	2,014	2,014
Sub-total	<u>139,405</u>	<u>(8,621)</u>	<u>-</u>	<u>4,124</u>	<u>134,908</u>
Balance at 30 June 2008	139,405	(8,621)	-	4,124	134,908
Shares issued during the year	18,858	-	-	-	18,858
Transaction costs (including deferred tax provision)	(555)	-	-	-	(555)
Profit attributable to members of parent entity	-	17,167	-	-	17,167
Exercise of options	25	-	-	-	25
Cost of share based payments	-	-	-	1,143	1,143
Sub-total	<u>157,733</u>	<u>8,546</u>	<u>-</u>	<u>5,267</u>	<u>171,546</u>
Balance at 30 June 2009	<u>157,733</u>	<u>8,546</u>	<u>-</u>	<u>5,267</u>	<u>171,546</u>

The accompanying notes form part of these financial statements.

NEPTUNE MARINE SERVICES LIMITED ABN: 76 105 665 843 AND CONTROLLED ENTITIES

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Note	Consolidated Group		Parent Entity	
		2009	2008	2009	2008
		\$000	\$000	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		187,491	83,331	20,846	12,143
Interest received		671	1,126	604	897
Payments to suppliers and employees		(144,483)	(70,010)	(23,431)	(17,850)
Interest paid		(2,450)	(529)	(1,910)	(81)
Income tax paid		(5,803)	(2,994)	(13)	-
Net cash provided by (used in) operating activities	27a	<u>35,426</u>	<u>10,924</u>	<u>(3,904)</u>	<u>(4,891)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of property, plant and equipment		168	252	-	1
Purchase of property, plant and equipment		(49,199)	(16,531)	(797)	(5,425)
Expenditure on development costs		(193)	(1,440)	(193)	(1,440)
Acquisition costs paid		(570)	(1,882)	(570)	(1,636)
Payment for subsidiaries, net of cash acquired		(11,553)	(44,971)	(11,553)	(14,171)
Bank guarantee		475	(591)	-	(411)
Payment of deferred payments		(9,591)	(2,003)	(7,663)	(2,003)
Loan from controlled entity		-	-	(18,961)	(34,564)
Net cash (used in) investing activities		<u>(70,463)</u>	<u>(67,166)</u>	<u>(39,737)</u>	<u>(59,649)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		12,000	60,461	12,000	60,461
Proceeds from the exercise of options		25	813	25	813
Proceeds from borrowings		38,952	257	38,952	317
Share / option issue costs		(767)	(132)	(767)	(132)
Borrowing costs		(956)	-	(956)	-
Repayment of borrowings		(8,469)	(2,465)	(6,188)	(387)
Net cash provided by financing activities		<u>40,785</u>	<u>58,934</u>	<u>43,066</u>	<u>61,072</u>
Net increase / (decrease) in cash held		5,748	2,692	(575)	(3,468)
Cash at beginning of financial year		18,155	16,030	10,857	14,325
Effect of exchange rates on cash holdings in foreign currencies		374	(567)	(395)	-
Cash at end of financial year	9	<u><u>24,277</u></u>	<u><u>18,155</u></u>	<u><u>9,887</u></u>	<u><u>10,857</u></u>

The accompanying notes form part of these financial statements.

NEPTUNE MARINE SERVICES LIMITED ABN: 76 105 665 843 AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Note 1 Statement of Significant Accounting Policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the consolidated group of Neptune Marine Services Limited and controlled entities, and Neptune Marine Services Limited as an individual parent entity. Neptune Marine Services Limited is a listed public company, incorporated and domiciled in Australia.

The consolidated financial report of the consolidated entity and the financial report of the company comply with the International Financial Reporting Standards ("IFRSs") and interpretations adopted by the International Accounting Standards Board.

The following is a summary of the material accounting policies adopted by the consolidated group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

The accounting policies set out below have been consistently applied to all years presented.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The financial statements were approved by the Board on 24 September 2009.

Accounting Policies

(a) Principles of Consolidation

A controlled entity is any entity that Neptune Marine Services Limited has the power to control the financial and operating policies so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 13 to the financial statements. All controlled entities with the exception of Neptune Marine Europe (Aps) have a June financial year-end.

All inter-company balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the consolidated group during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

(b) Income Tax

Income tax expense comprises of current and deferred tax. The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(c) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- raw materials - purchase cost on a first-in, first-out basis;
- finished goods and work-in-progress - cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

(d) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

NEPTUNE MARINE SERVICES LIMITED ABN: 76 105 665 843 AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, is depreciated on a diminishing value basis over their useful lives to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Computer equipment	33% - 100%
Leasehold improvements	20% - 33%
Plant and equipment	20% - 40%
Vehicles	20%
ROV's	10%
Vessels	5%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(e) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the consolidated group are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a diminishing value basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

Operating lease payments are recognised as an expense in the period they are incurred.

(f) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Derivative Instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated hedges.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(g) Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**NEPTUNE MARINE SERVICES LIMITED ABN: 76 105 665 843 AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

(h) Intangibles

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates.

Research and Development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the profit or loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Neptune Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of material, direct labour and costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in the profit or loss as incurred.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

(i) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

The functional currencies of the company's subsidiaries are as follows:

Australia	AUD
Asia	USD
United States of America	USD
United Kingdom	GBP

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at year end exchange rates prevailing at that reporting date;
- income and expenses are translated at weighted average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations for which settlement is neither planned or likely to occur, are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

(j) Employee Benefits

Wages, salaries, annual leave and non-monetary benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Equity-settled compensation

An expense is recognised for all equity-based remuneration, including shares and options issued to employees and directors. The fair value of securities granted is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date'). The fair value of options granted is measured using a generally accepted valuation model, taking into account the terms and conditions upon which the options were granted.

NEPTUNE MARINE SERVICES LIMITED ABN: 76 105 665 843 AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

(k) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(l) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(m) Revenue

Revenue is measured at fair value of the consideration received or receivable, net of returns, trade discounts or volume rebates.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Revenue from the sale of goods is recognised upon the delivery of goods to customers. Revenue from the rendering of a service is recognised upon the delivery of the service to the customer.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Licence fee revenue is recognised on an accruals basis when the Group has the right to receive payment under the relevant agreement and has performed its obligations.

Government grants are recognised at fair value where there is a reasonable assurance that the grant will be received and all grant conditions will be met.

All revenue is stated net of the amount of goods and services tax (GST).

(n) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Other borrowing costs include interest and finance charges in respect of finance leases, and are expensed as incurred.

(o) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(p) Business Combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where the settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted at their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. package of the executive.

(q) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(r) Rounding of Amounts

The parent entity has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial report and directors report have been rounded off to the nearest \$1,000.

NEPTUNE MARINE SERVICES LIMITED ABN: 76 105 665 843 AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

(s) Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key Estimates — Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates, including forecasting of profits, cash flows, and discount rates. Refer to Note 15 for details on goodwill impairment.

Key Estimates - Depreciation

The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment), lease terms (for leased equipment) and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary. Depreciation charges are included in note 14.

Key Estimates - Share based payments

The group measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, with the assumptions detailed in note 28.

Key Estimates - Deferred payments

The group together with external advice makes judgements on the potential profits of the newly acquired subsidiaries. These judgements have an impact on the amount and classification of deferred payments disclosed on the balance sheet.

(t) New Accounting Standards and Interpretations

Certain new accounting standards have been published that are not mandatory for 30 June 2009 reporting periods. The Group has not applied any of the following and has not yet determined the potential effect of amendments on the Group's financial report.

- AASB 3: Business Combinations, AASB 127: Consolidated and Separate Financial Statements, AASB 2008-3: Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASBs 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2008-7: Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [AASB 1, AASB 118, AASB 121, AASB 127 & AASB 136] (applicable for annual reporting periods commencing from 1 January 2009). These standards are applicable prospectively and so will only affect relevant transactions and consolidations occurring from the date of application. In this regard, its impact on the Group will be unable to be determined. The following changes to accounting requirements are included:

- acquisition costs incurred in a business combination will no longer be recognised in goodwill but will be expensed unless the cost related to issuing debt or equity securities;
- contingent consideration will be measured at fair value at the acquisition date and may only be provisionally accounted for during a period of 12 months after acquisition;
- a gain or loss of control will require the previous ownership interests to be remeasured to their fair value;
- there shall be no gain or loss from transactions affecting a parent's ownership interest of a subsidiary with all transactions required to be accounted for through equity (this will not represent a change to the Group's policy);
- dividends declared out of pre-acquisition profits will not be deducted from the cost of an investment but will be recognised as income;
- impairment of investments in subsidiaries, joint ventures and associated shall be considered when a dividend is paid by the respective investee; and
- where there is, in substance no change to Group interests, parent entities inserted above existing Groups shall measure the cost of its investment at the carrying amount of its share of the equity items shown in the balance sheet of the original parent date of reorganisation.

The Group will need to determine whether to maintain its present accounting policy of calculating goodwill acquired based on the parent entity's share of net assets acquired or change its policy so goodwill recognised also reflects that of the non-controlling entity.

- AASB 8: Operating Segments and AASB 2007-3: Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038] (applicable for annual reporting periods commencing from 1 January 2009). AASB 8 replaces AASB 114 and requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Group's Board for the purposes of decision making. While the impact of this standard cannot be assessed at this stage, there is the potential for more segments to be identified. Given the lower economic levels at which segments may be defined, and the fact that cash generating units cannot be bigger than operating segments, impairment calculations may be affected. Management does not presently believe impairment will result however.
- AASB 101: Presentation of Financial Statements, AASB 2007-8: Amendments to Australian Accounting Standards arising from AASB 101, and AASB 2007-10: Further Amendments to Australian Accounting Standards arising from AASB 101 (all applicable to annual reporting periods commencing from 1 January 2009). The revised AASB 101 and amendments supersede the previous AASB 101 and redefines the composition of financial statements including the inclusion of a statement of comprehensive income. There will be no measurement or recognition impact on the Group. If an entity has made a prior period adjustment or reclassification, a third balance sheet as at the beginning of the comparative period will be required.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

- AASB 123: Borrowing Costs and AASB 2007-6: Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB101, AASB 107, AASB 111, AASB 116 & AASB 138 and interpretations 1 & 12] (applicable for annual reporting periods commencing from 1 January 2009). The revised AASB 123 has removed the option to expense all borrowing costs and will therefore require the capitalisation of all borrowing costs directly attributable to the acquisition, construction, or production of a qualifying asset. Management has determined that there will be no effect on the Group as a policy of capitalising qualifying borrowing costs has been maintained by the Group.
- AASB 2008-1: Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations [AASB 2] (applicable for annual reporting periods commencing from 1 January 2009). This amendment to AASB 2 clarifies that vesting conditions consist of service and performance conditions only. Other elements of a share-based payment transaction should therefore be considered for the purposes of determining fair value. Cancellations are also required to be treated in the same manner whether cancelled by the entity or by another party.

NEPTUNE MARINE SERVICES LIMITED ABN: 76 105 665 843 AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Note 2 Revenue

	Note	Consolidated Group		Parent Entity	
		2009 \$000	2008 \$000	2009 \$000	2008 \$000
Revenue					
— rendering of services revenue from operating activities		188,959	86,713	15,206	14,218
Total Revenue		188,959	86,713	15,206	14,218
Other Revenue					
— interest received	2(a)	136	1,149	5,687	2,541
— government subsidies received		535	469	535	469
— corporate overhead recovery		-	-	13,069	5,975
— other revenue		1,374	233	540	216
Total Other Revenue		2,045	1,851	19,831	9,201
Total Sales Revenue and Other Revenue		191,004	88,564	35,037	23,419
(a) Interest revenue from:					
— Other		136	1,149	5,687	2,541
Total interest revenue		136	1,149	5,687	2,541

Note 3 Expenses

	Consolidated Group		Parent Entity	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Expenses				
Cost of sales	93,389	41,487	9,173	11,674
Finance costs:				
— Finance charges payable under finance leases and	65	69	27	51
— Other persons - interest to unrelated parties	2,261	428	1,923	-
Total finance costs	2,326	497	1,950	51
Interest on Discounted Deferred Payments (inferred)	2,545	1,878	2,218	1,363
Depreciation:				
— Depreciation of leasehold improvements	181	82	102	41
— Depreciation of leased vehicle	234	194	3	3
— Depreciation of office furniture and equipment	393	207	111	95
— Depreciation of plant and equipment	2,142	1,051	100	47
— Depreciation of ROV's & vessels	4,301	-	-	-
Total Depreciation	7,251	1,534	316	186
Foreign exchange (gains)/losses	(389)	118	(14,697)	4,794
Net (gain)/loss on disposal of plant and equipment	61	42	-	4
Bad and doubtful debts	186	-	42	-
Employee benefit expenses:				
— salaries and wages	26,612	14,630	6,385	2,835
— superannuation	1,600	1,201	385	153
— employee entitlements	507	620	1	12
— other	4,458	1,831	1,098	712
Total Employee benefit expenses	33,177	18,282	7,869	3,712
Share based payments	1,143	1,583	1,143	1,583
Occupancy costs	4,370	2,135	1,080	734
Repairs and maintenance	2,130	451	76	52
Amortisation	90	-	90	-

NEPTUNE MARINE SERVICES LIMITED ABN: 76 105 665 843 AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Note 4 Income Tax

	Note	Consolidated Group		Parent Entity	
		2009 \$000	2008 \$000	2009 \$000	2008 \$000
(a) The components of tax expense comprise:					
Current tax		9,102	2,878	2,080	35
Deferred tax	19	304	(837)	764	(1,003)
Income tax credit - R&D tax offset		(480)	-	(480)	-
Under provision in respect of prior years		(10)	316	(23)	(31)
		<u>8,916</u>	<u>2,357</u>	<u>2,341</u>	<u>(999)</u>
(b) The prima facie tax on profit from ordinary activities before tax as follows					
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2008: 30%)					
— consolidated group		8,966	2,929	-	-
— parent entity		-	-	5,852	(1,160)
Add:					
Tax effect of:					
— Other non-allowable items		162	46	39	994
— Share options expensed during year		343	475	343	475
— Tax losses deducted		(47)	(705)	-	(705)
— Deferred tax previously unrecognised		(41)	(837)	-	(1,003)
— Non-deductible interest on deferred payments		763	563	665	409
— R & D Offset		(480)	(9)	(480)	(9)
— Consolidation adjustment		-	39	-	-
— JPDA income		10	(57)	-	-
— Differences due to foreign tax rates		(446)	(87)	-	-
— Interest rate swap expense		144	-	144	-
— Tax losses not recognised		715	-	-	-
		<u>10,089</u>	<u>2,357</u>	<u>6,563</u>	<u>(999)</u>
Less:					
Tax effect of:					
— Non-assessable income		1,073	-	-	-
— 30% Investment allowance		75	-	12	-
— Overprovision of prior year income tax		25	-	(9)	-
— Foreign exchange gains / losses		-	-	4,219	-
Income tax attributable to entity		<u>8,916</u>	<u>2,357</u>	<u>2,341</u>	<u>(999)</u>
The applicable weighted average effective tax rates are as follows:		30%	24%	12%	26%

(c) Tax Consolidation Legislation

Neptune Marine Services Limited has not implemented the tax consolidation legislation as of 30 June 2009.

	Consolidated Group		Parent Entity	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
(d) Amounts charged or credited directly to equity				
Deferred income tax on capital raising costs	<u>211</u>	<u>400</u>	<u>211</u>	<u>400</u>

(e) Tax Rates

The tax rates used in the tax reconciliation is the Corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the Corporate tax rate compared to prior years.

	Consolidated Group		Parent Entity	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
(f) Tax losses				
Unused tax losses for which no deferred tax asset has been recognised	<u>2,384</u>	<u>-</u>	<u>-</u>	<u>-</u>
Potential tax benefit at 17%	<u>405</u>	<u>-</u>	<u>-</u>	<u>-</u>

All unused tax losses were incurred by Singapore entities. The corporate tax rate in Singapore is 17%.

NEPTUNE MARINE SERVICES LIMITED ABN: 76 105 665 843 AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Note 5 Director and Key Management Personnel Compensation

(a) Names and positions held of the group and parent entity key management personnel in office at any time during the financial year are:

Directors	Position
Mr Christian Lange	Chief Executive Officer and Managing Director
Mr Ross Kennan	Non Executive Director
Ms Cathryn Curtin	Non Executive Director (resigned 2nd January 2009)
Mr David Agostini	Non Executive Director
Mr Robert Scott	Non Executive Director
Mr Geoff Newman	Non Executive Director (appointed 16th October 2008)
Key Management Personnel	
Mr Geoffrey Edwards	Chief Financial Officer
Mr David Husband	Group Vice President - Engineering
Mr Mark Lindsay	Group Vice President - Offshore
Mr Russell Collins	Pipeline Business Manager

(b) Refer to Remuneration Report contained in the Directors' Report for details of remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2009.

	Consolidated Group		Parent Entity	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Short term employee benefits	3,615	3,269	3,615	2,937
Post employment benefits	202	665	202	665
Other long-term benefits	-	-	-	-
Share based payments	601	1,296	601	1,214
	4,418	5,230	4,418	4,816

(c) **Options Holdings**
Number of options held by key management personnel

	Balance 1 July 2008	Granted as Compensation	Options Exercised	Net Change Other	Balance 30 June 2009	Total Vested 30 June 2009	Total	
							Exercisable 30 June 2009	Unexercisable 30 June 2009
2009								
Mr Christian Lange	4,000,000	3,000,000	-	-	7,000,000	4,000,000	4,000,000	3,000,000
Mr David Agostini	200,000	-	-	-	200,000	200,000	200,000	-
Mr Geoffrey Edwards	900,000	400,000	-	-	1,300,000	325,000	325,000	975,000
	5,100,000	3,400,000	-	-	8,500,000	4,525,000	4,525,000	3,975,000

	Balance 1 July 2007	Granted as Compensation	Options Exercised	Net Change Other	Balance 30 June 2008	Total Vested 30 June 2008	Total	
							Exercisable 30 June 2008	Unexercisable 30 June 2008
2008								
Mr Christian Lange	4,000,000	-	-	-	4,000,000	3,000,000	3,000,000	1,000,000
Mr David Agostini	200,000	-	-	-	200,000	200,000	200,000	-
Mr Geoffrey Edwards	400,000	500,000	-	-	900,000	100,000	100,000	800,000
Mr Geoffrey O'Connor	400,000	100,000	-	-	500,000	200,000	200,000	300,000
Mr Graeme Creedon	100,000	100,000	(66,000)	(134,000)	-	-	-	-
Mr Colin Murphy	-	100,000	-	-	100,000	-	-	100,000
Mr Nino Amato	400,000	-	-	-	400,000	200,000	200,000	-
Mr Mike Erinakes	400,000	-	-	-	400,000	100,000	100,000	-
	5,900,000	800,000	(66,000)	(134,000)	6,500,000	3,800,000	3,800,000	2,200,000

Note that Ross Kennan, Geoff Newman, Robert Scott, David Husband, Mark Lindsay and Russell Collins have not been granted any options.

The 'net change other' column above includes those options that have been forfeited by holders as well as options issued during the year under review. Further disclosure of options granted and exercised during the year can be found on page 9 and 10 of the Directors' Report.

NEPTUNE MARINE SERVICES LIMITED ABN: 76 105 665 843 AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

(d) **Shareholdings**

Number of Shares held by Key Management Personnel

	Balance 1 July 2008	Received as Compensation	Options Exercised	Net Change Other*	Balance 30 June 2009
2009					
Directors					
Mr Christian Lange	429,267	-	-	-	429,267
Mr Ross Kennan	118,618	71,429	-	-	190,047
Ms Cathryn Curtin	133,230	17,857	-	-	151,087
Mr David Agostini	63,691	35,715	-	35,714	135,120
Mr Robert Scott	61,178	35,714	-	-	96,892
Mr Geoff Newman	-	26,786	-	-	26,786
Key Management Personnel					
Mr Geoffrey Edwards	88,567	-	-	17,754	106,321
Mr David Husband	2,837,573	-	-	1,587,285	4,424,858
Mr Mark Lindsay	2,928,109	-	-	1,124,378	4,052,487
Mr Russell Collins	2,887,573	-	-	1,631,715	4,519,288
	9,547,806	187,501	-	4,396,846	14,132,153

	Balance 1 July 2007	Received as Compensation	Options Exercised	Net Change Other*	Balance 30 June 2008
2008					
Directors					
Mr Christian Lange	413,478	-	-	15,789	429,267
Mr Ross Kennan	-	22,355	-	96,263	118,618
Ms Cathryn Curtin	84,000	11,178	-	38,052	133,230
Mr David Agostini	47,250	11,178	-	-	58,428
Mr Robert Scott	-	11,178	-	52,513	63,691
Key Management Personnel					
Mr Geoffrey Edwards	70,067	-	-	18,500	88,567
Mr Geoffrey O'Connor	3,150	-	-	41,750	44,900
Mr Graeme Creedon	-	-	66,000	-	66,000
Mr Colin Murphy	328,125	-	-	-	328,125
Mr Timothy Proctor	3,700	-	-	68,720	72,420
Mr David Husband	2,767,573	-	-	70,000	2,837,573
Mr Russell Collins	2,767,573	-	-	120,000	2,887,573
Mr Nino Amato	402,711	-	-	119,014	521,725
Mr Mike Erinakes	6,123,438	-	-	(204,988)	5,918,450
Mr Mark Lindsay	-	-	-	2,928,109	2,928,109
Mr Anthony Kerr	-	-	-	2,930,531	2,930,531
Mr Bart van der Groen	-	-	-	2,296,422	2,296,422
Mr David McLean	-	-	-	1,199,716	1,199,716
	13,011,065	55,889	66,000	9,790,391	22,923,345

* 'Net change other' refers to shares purchased, sold or granted as part of an acquisition during the financial year.

Note 6 Auditors' Remuneration

	Consolidated Group		Parent Entity	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Remuneration of the auditor of the parent entity for:				
— auditing or reviewing the financial report	323	248	282	187
— Other services	-	-	-	-
	323	248	282	187
Remuneration of other auditors of subsidiaries for:				
— auditing or reviewing the financial report of subsidiaries	134	152	-	-

NEPTUNE MARINE SERVICES LIMITED ABN: 76 105 665 843 AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Note 7 Dividends

No dividends have been provided for or paid during the year 1 July 2008 to 30 June 2009.

Note 8 Earnings per Share

	Consolidated Group	
	2009	2008
	\$000	\$000
Basic earnings per share (cents)	6.94	3.00
Diluted earnings per share (cents)	6.85	2.95
(a) Profit / (Loss) used in the calculation of EPS	<u>20,971</u>	<u>7,407</u>
(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	No. 302,274,954	No. 246,714,736
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	306,234,246	251,256,873

Note 9 Cash and Cash Equivalents

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
Cash at bank and in hand	14,751	7,798	361	500
Deposits	9,526	10,357	9,526	10,357
	<u>24,277</u>	<u>18,155</u>	<u>9,887</u>	<u>10,857</u>
Reconciliation of Cash and Cash equivalents				
Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:				
Cash and cash equivalents	<u>24,277</u>	<u>18,155</u>	<u>9,887</u>	<u>10,857</u>

Note 10 Trade and Other Receivables

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
CURRENT				
Trade receivables	34,542	18,189	4,324	5,287
Provision for impairment of receivables	-	-	-	-
	<u>34,542</u>	<u>18,189</u>	<u>4,324</u>	<u>5,287</u>
Other receivables	3,839	1,695	146	1,563
Amounts receivable from:				
— wholly-owned subsidiaries	-	-	209	-
Less: Provision for doubtful amounts - other receivables	(26)	-	(26)	-
	<u>38,355</u>	<u>19,884</u>	<u>4,653</u>	<u>6,850</u>
NON-CURRENT				
Amounts receivable from:				
— wholly-owned entities	-	-	71,002	76,080
Security deposit	998	1,473	548	548
	<u>998</u>	<u>1,473</u>	<u>71,550</u>	<u>76,628</u>

Note 11 Inventories

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
CURRENT				
At cost				
Work in progress	4,012	3,292	594	101
Finished goods	590	18	-	-
	<u>4,602</u>	<u>3,310</u>	<u>594</u>	<u>101</u>

NEPTUNE MARINE SERVICES LIMITED ABN: 76 105 665 843 AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Note 12 Financial Assets

	Note	Consolidated Group		Parent Entity	
		2009	2008	2009	2008
		\$000	\$000	\$000	\$000
NON CURRENT					
Investment in controlled entities - at cost	(a)	-	-	147,333	58,557
Less: provision for diminution in value		-	-	(7)	(7)
		-	-	147,326	58,550
		Consolidated Group		Parent Entity	
		2009	2008	2009	2008
		\$000	\$000	\$000	\$000
(a) Investments in controlled entities					
(ii) Unlisted					
Investment at cost - Neptune Marine Europe ApS		-	-	29	29
Less: provision for diminution in value - Neptune Marine Europe ApS		-	-	(7)	(7)
Investment at cost - Neptune Diving Services Pty Ltd*		-	-	7,884	7,822
Investment at cost - Other		-	-	3	82
Investment at cost - Neptune Marine Services International		-	-	9,535	9,535
Investment at cost - Neptune Geomatics Limited		-	-	34,462	32,509
Investment at cost - Sea-Struct Pty Ltd		-	-	10,290	8,580
Investment at cost - Neptune Access IRM Limited		-	-	9,401	-
Investment at cost - Neptune Asia Holdings Pte Ltd		-	-	75,729	-
		-	-	147,326	58,550

* Allied Diving Services Pty Ltd and Territory Diving Services Pty Ltd were merged during the year ended 30 June 2009 to form Neptune Diving Services Pty Ltd.

Note 13 Controlled Entities

(a) **Controlled Entities Consolidated**

Parent Entity:	Country of Incorporation	Percentage Owned (%)*	
		2009	2008
Neptune Marine Services Limited	Australia		
Ultimate Parent Entity:			
Neptune Marine Services Limited	Australia		
Subsidiaries of Neptune Marine Services Limited:			
Neptune Diving Services Pty Ltd **	Australia	100.00%	100.00%
Neptune Marine Services International Pty Ltd	Australia	100.00%	100.00%
Linkweld Engineering Pty Ltd	Australia	100.00%	100.00%
Subsea Developments (Australasia) Pty Ltd	Australia	100.00%	100.00%
US Underwater Services LLC	United States of America	100.00%	100.00%
Neptune Delaware Holdings Inc	United States of America	100.00%	100.00%
US Underwater Management LLC	United States of America	100.00%	100.00%
US Underwater Services LP	United States of America	100.00%	100.00%
Neptune Marine Europe (Aps)	Denmark	100.00%	100.00%
Tri-Surv Pty Ltd (trading as Neptune Geomatics Limited)	Australia	100.00%	100.00%
Tri-Surv Deepwater Pty Ltd	Australia	100.00%	100.00%
Sea-Struct Pty Ltd	Australia	100.00%	100.00%
Neptune Scotland Holdings Ltd	United Kingdom	100.00%	100.00%
Neptune Deeptech Initiatives Ltd	United Kingdom	100.00%	100.00%
Neptune Deeptech Symons Ltd	United Kingdom	100.00%	100.00%
Neptune Asia Holdings Pte Ltd	Singapore	100.00%	100.00%
Neptune Marine Pacific Pte Ltd	Singapore	100.00%	100.00%
Sea-Struct International Pte Ltd	Singapore	100.00%	100.00%
PT Sea-Struct Indonesia	Indonesia	100.00%	100.00%
Access Management Pty Ltd (trading as Neptune Access IRM Limited)	Australia	100.00%	0.00%
Access Management Pte Ltd (trading as Neptune Access IRM Pte Ltd)	Singapore	100.00%	0.00%
Neptune Marine Offshore Pte Ltd	Singapore	100.00%	0.00%
Neptune Subsea Engineering Ltd	United Kingdom	100.00%	0.00%

* Percentage of voting power is in proportion to ownership

** Allied Diving Services Pty Ltd and Territory Diving Services Pty Ltd were merged during the year ended 30 June 2009 to form Neptune Diving Services Pty Ltd.

(b) **Acquisition of Controlled Entities**

Details of the acquisitions of controlled entities during the year ended 30 June 2009 can be found at Note 32 'Business Combinations'.

NEPTUNE MARINE SERVICES LIMITED ABN: 76 105 665 843 AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Note 14 Property, Plant and Equipment

	Consolidated Group		Parent Entity	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
PLANT AND EQUIPMENT				
Plant and equipment:				
At cost	15,865	12,085	624	457
Accumulated depreciation	(5,746)	(3,420)	(213)	(113)
	<u>10,119</u>	<u>8,665</u>	<u>411</u>	<u>344</u>
Leasehold improvements				
At cost	1,088	412	775	320
Accumulated depreciation	(283)	(104)	(171)	(69)
Total Leasehold Improvements	<u>805</u>	<u>308</u>	<u>604</u>	<u>251</u>
Leased vehicle				
At cost	1,478	1,087	34	33
Accumulated depreciation	(546)	(303)	(21)	(18)
	<u>932</u>	<u>784</u>	<u>13</u>	<u>15</u>
Office furniture and equipment				
At cost	3,020	2,116	714	540
Accumulated depreciation	(1,446)	(967)	(260)	(149)
	<u>1,574</u>	<u>1,149</u>	<u>454</u>	<u>391</u>
Remote Operating Vehicles				
At cost	9,070	3,624	-	3,624
Accumulated depreciation	(519)	-	-	-
	<u>8,551</u>	<u>3,624</u>	<u>-</u>	<u>3,624</u>
Vessels				
At cost	50,651	8,537	-	1,135
Accumulated depreciation	(3,373)	-	-	-
	<u>47,278</u>	<u>8,537</u>	<u>-</u>	<u>1,135</u>
Construction in Progress				
At cost	18	-	-	-
Total plant and equipment	<u>69,277</u>	<u>23,067</u>	<u>1,482</u>	<u>5,760</u>
Total Property, Plant and Equipment	<u>69,277</u>	<u>23,067</u>	<u>1,482</u>	<u>5,760</u>

(a) Movements in Carrying Amounts

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

	Office Furniture and Equipment \$000	Leasehold Improvements \$000	Plant and Equipment \$000	Leased Vehicle \$000	ROV's and Vessel \$000	Construction in Progress \$000	Total \$000
Consolidated Group:							
Balance at 1 July 2007	607	126	2,530	823	-	-	4,086
Additions	612	265	3,383	110	12,161	-	16,531
Disposals	(11)	-	(61)	(208)	-	-	(280)
Additions through acquisition of entities	162	-	4,109	290	-	-	4,561
Depreciation expense	(207)	(82)	(1,051)	(194)	-	-	(1,534)
Foreign exchange	(14)	(1)	(245)	(37)	-	-	(297)
Balance at 30 June 2008	<u>1,149</u>	<u>308</u>	<u>8,665</u>	<u>784</u>	<u>12,161</u>	<u>-</u>	<u>23,067</u>
Additions	539	659	3,045	311	44,515	130	49,199
Disposals	(43)	-	(65)	(121)	-	(92)	(321)
Transfers	-	-	(23)	23	-	-	-
Additions through acquisition of entities	689	-	-	80	-	-	769
Depreciation expense	(393)	(181)	(2,142)	(235)	(4,300)	-	(7,251)
Foreign exchange	(367)	19	639	90	3,453	(20)	3,814
Balance at 30 June 2009	<u>1,574</u>	<u>805</u>	<u>10,119</u>	<u>932</u>	<u>55,829</u>	<u>18</u>	<u>69,277</u>
Parent Entity:							
Balance at 1 July 2007	377	46	83	19	-	-	525
Additions	113	246	307	-	4,759	-	5,425
Disposals	(4)	-	-	-	-	-	(4)
Depreciation expense	(95)	(41)	(46)	(4)	-	-	(186)
Balance at 30 June 2008	<u>391</u>	<u>251</u>	<u>344</u>	<u>15</u>	<u>4,759</u>	<u>-</u>	<u>5,760</u>
Additions	174	455	168	-	-	-	797
Disposals	-	-	-	-	-	-	-
Transfers	-	-	-	-	(4,759)	-	(4,759)
Depreciation expense	(111)	(102)	(100)	(3)	-	-	(316)
Balance at 30 June 2009	<u>454</u>	<u>604</u>	<u>412</u>	<u>12</u>	<u>-</u>	<u>-</u>	<u>1,482</u>

NEPTUNE MARINE SERVICES LIMITED ABN: 76 105 665 843 AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Note 15 Intangible Assets

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
Goodwill				
Cost	140,770	117,903	-	-
Accumulated operational increase in earn outs	10,777	7,098	-	-
Accumulated reduction in deferred payments	(1,670)	(922)	-	-
Accumulated foreign exchange differences	(715)	(5,848)	-	-
Accumulated impairment losses	(4,895)	(4,895)	-	-
Net carrying value	<u>144,267</u>	<u>113,336</u>	-	-
Development costs				
Cost	1,633	1,440	1,633	1,440
Accumulated amortisation and impairment	(90)	-	(90)	-
Net carrying value	<u>1,543</u>	<u>1,440</u>	<u>1,543</u>	<u>1,440</u>
Total intangibles	<u>145,810</u>	<u>114,776</u>	<u>1,543</u>	<u>1,440</u>
Movements				
	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
Goodwill				
Balance at 1 July 2008	113,336	44,482	-	-
Acquisitions	22,867	66,883	-	-
Operational Increase in earn outs	3,679	7,098	-	-
Reduction in deferred payments	(747)	-	-	-
Foreign exchange differences	5,132	(5,127)	-	-
Impairment	-	-	-	-
Balance at 30 June 2009	<u>144,267</u>	<u>113,336</u>	-	-
Development costs				
Balance at 1 July 2008	1,440	-	1,440	-
Acquisitions	193	1,440	193	1,440
Amortisation	(90)	-	(90)	-
Balance at 30 June 2009	<u>1,543</u>	<u>1,440</u>	<u>1,543</u>	<u>1,440</u>
Total Intangible Assets	<u>145,810</u>	<u>114,776</u>	<u>1,543</u>	<u>1,440</u>

Intangible assets, other than goodwill have finite useful lives. The current amortisation charges in respect of intangible assets is disclosed under Note 3. Goodwill has an infinite life and is tested annually for impairment.

The recoverable amount of each Cash Generating Unit (CGU) is determined based on a value-in-use calculation. These calculations use cash flow projections based on financial budgets approved by the Board covering a one year period. Cash flows beyond the one year period are extrapolated using a 5% growth rate per year over 10 years. Pre-tax discount rates of 11.09% have been used which incorporate associated risks over the period of time. The discount rate includes the risk-free yield of 10 year government bonds (5.52%) at beginning of the budget period.

Management determined budgeted earnings before interest, tax, depreciation and amortisation (EBITDA) based on past performance and its expectations of the future. The growth rate of 5% used is considered conservative by management compared with forecasts included in industry reports and given the strength of the Oil and Gas Industry and has been used only for the impairment reviews.

Impact of possible changes in key assumptions

Management and the Board do not consider that a change in any of its recently established key assumption criteria would materially impact the assessment of impairment for any CGU.

Assuming all other assumptions remain constant but the discount rate is increased to 14%, Goodwill would not be impaired at any of the CGU's.

Assuming all other assumptions remain constant but the growth rate drops to 2% per annum, Goodwill would not be impaired at any of the CGU's.

NEPTUNE MARINE SERVICES LIMITED ABN: 76 105 665 843 AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Note 16 Other Assets

	Consolidated Group		Parent Entity	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
CURRENT				
Prepayments	2,226	976	1,511	569
Deposits	46	38	-	-
Accrued income	11	-	-	-
Other assets	14	-	-	-
	<u>2,297</u>	<u>1,014</u>	<u>1,511</u>	<u>569</u>
NON-CURRENT				
Prepayments	<u>339</u>	<u>-</u>	<u>339</u>	<u>-</u>

Note 17 Trade and Other Payables

	Consolidated Group		Parent Entity	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
CURRENT				
Unsecured liabilities				
Trade payables	16,362	5,688	3,840	3,261
Sundry payables and accrued expenses	12,096	6,430	4,279	1,763
Deferred consideration	18,207	9,370	13,977	6,082
	<u>46,665</u>	<u>21,488</u>	<u>22,096</u>	<u>11,106</u>
NON-CURRENT				
Unsecured liabilities				
Deferred consideration	12,717	18,020	10,507	15,559
Unsecured loan owing to controlled entity	-	-	11	17
	<u>12,717</u>	<u>18,020</u>	<u>10,518</u>	<u>15,576</u>

Deferred consideration is made up of an estimate of 71% cash and 29% shares to vendors of the acquired subsidiaries based on an earn out calculation that is discounted to account for the time value of money and interest expense. The interest expense has been brought to account in the income statement, and amounts to \$2,545,000 for the year ended 30 June 2009 (2008: \$1,878,000).

Financial guarantees

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

— Performance guarantees	924	171	-	-
— Guarantees related to leases	548	548	548	548
The guarantees related to leases are secured by cash	<u>1,472</u>	<u>719</u>	<u>548</u>	<u>548</u>

Note 18 Financial Liabilities

	Note	Consolidated Group		Parent Entity	
		2009 \$000	2008 \$000	2009 \$000	2008 \$000
CURRENT					
Unsecured liabilities					
Hire purchase liability	24, 18(a)	486	318	94	85
Other	18(a)	757	370	758	371
		<u>1,243</u>	<u>688</u>	<u>852</u>	<u>456</u>
Secured liabilities					
Bank loans	18 (b), (c)	7,759	1,406	4,852	-
Debtors facility	18 (b), (c)	3,833	-	3,833	-
		<u>11,592</u>	<u>1,406</u>	<u>8,685</u>	<u>-</u>
		<u>12,835</u>	<u>2,094</u>	<u>9,537</u>	<u>456</u>
NON-CURRENT					
Unsecured liabilities					
Hire purchase liabilities	24, (a)	566	596	133	213
		<u>566</u>	<u>596</u>	<u>133</u>	<u>213</u>
Secured liabilities					
Bank loans	18 (b), (c)	23,769	2,949	23,692	-
		<u>23,769</u>	<u>2,949</u>	<u>23,692</u>	<u>-</u>
		<u>24,335</u>	<u>3,545</u>	<u>23,825</u>	<u>213</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	Note	Consolidated Group		Parent Entity	
		2009	2008	2009	2008
		\$000	\$000	\$000	\$000
(a) Total current and non-current unsecured liabilities:					
Hire purchase liability		1,052	915	227	298
Other		757	369	758	372
		<u>1,809</u>	<u>1,284</u>	<u>985</u>	<u>670</u>
(b) Total current and non-current secured liabilities:					
Bank loans	18 (d)(i), (ii), (iv)	31,528	4,355	28,544	-
Debtors facility	18 (d)(iii)	3,833	-	3,833	-
		<u>35,361</u>	<u>4,355</u>	<u>32,377</u>	<u>-</u>
(c) The bank loans are secured by charge over the assets of the parent entity and the subsidiaries.					
(d) (i) On 30 September 2008, Neptune borrowed \$25,000,000 from the National Australia Bank at the interest of bank bill rate + 1.9%. The loan was used to finance the purchase of the Nor Sea vessel. The loan is secured through registered mortgages over two vessels known as the Trident and ROV Supporter, as well as fixed and floating charges over the assets of the Neptune Companies excluding the US entities. Neptune has entered into a interest rate swap for \$17,000,000 of the debt facility at a fixed interest rate of 5.99%. The remaining portion of the loan is at floating rates. The loan is repayable by instalments of \$700,000 per quarter until 30th September 2011. The remaining portion of the loan is payable as a balloon payment at maturity. During the year the company repaid \$2,100,000 of the facility.					
(ii) On 7th January 2009, Neptune borrowed GBP 3,000,000 from the National Australia Bank at the interest of overseas currency rate + 2.5%. The loan was used to fund the purchase of Neptune Subsea Engineering Ltd, a UK based acquisition. The loan is secured through fixed and floating charges over the assets of the Neptune Companies excluding the US entities. The loan is repayable by instalments of GBP 250,000 per quarter until 31st December 2011. The remaining portion of the loan is payable at maturity. During the year the company repaid GBP 250,000 against this loan.					
(iii) On 25th September 2008, Neptune borrowed \$7,400,000 from the National Australia Bank as a debtor facility at the interest of lending indicator rate + 1.5%. The loan is repayable by 30th September 2011. During the year the company repaid \$3,600,000 towards this facility.					
(iv) The USA Subsidiary US Underwater Services has a balance on the term loan of USD 2,284,781 as at 30 June 2009 with Fifth Third Bank. The loan is secured through charges over assets of US Underwater Services. Principal payments range from USD 83,333 to USD 104,616 with a balloon payment at maturity due 1 February 2010. During the year the US Underwater Services repaid USD 1,034,789 against this loan.					

Note 19 Tax

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
Liabilities				
CURRENT				
Income Tax	6,781	3,417	2,080	35
TOTAL	<u>6,781</u>	<u>3,417</u>	<u>2,080</u>	<u>35</u>

2009	Opening	Acquisitions	Not previously	Charged to	Charged	Closing
	Balance					
Consolidated Group	\$000	\$000	\$000	\$000	\$000	\$000
Deferred Tax Assets						
Provisions	154	21	(22)	104	-	257
Accruals	201	20	(72)	1,608	-	1,757
Transaction costs on equity issue	1,184	-	-	(386)	211	1,009
Property, Plant and Equipment	91	-	(73)	-	-	18
Intangible Assets	-	-	-	27	-	27
Unused tax losses	-	-	1,487	(271)	-	1,216
Other	-	-	406	(391)	-	15
Balance as at 30 June 2009	<u>1,630</u>	<u>41</u>	<u>1,726</u>	<u>691</u>	<u>211</u>	<u>4,299</u>

2008	Opening	Acquisitions	Not previously	Charged to	Charged	Closing
	Balance					
Consolidated Group	\$000	\$000	\$000	\$000	\$000	\$000
Deferred Tax Asset						
Provisions	-	-	-	154	-	154
Accruals	-	-	-	201	-	201
Transaction costs on equity issue	-	-	-	-	1,184	1,184
Property, Plant and Equipment	-	-	-	91	-	91
Balance as at 30 June 2008	<u>-</u>	<u>-</u>	<u>-</u>	<u>446</u>	<u>1,184</u>	<u>1,630</u>

NEPTUNE MARINE SERVICES LIMITED ABN: 76 105 665 843 AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	Opening Balance \$000	Acquisitions \$000	Not previously recognised \$000	Charged to Income \$000	Charged directly to Equity \$000	Closing Balance \$000
2009						
Parent Entity						
Deferred Tax Asset						
Provisions & unrealised foreign exchange	548	-	-	(440)	-	108
Accruals	62	-	(446)	1,012	-	628
Transaction costs on equity issue	1,184	-	-	(386)	211	1,009
Property, Plant and Equipment	3	-	7	-	-	10
Intangible assets	-	-	-	27	-	27
Unused tax losses	-	-	933	(933)	-	-
Balance as at 30 June 2009	1,797	-	494	(720)	211	1,782

	Opening Balance \$000	Acquisitions \$000	Not previously recognised \$000	Charged to Income \$000	Charged directly to Equity \$000	Closing Balance \$000
2008						
Parent Entity						
Deferred Tax Asset						
Provisions & unrealised foreign exchange	-	-	-	548	-	548
Accruals	-	-	-	62	-	62
Transaction costs on equity issue	-	-	-	-	1,184	1,184
Property, Plant and Equipment	-	-	-	3	-	3
Balance as at 30 June 2008	-	-	-	613	1,184	1,797

Deferred Tax Liabilities

	Opening Balance \$000	Acquisitions \$000	Not previously recognised \$000	Charged to Income \$000	Charged directly to Equity \$000	Closing Balance \$000
2009						
Consolidated Group						
Deferred Tax Liability						
Provisions	-	-	-	5	-	5
Property, Plant and Equipment	297	9	270	99	-	675
Intangible Assets	-	-	808	675	-	1,483
Other	-	-	240	217	-	457
Balance as at 30 June 2009	297	9	1,318	996	-	2,620

	Opening Balance \$000	Acquisitions \$000	Not previously recognised \$000	Charged to Income \$000	Charged directly to Equity \$000	Closing Balance \$000
2008						
Consolidated Group						
Deferred Tax Liability						
Property, Plant and Equipment	-	-	-	297	-	297
Balance as at 30 June 2008	-	-	-	297	-	297

	Opening Balance \$000	Acquisitions \$000	Not previously recognised \$000	Charged to Income \$000	Charged directly to Equity \$000	Closing Balance \$000
2009						
Parent Entity						
Deferred Tax Liability						
Other	-	-	46	12	-	58
Balance as at 30 June 2009	-	-	46	12	-	58

	Opening Balance \$000	Acquisitions \$000	Not previously recognised \$000	Charged to Income \$000	Charged directly to Equity \$000	Closing Balance \$000
2008						
Parent Entity						
Deferred Tax Liability						
Other	-	-	-	-	-	-
Balance as at 30 June 2008	-	-	-	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Note 20 Provisions

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
CURRENT	\$000	\$000	\$000	\$000
Provision for employee entitlements	1,284	867	327	258
Other provision	604	-	200	-
Total provisions	1,888	867	527	258

Analysis of Total Provisions

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
Current	1,888	867	527	258
Non-current	-	-	-	-
Total	1,888	867	527	258

Provision for Employee Entitlements

No provision has been recognised for employee entitlements relating to long service leave. The calculations performed including probability calculations, showed that there was not a requirement to provide for long service leave in the parent entity or any of the subsidiaries.

Note 21 Derivative financial instruments

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
Current assets				
Interest rate swap	205	-	205	-
	205	-	205	-
Non-current assets				
Interest rate swap	275	-	275	-
	275	-	275	-
	480	-	480	-

Interest rate swap was not initially designated an accounting hedge at inception. Gains and losses arising from changes in fair value are recorded in the income statement.

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Note 22 Issued Capital

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
334,643,474 (2008: 292,737,786) fully paid ordinary shares	157,733	139,405	157,733	139,405
	<u>157,733</u>	<u>139,405</u>	<u>157,733</u>	<u>139,405</u>

(a) Ordinary Shares	No.	Consolidated Group		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
At the beginning of reporting period	204,964,014	139,404,964	66,011,332	139,404,964	66,011,332
Shares issued during the prior year					
— 10 July 2007 - Exercise of options	85,462	-	17,092	-	17,092
— 10 July 2007 - Exercise of options (employee)	34,000	-	20,060	-	20,060
— 25 July 2007 - Exercise of options	410,600	-	82,120	-	82,120
— 9 August 2007 - Exercise of options	53,600	-	10,720	-	10,720
— 17 August 2007 - Vendor shares - Tri Surv	7,332,188	-	6,012,394	-	6,012,394
— 30 August 2007 - Exercise of options	300,000	-	60,000	-	60,000
— 6 September 2007 - Exercise of options	230,490	-	46,098	-	46,098
— 7 September 2007 - Exercise of options	50,000	-	10,000	-	10,000
— 11 September 2007 - Exercise of options	30,075	-	6,015	-	6,015
— 18 September 2007 - Exercise of options (employee)	35,000	-	20,650	-	20,650
— 8 October 2007 - Exercise of options	100,000	-	20,000	-	20,000
— 9 October 2007 - Vendor shares - Link Weld	183,980	-	150,000	-	150,000
— 23 October 2007 - Exercise of options	108,450	-	21,690	-	21,690
— 5 November 2007 - Exercise of options	341,456	-	68,291	-	68,291
— 5 November 2007 - Exercise of options (employee)	31,000	-	18,290	-	18,290
— 21 November 2007 - Exercise of options	332,000	-	66,400	-	66,400
— 6 December 2007 - Exercise of options	191,787	-	38,357	-	38,357
— 21 December 2007 - Placement	32,100,000	-	30,495,000	-	30,495,000
— 21 December 2007 - Exercise of options	114,846	-	22,969	-	22,969
— 21 December 2007 - Exercise of options (employee)	100,000	-	50,900	-	50,900
— 31 December 2007 - Exercise of options	137,665	-	27,533	-	27,533
— 8 January 2008 - Exercise of options	109,711	-	21,942	-	21,942
— 17 January 2008 - Exercise of options	470,500	-	94,100	-	94,100
— 1 February 2008 - NED Share Plan	55,888	-	50,000	-	50,000
— 1 February 2008 - Placement	32,100,000	-	30,495,000	-	30,495,000
— 4 February 2008 - Vendor shares - TDS	68,720	-	82,210	-	82,210
— 7 February 2008 - Share Purchase Plan	1,956,997	-	1,859,227	-	1,859,227
— 1 March 2008 - Exercise of options	5,000	-	1,000	-	1,000
— 18 Mar 2008 - Exercise of options	50	-	10	-	10
— 8 April 2008 - Vendor shares - Link Weld	276,223	-	150,000	-	150,000
— 28 April 2008 - Vendor shares - Sea Struct	10,197,584	-	5,100,000	-	5,100,000
— 2 May 2008 - Exercise of options	230,500	-	46,100	-	46,100
— 23 June 2008 - Exercise of options		-	1,000	-	1,000
Less transaction costs for capital raising activities					
— Capital raising costs to June 2008 (including deferred tax)		-	(1,771,536)	-	(1,771,536)
Balance at 30 June 2008	292,737,786		139,404,964		139,404,964
Shares issued during the current year					
— 17 July 2008 - Vendor shares - Access Management	2,122,222	900,459	-	900,459	-
— 6 August 2008 - Exercise of options	5,000	1,000	-	1,000	-
— 19 August 2008 - Vendor shares - Tri Surv	2,692,914	1,370,693	-	1,370,693	-
— 6 October 2008 - Vendor shares - Link Weld	296,637	149,999	-	149,999	-
— 10 October 2008 - Exercise of options (employee)	52,500	525	-	525	-
— 12 December 2008 - Exercise of options (employee)	80,000	800	-	800	-
— 30 December 2008 - NED share plan	223,214	62,500	-	62,500	-
— 14 January 2009 - Vendor shares - Subsea Engineering Serv	6,820,532	2,086,699	-	2,086,699	-
— 24 March 2009 - Vendor shares - Territory Diving Services	391,017	109,274	-	109,274	-
— 8 April 2009 - Vendor shares - Link Weld	402,797	150,002	-	150,002	-
— 29 May 2009 - Vendor shares - Subsea Developments	2,844,570	1,126,075	-	1,126,075	-
— 12 June 2009 - Placement	24,000,000	12,000,000	-	12,000,000	-
— 12 June 2009 - Exercise of options (employee)	75,000	750	-	750	-
— 22 June 2009 - Exercise of options	56,700	11,340	-	11,340	-
— 22 June 2009 - Exercise of options (employee)	16,250	625	-	625	-
— 26 June 2009 - Vendor shares - Sea Struct	1,826,335	911,746	-	911,746	-
Less transaction costs for capital raising activities					
— Capital raising costs to June 2009 (including deferred tax)		(554,818)	-	(554,818)	-
At reporting date	<u>334,643,474</u>	<u>157,732,633</u>	<u>139,404,964</u>	<u>157,732,633</u>	<u>139,404,964</u>

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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.

(b) Options

(i) For information relating to the Neptune Marine Services Limited employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end. Refer to Note 28: Share-based Payments.

(ii) For information relating to share options issued to key management personnel during the financial year. Refer to Note 28: Share-based Payments.

(c) Capital Management

Management controls the capital of the Group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the ratios for the year ended 30 June 2009 and 30 June 2008 are as follows:

	Note	Consolidated Group		Parent Entity	
		2009 \$000	2008 \$000	2009 \$000	2008 \$000
Total borrowings	18	37,170	5,639	33,362	669
Less cash and cash equivalents	9	(24,277)	(18,155)	(9,887)	(10,857)
Net debt		12,893	(12,516)	23,475	(10,188)
Total equity		181,933	133,581	171,546	134,908
Total capital		194,826	121,065	195,021	124,720
Gearing ratio		7%	N/A	12%	N/A

Note 23 Reserves

Reserves

	Note	Consolidated Group		Parent Entity	
		2009 \$000	2008 \$000	2009 \$000	2008 \$000
Foreign currency translation reserve	1(l)	1,714	(6,196)	-	-
Option reserve		5,267	4,124	5,267	4,124
		6,981	(2,072)	5,267	4,124

Movements:

Foreign currency translation reserve

Balance at 1 July	(6,196)	(315)	-	-
Currency translation difference arising during the year	7,910	(5,881)	-	-
Balance at 30 June	1,714	(6,196)	-	-

Option reserve

Balance at 1 July	4,124	2,110	4,124	2,110
Cost of options issued to employees	1,143	2,014	1,143	2,014
Balance at 30 June	5,267	4,124	5,267	4,124

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Note 24 Capital and Leasing Commitments

	Note	Consolidated Group		Parent Entity	
		2009 \$000	2008 \$000	2009 \$000	2008 \$000
(a) Finance Lease Commitments					
Payable — minimum lease payments					
— not later than 12 months		521	329	81	86
— between 12 months and 5 years		580	609	148	215
— greater than 5 years		-	-	-	-
Minimum lease payments		1,101	938	229	301
Less future finance charges		(49)	(23)	(2)	(3)
Present value of minimum lease payments	18	1,052	915	227	298

The finance leases related to motor vehicles, a truck and the leasehold improvement of premises for Neptune Marine Services Limited and several of the subsidiaries. All finance leases will be settled within the next 5 years.

	Note	Consolidated Group		Parent Entity	
		2009 \$000	2008 \$000	2009 \$000	2008 \$000
(b) Operating Lease Commitments					
Non-cancellable operating leases contracted for but not capitalised in the financial statements					
Payable — minimum lease payments					
— not later than 12 months		2,375	1,460	682	466
— between 12 months and 5 years		6,585	4,482	2,657	1,958
— greater than 5 years		1,530	2,158	779	1,143
		10,490	8,100	4,118	3,567

All operating leases of the parent and consolidated entity relate to the leasing of premises. All leases are payable monthly.

(c) Capital Expenditure Commitments

There were no capital expenditure commitments as at 30 June 2009.

Note 25 Contingent Liabilities and Contingent Assets

The consolidated group of Neptune Marine Services at 30 June 2009 has a contingent liability in relation to the purchase of Core IRM Pte Ltd and Submersible Technology Services (Holdings) Limited ("STS") as at 30 June 2009. The purchase is contingent on due diligence. Please refer to note 29 for details.

The consolidated group of Neptune Marine Services at 30 June 2009 has a contingent liability in relation to legal proceedings brought against its group entity US Underwater Services LP, whereby some former employees have brought claims arising out of their employment. The amounts of these claims have not been ascertained and are currently being defended.

Related party guarantees provided by the parent entity

The parent entity has provided guarantees to third parties in relation to the interest bearing loan in US Underwater Services, the guarantee is secured over the assets of the consolidated group of Neptune Marine Services, to the extent of the interest bearing liability in the United States.

At 30 June 2009 the outstanding principal of the interest bearing liability was \$2,815,850.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Note 26 Segment Reporting

	Engineering		Offshore Services		Total	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000
Primary Reporting — Business Segments						
REVENUE						
External Sales	60,844	42,174	128,115	44,539	188,959	86,713
Other segments	4,169	5,753	13,736	4,901	17,905	10,654
Total sales revenue	<u>65,013</u>	<u>47,927</u>	<u>141,851</u>	<u>49,440</u>	<u>206,864</u>	<u>97,367</u>
Segment Depreciation	634	360	6,617	1,174	7,251	1,534
Finance Costs	377	1,089	4,495	1,286	4,871	2,375
Segment Profit	<u>7,037</u>	<u>7,165</u>	<u>39,413</u>	<u>11,020</u>	<u>46,450</u>	<u>18,185</u>
Non operating movement					(25,479)	(10,778)
RESULT						
Profit/(Loss)					<u>20,971</u>	<u>7,407</u>
ASSETS						
Net Additions	970	2,299	48,229	18,513	49,199	20,812
Total Segment assets	<u>78,943</u>	<u>53,006</u>	<u>211,311</u>	<u>130,303</u>	<u>290,254</u>	<u>183,309</u>
LIABILITIES						
Segment liabilities	<u>18,566</u>	<u>11,975</u>	<u>89,755</u>	<u>37,753</u>	<u>108,321</u>	<u>49,728</u>

Non-Operating Movement includes Employee Share Based Payments, Government Grants, Interest Income, Interest Expense, Income Tax Expense, Interest on Deferred Tax Payments and Head Office Expenses.

As a result of further acquisitions during the financial year, Management and the Board modified the classification of business segments to be more in line with the type of operations being performed.

Neptune Marine Services consists of the two distinct divisions, Engineering Services and Offshore Services.

The Engineering Services Division provides a range of services encompassing detailed engineering and design and specialised fabrication.

The Offshore Services Division provides a range of services encompassing commercial diving, NEPSYS dry underwater welding, rope access, offshore support vessels, remotely operated vehicles, pipeline stabilisation and geophysical survey.

Secondary Reporting — Geographical Segments

Geographical location:	Segment Revenues from External Customers		Carrying Amount of Segment Assets	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
	Australia	82,916	65,777	118,139
Asia	40,326	2,133	83,460	4,751
United States of America	35,544	11,531	37,239	2,676
United Kingdom	30,173	7,272	51,416	4,127
	<u>188,959</u>	<u>86,713</u>	<u>290,254</u>	<u>183,309</u>

Accounting Policies

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings. Segment assets and liabilities do not include deferred income taxes.

Intersegment Transfers

Segment revenues, expenses and results include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the consolidated group at an arm's length. These transfers are eliminated on consolidation.

NEPTUNE MARINE SERVICES LIMITED ABN: 76 105 665 843 AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Note 27 Cash Flow Information

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
(a) Reconciliation of Cash Flow from Operations with Profit/(Loss) after Income Tax				
Profit/(Loss) after income tax	20,971	7,407	17,167	(2,868)
Cash flows excluded from loss attributable to operating activities				
Finance costs on discounted deferred payments	2,545	1,878	2,218	1,363
Non-cash flows in profit				
Depreciation	7,251	1,534	406	186
Write-off of capitalised expenditure	61	31	-	-
Share / options expense	1,143	1,583	1,143	1,583
Shares to Directors	53	-	53	-
Foreign exchange losses	(902)	118	(14,028)	4,794
Loss on interest rate swap	480	46	480	-
Interest	-	-	(5,618)	(1,644)
Borrowing costs	956	-	956	-
Corporate overhead	-	-	(13,069)	(5,975)
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries				
(Increase)/decrease in trade and term receivables	(17,182)	(9,544)	2,208	(4,703)
(Increase)/decrease in prepayments	(1,649)	(432)	(1,282)	(188)
(Increase)/decrease in inventories	(1,292)	(1,707)	(494)	(101)
(Increase)/decrease in deferred tax assets and liabilities	(108)	-	284	-
Increase/(decrease) in trade payables and accruals	15,752	6,068	3,043	2,429
Increase/(decrease) in income taxes payable	3,252	3,365	2,045	35
Increase/(decrease) in financial liabilities	525	258	315	65
Increase/(decrease) in provisions	417	319	269	133
Increase/(decrease) in unearned revenues	3,153	-	-	-
Cash flow from operations	<u>35,426</u>	<u>10,924</u>	<u>(3,904)</u>	<u>(4,891)</u>

(b) Acquisition of Entities

Details with regard to the various components including cash paid for the two entities purchased during the year can be found at note 32 'Business Combinations'.

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
(c) Loan Facilities				
Loan facilities	8,632,438	6,173,100	7,400,000	5,134,247
Amount utilised	(3,600,000)	-	(3,600,000)	-
Unutilised facility	<u>5,032,438</u>	<u>6,173,100</u>	<u>3,800,000</u>	<u>5,134,247</u>

The major facilities are summarised as follows:

Revolving loan facility - US \$1,000,000 loan facility - As at 30 June 2009, US \$1,000,000 was available to be utilised. There is a fixed and floating charge on US assets as security if this facility is drawn down.

Debtor finance facility - Total finance facility is for \$7,400,000 - As at 30 June 2009, \$3,800,000 was available to be utilised. There is a fixed and floating charge on Australian assets as security for the portion of the facility drawn down.

Finance will be provided under all facilities provided the company and the consolidated group have not breached any borrowing requirements and the required financial ratios are met. For full details of finance facilities refer to Note 18 (d).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Note 28 Share-based Payments

The following share-based payment arrangements existed at 30 June 2009:

Incentive Option Scheme

The Company operates an ownership-based incentive scheme known as the Neptune Marine Services Limited Incentive Option Scheme ("Scheme"), which was approved by shareholders at a general meeting held on 25 November 2005.

The Scheme provides for employees, directors and others involved in the management of the Company to be offered options for no consideration. Each option is convertible to one ordinary share. The Board may determine the exercise price of the options in its absolute discretion. Subject to the ASX Listing Rules, the exercise price may be nil but to the extent the Listing Rules specify or require a minimum price, the exercise price in respect of an offer made must not be less than any minimum price specified in the Listing Rules. Options issued under the Scheme that have not lapsed may be exercised at any time up to the date which is 5 years after the date of the grant of the options, or such other expiry date as the Board determines in its discretion at the time of grant. There are no voting or dividend rights attached to the options.

Options may not be offered under the Scheme if the total number of shares which would be issued where each option accepted, together with the number of shares in the same class or options to acquire such shares issued pursuant to all employee or executive share schemes during the previous five years, exceeds 5% of the total number of issued shares in that class as at the date of the offer.

All options granted to key management personnel are ordinary shares in Neptune Marine Services Limited which confer a right of one ordinary share for every option held.

The number and weighted average exercise price (WAEP) of options is as follows:

	Consolidated Group				Parent Entity			
	2009		2008		2009		2008	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price
Outstanding at the beginning of the year	9,345,000	0.62	5,900,000	0.62	9,345,000	0.62	5,900,000	0.62
Granted	8,765,000	0.42	3,611,000	0.57	8,765,000	0.42	3,611,000	0.57
Forfeited	(100,000)	0.82	(100,000)	0.84	(100,000)	0.82	(100,000)	0.84
Exercised	(223,750)	0.01	(66,000)	0.59	(223,750)	0.01	(66,000)	0.59
Outstanding at year-end	17,786,250	0.52	9,345,000	0.62	17,786,250	0.52	9,345,000	0.62
Exercisable at year-end	7,332,052	0.69	3,800,000	0.61	7,332,052	0.69	3,800,000	0.69

The opening balance at 1 July 2008 has been corrected to reflect holdings as at that date.

There were 223,750 options exercised under the incentive option scheme during the year ended 30 June 2009.

The options outstanding at 30 June 2009 had a weighted average exercise price of \$0.52 and a weighted average remaining contractual life of 4.5 years. Exercise prices range from \$0.28 to \$1.23 in respect of options outstanding at 30 June 2009.

The weighted average fair value per option granted during the year was \$0.12.

During the year options issued were calculated by using a Binomial option pricing model applying the following inputs:

	Mr C Lange	Other Options
Weighted average exercise price	\$0.28	\$0.50
Weighted average life of the option	4.4 years	4.0 years
Underlying share price	\$0.28	\$0.32
Expected share price volatility	50%	51%
Risk free interest rate	5.25%	5.70%

Historical volatility has been the basis for determining expected share price volatility as it assumed that this is indicative of future trends which may not eventuate.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

Included under employee benefits expense in the income statement is \$1,142,922. This relates in full, to equity-settled share-based payment transactions.

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Note 29 **Events After the Balance Sheet Date**

— Neptune Marine Services Limited has signed a Letter Of Intent (LOI) for the acquisition of Singapore based Core IRM Pte Ltd ("Core IRM"), a major provider of inspection, repair & maintenance (IRM) services to the oil & gas and petrochemical industries.

Under the terms of the agreement, Neptune proposes to acquire the entire issued capital for SGD\$13 million (AUD\$11.35 million*) with the added consideration of a SGD\$1 million (AUD\$872,000*) conditional payment that will be based on Core IRM's EBIT performance for the 12 month period to 31 December 2009. The acquisition will be funded 90% by way of equity funds raised via the share placement that was announced on 5 June, 2009, and 10% via the issue of Neptune's ordinary shares to the vendor. The acquisition is subject to the completion of satisfactory due diligence and contractual documentation.

* Foreign exchange rate of \$1.1460 as at 15 July 2009 for AUD\$: SGD\$ equivalent.

— Neptune Marine Services Limited closed an oversubscribed Share Purchase Plan on 22 July 2009. Applications were received for approximately \$26.49 million or 52.99 million shares. As announced on 5 June 2009, the SPP was to be capped at \$10 million, with the flexibility to accept oversubscriptions. In accordance with the terms of the SPP, the shares applied for in each application were scaled back on a pro-rata basis by 50% regardless of the amount applied for. Accordingly, \$13.33 million was refunded back to the investors.

— Neptune Marine Services Limited held its Extraordinary General Meeting on 13 July 2009 wherein shareholders voted overwhelmingly in favour of the tranche 2 placement of 56.0 million shares to institutional and sophisticated investors as part of its A\$40 million capital raising announced on 5 June, 2009. Capital raised via the placement would be used to fund Neptune's ongoing growth and development and will focus on corporate acquisitions, new asset acquisitions and continued organic growth of Neptune's existing operations.

— Neptune Marine Services Limited has signed a Letter Of Intent (LOI) for the acquisition of Aberdeen based Submersible Technology Services (Holdings) Limited ("STS"), a leading provider of remotely operated vehicle ("ROV") and survey support services to the offshore oil and gas industry.

Under the terms of the agreement, Neptune proposes to acquire the entire issued capital of STS for GBP 16 million (AUD \$31.39 million*) (plus an adjustment for STS working capital less debt at completion of the acquisition) with added conditional consideration based on STS's EBITDA performance for the calendar year 2009. The acquisition will be funded 91-95% by a cash payment, with the balance via the issue of Neptune's ordinary shares to a portion of the vendors who are part of the STS management team. The acquisition is subject to the completion of satisfactory due diligence and contractual documentation.

* Foreign exchange rate of \$0.5098 for AUD\$: GBP equivalent.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Note 30 Related Party Transactions

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.				
(a) Associated Companies				
Allied Diving Services a subsidiary of Neptune Marine Services Ltd, currently leases premises from Peter Sare and Colin Murphy (through a related superannuation fund). Colin is an employee of the Neptune Marine Services group. The leasing of this premise ceased during the year.	10	43	-	-
US Underwater Services a subsidiary of Neptune Marine Services Ltd, currently leases premises from Michael and Angie Erinakes and their associated entities. Michael and Angie were both employees of the Neptune Marine Services group and no longer work for Neptune Marine Services Group effective October 27, 2008.	87	201	-	-
Access Management a subsidiary of Neptune Marine Services Ltd, currently leases premises from Moira McCarthy (through a related superannuation fund). Moira was a related party of Steve McCarthy, an employee of the Neptune Marine Services group.	96	-	-	-
Sea-Struct a subsidiary of Neptune Marine Services Ltd, leased premises from Tuahanas Pty Ltd, a trustee for the David Maclean Family Trust since 17 April 2008. David Maclean is an employee of the Neptune Marine Services group.	75	19	-	-
Sales to Subsidiaries	-	-	7,347	729
Purchases from Subsidiaries	-	-	3,000	2,329
Management fees charged by Neptune Marine Services	-	-	13,069	5,975

Sales to and purchases from related parties are made in arm's length transactions and at normal market prices.

Loans to Subsidiaries:

Beginning of the Year	-	-	76,080	31,563
Loans advanced / (repaid)	-	-	(5,078)	44,517
End of Year	-	-	<u>71,002</u>	<u>76,080</u>
Interest charged to Subsidiaries			5,618	1,589

Loans to the subsidiaries are comprised of:

— Intercompany loans from the Parent to Subsidiaries for Working Capital requirements that are not interest bearing.

— Equity loans from the Parent to Subsidiaries to fund the acquisitions of businesses that are interest bearing and incur an interest charge quarterly based on equivalent market rates at that time. At 30 June 2009 the interest rate charged was 9%.

Note 31 Financial Risk Management

(a) Financial Risk Management

The group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries, hire purchases, leases, bank finance facilities, and derivatives.

The main purpose of non-derivative financial instruments is to raise finance for group operations. Derivatives are used by the group for hedging purposes. Such instruments include forward exchange and currency option contracts and interest rate swap agreements. The group does not speculate in the trading of derivative instruments.

Risk management is carried out by the Group Finance Department under policies approved by the Board of Directors. Group Finance identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, and investment and excess liquidity.

NEPTUNE MARINE SERVICES LIMITED ABN: 76 105 665 843 AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

The Group and the Company hold the following financial instruments:

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$000	\$000	\$000	\$000
Financial Assets				
Cash and cash equivalents	24,277	18,155	9,887	10,857
Trade and other receivables	39,353	21,357	76,203	83,478
Total	63,630	39,512	86,090	94,335
Financial Liabilities				
Trade and other payables	59,382	39,508	32,614	26,682
Derivative financial instruments	480	-	480	-
Other financial liabilities	37,170	5,639	33,362	669
Total	97,032	45,147	66,456	27,351

(i) **Financial Risks**

The main risks the group is exposed to through its financial instruments are interest rate risk, foreign currency risk, and credit risk.

Interest rate risk

Cash and cash equivalents'

The Group held its cash reserves on deposit and in cheque accounts during the year, which earned interest at rates ranging between 0% and 7.20% (2008: 0% and 6.00%) depending on account balances.

Other than cash and intercompany equity loans, all the Group's financial assets are non-interest bearing.

Interest bearing liabilities

Interest bearing liabilities are comprised of hire purchase agreements of \$1,052,000, bank loans of \$35,361,000 and other finance arrangements of \$757,000. Refer note 18 for details.

Other than the hire purchase agreements, bank loans and other finance arrangements, all the Group's financial liabilities are non-interest bearing.

The following sets out the Group's exposure to interest rate risk, including the effective average interest rate by maturity periods.

Consolidated

30 June 2009

	Average interest rate	Consolidated		Total '000
		1 year or less '000	2-5 years '000	
Financial Assets				
Cash and cash equivalents		24,277	-	24,277
Financial liabilities				
Hire Purchase agreements	9.32%	(486)	(566)	(1,052)
Bank Loans	5.09%	(7,759)	(23,769)	(31,528)
Debtors Facility	4.75%	(3,833)	-	(3,833)
Other finance arrangements *	1.95%	(757)	-	(757)
Derivative financial instruments	5.99%	(205)	(275)	(480)
		<u>11,237</u>	<u>(24,610)</u>	<u>(13,373)</u>

* Other finance arrangements includes insurance funding arrangements

30 June 2008

	Average interest rate	Consolidated		Total '000
		1 year or less '000	2-5 years '000	
Financial Assets				
Cash and cash equivalents		18,155	-	18,155
Financial liabilities				
Hire Purchase agreements	8.93%	(318)	(596)	(914)
Bank Loans	5.50%	(1,406)	(2,949)	(4,355)
Other finance arrangements *	7.73%	(370)	-	(370)
		<u>16,061</u>	<u>(3,545)</u>	<u>12,516</u>

* Other finance arrangements includes insurance funding arrangements

NEPTUNE MARINE SERVICES LIMITED ABN: 76 105 665 843 AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Parent Entity

30 June 2009

	Average interest rate	Parent Entity		Total '000
		1 year or less '000	2-5 years '000	
Financial Assets				
Cash and cash equivalents		9,887	-	9,887
Financial liabilities				
Hire Purchase agreements	10.43%	(94)	(133)	(227)
Bank Loans	5.26%	(4,853)	(23,692)	(28,545)
Debtors Facility	4.75%	(3,833)	-	(3,833)
Other finance arrangements *	1.95%	(757)	-	(757)
Derivative financial instruments	5.99%	(205)	(275)	(480)
		<u>145</u>	<u>(24,100)</u>	<u>(23,955)</u>

30 June 2008

	Average interest rate	Parent Entity		Total '000
		1 year or less '000	2-5 years '000	
Financial Assets				
Cash and cash equivalents		10,857	-	10,857
Financial liabilities				
Hire Purchase agreements	10.37%	(85)	(213)	(298)
Bank Loans	-	-	-	-
Other finance arrangements *	7.73%	(370)	-	(370)
		<u>10,402</u>	<u>(213)</u>	<u>10,189</u>

Group Sensitivity

As at 30 June 2009, if interest rates had changed by +/- 100 basis points from the year end rates with all other variables held constant, post-tax profit for the year would have been \$48,000 higher/lower. This would be a result of higher/lower interest revenue on deposits and higher/lower interest expense on borrowings.

Parent Sensitivity

As at 30 June 2009, if interest rates had changed by +/- 100 basis points from the year end rates with all other variables held constant, post-tax profit for the year of the parent entity would have been \$13,000 higher/lower. This would be a result of higher/lower interest revenue on deposits and higher/lower interest expense on borrowings.

Foreign currency risk

The consolidated entity is exposed to foreign currency on sales, purchases, investments, intercompany loans and other borrowings that are denominated in a currency other than the functional currency. The currencies giving rise to this risk are primarily US Dollars and GB Pounds.

The group enters into forward exchange contracts to meet some foreign currency commitments. With regard to other foreign currency transactions, generally there is no need to hedge currencies as there is a corresponding asset or liability which will offset any foreign currency risk. At 30 June 2009 there were no forward exchange contracts in place.

Group Sensitivity

As at 30 June 2009, the post-tax profit of the consolidated entity would change by the following amounts as a result of movements in different exchange rates:

- if the AUD had strengthened/weakened by 10% against the GBP, post-tax profit for the year would have been \$395,115 higher/lower
- If the AUD had strengthened/weakened by 10% against the USD, post-tax profit for the year would have been \$40,354 lower/higher
- If the USD had strengthened/weakened by 10% against the SGD, post-tax profit for the year would have been \$104,683 higher/lower
- If the USD had strengthened/weakened by 10% against the NZD, post-tax profit for the year would have been \$118,351 lower/higher
- If the USD had strengthened/weakened by 10% against the IDR, post-tax profit for the year would have been \$35,449 lower/higher

Parent Sensitivity

As at 30 June 2009, the post-tax profit of the parent entity would change by the following amounts as a result of movements in different exchange rates:

- If the AUD had strengthened/weakened by 10% against the GBP, post-tax profit for the year would have been \$2,174,564 lower/higher
- If the AUD had strengthened/weakened by 10% against the USD, post-tax profit for the year would have been \$1,199,756 lower/higher

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. Certain businesses within the consolidated entity are largely reliant on a small number of customers which increases the concentration of credit risk. However, as the consolidated entity deals mainly with large reputable clients, the concentration of credit risk is minimised. Management does not expect any losses as a result of counterparty default.

Credit risk is managed through the credit approval process instigated by management at head office and by monitoring counterparties periodically.

At reporting date, there was no significant concentration of credit risk at group level. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivatives in the balance sheet.

The breakdown of debtors by currency and ageing is included below (balances are in foreign denominated currency):

Individual Currency	Consolidated			Total '000
	Current '000	Past due but not impaired '000	Past due and impaired '000	
United States Dollars	5,397	3,000	-	8,397
Australian Dollars	10,341	2,657	-	12,998
Great British Pounds	4,932	367	-	5,299
Singapore Dollars	19	-	-	19
New Zealand Dollars	377	-	-	377

Australian Dollar Equivalent	Consolidated			Total '000
	Current '000	Past due but not impaired '000	Past due and impaired '000	
United States Dollars	6,650	3,698	-	10,348
Australian Dollars	10,341	2,657	-	12,998
Great British Pounds	10,123	753	-	10,876
Singapore Dollars	16	-	-	16
New Zealand Dollars	304	-	-	304
	27,434	7,108	-	34,542

Parent Entity	Parent Entity			Total \$000
	Current \$000	Past due but not impaired \$000	Past due and impaired \$000	
Australian Dollars	3,003	1,321	-	4,324
	3,003	1,321	-	4,324

The group trades only with recognised, credit worthy parties. To date sales made to these parties have not resulted in the group being exposed to any bad debts.

Liquidity risk

Liquidity risk is the inability to access funds, both anticipated and unforeseen, which may lead to the Group being unable to meet its obligations in an orderly manner as they arise.

The Group's liquidity position is managed to ensure sufficient funds are available to meet financial commitments in a timely and cost-effective manner. The Group is primarily funded through on-going cash flow, debt funding and equity capital raisings, as and when required.

Management regularly monitors actual and forecast cash flows to manage liquidity risk.

(b) Financial Instruments

Interest rate swaps

Interest rate swap transactions entered into by the consolidated group to exchange variable interest payment obligations to protect long-term borrowings from the risk of increasing interest rates. The consolidated group has variable interest rate debt and enters into swap contracts to pay interest at fixed rates.

The settlement dates of the swap contracts correspond with interest payment dates of the borrowings. The swap contracts require settlement of the net interest payable and are brought to account as an adjustment to borrowing costs.

At balance date, the details of interest rate swap contracts are:

	Effective Average Interest Rate Payable		Notional Principal	
	2009	2008	2009	2008
	%	%	\$000	\$000
Less than 1 year	5.99%	5.50%	2,800	1,406
1 to 2 years	5.99%	5.50%	2,800	1,406
2 to 5 years	5.99%	5.50%	10,000	1,543
			15,600	4,355

NEPTUNE MARINE SERVICES LIMITED ABN: 76 105 665 843 AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Financial instrument composition and maturity analysis

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the balance sheet.

Consolidated	Average Effective Interest Rate		Floating Interest Rate Maturing				Fixed Interest Rate Maturing																																																																																																	
			Within Year		1 to 5 years		Within Year																																																																																																	
			\$000		\$000		\$000																																																																																																	
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Cash and cash equivalents	-	-	24,277	18,155	-	-	-	-																																																																																																
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Bank loans and overdrafts	5.09%	5.50%	2,800	-	20,100	-	4,960	1,406																																																																																																
Debtors facility	4.75%	-	3,833	-	-	-	-	-																																																																																																
Trade and sundry payables	-	-	-	-	-	-	-	-																																																																																																
Lease liabilities and other	9.32%	8.93%	-	-	-	-	1,243	688																																																																																																
Derivatives	5.99%	-	-	-	-	-	205	-																																																																																																
Total Financial			6,633	-	20,100	-	6,408	2,094																																																																																																
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="3"></th> <th colspan="2">Fixed Interest Rate Maturing</th> <th colspan="2">Non-interest Bearing</th> <th colspan="2">Total</th> </tr> <tr> <th colspan="2">1 to 5 years</th> <th colspan="2"></th> <th colspan="2">\$000</th> </tr> <tr> <th>2009</th> <th>2008</th> <th>2009</th> <th>2008</th> <th>2009</th> <th>2008</th> </tr> </thead> <tbody> <tr> <td>Financial Assets:</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Cash and cash equivalents</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>24,277</td> <td>18,155</td> </tr> <tr> <td>Receivables</td> <td>-</td> <td>-</td> <td>39,353</td> <td>21,357</td> <td>39,353</td> <td>21,357</td> </tr> <tr> <td>Total Financial Assets</td> <td>-</td> <td>-</td> <td>39,353</td> <td>21,357</td> <td>63,630</td> <td>39,512</td> </tr> <tr> <td>Financial Liabilities:</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Bank loans and overdrafts</td> <td>3,668</td> <td>2,949</td> <td>-</td> <td>-</td> <td>31,528</td> <td>4,355</td> </tr> <tr> <td>Debtors facility</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>3,833</td> <td>-</td> </tr> <tr> <td>Trade and sundry payables</td> <td>-</td> <td>-</td> <td>59,382</td> <td>39,508</td> <td>59,382</td> <td>39,508</td> </tr> <tr> <td>Lease liabilities and other</td> <td>566</td> <td>596</td> <td>-</td> <td>-</td> <td>1,809</td> <td>1,284</td> </tr> <tr> <td>Derivatives</td> <td>275</td> <td>-</td> <td>-</td> <td>-</td> <td>480</td> <td>-</td> </tr> <tr> <td>Total Financial Liabilities</td> <td>4,509</td> <td>3,545</td> <td>59,382</td> <td>39,508</td> <td>97,032</td> <td>45,147</td> </tr> </tbody> </table>										Fixed Interest Rate Maturing		Non-interest Bearing		Total		1 to 5 years				\$000		2009	2008	2009	2008	2009	2008	Financial Assets:							Cash and cash equivalents	-	-	-	-	24,277	18,155	Receivables	-	-	39,353	21,357	39,353	21,357	Total Financial Assets	-	-	39,353	21,357	63,630	39,512	Financial Liabilities:							Bank loans and overdrafts	3,668	2,949	-	-	31,528	4,355	Debtors facility	-	-	-	-	3,833	-	Trade and sundry payables	-	-	59,382	39,508	59,382	39,508	Lease liabilities and other	566	596	-	-	1,809	1,284	Derivatives	275	-	-	-	480	-	Total Financial Liabilities	4,509	3,545	59,382	39,508	97,032	45,147
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Trade and sundry payables	-	-	-	-	-	-	-	-																																																																																																
Lease liabilities and other	8.35%	8.91%	-	-	-	-	852	456																																																																																																
Derivatives	5.99%	-	-	-	-	-	205	-																																																																																																
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NEPTUNE MARINE SERVICES LIMITED ABN: 76 105 665 843 AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	Fixed Interest Rate Maturing 1 to 5 years		Non-interest Bearing		Total	
	\$000		\$000		\$000	
	2009	2008	2009	2008	2009	2008
Financial Assets:						
Cash and cash equivalents	-	-	-	-	9,887	10,857
Receivables	-	-	76,203	83,478	76,203	83,478
Total Financial Assets	-	-	76,203	83,478	86,090	94,335
Financial Liabilities:						
Bank loans and overdrafts	3,592	-	-	-	28,545	-
Debtors facility	-	-	-	-	3,833	-
Trade and sundry payables	-	-	32,614	26,682	32,614	26,682
Lease liabilities and other	132	213	-	-	984	669
Derivatives	275	-	-	-	480	-
Total Financial Liabilities	3,999	213	32,614	26,682	66,456	27,351

(iii) **Net Fair Values**

The financial assets and liabilities included in assets and liabilities in the balance sheet are carried at amounts that approximate net fair values, determined in accordance with generally accepted models based on discounted cash flow theory.

The carrying amounts and net fair values of financial assets and liabilities as at the reporting date are as follows:

	2009		2008	
	Carrying Amount \$000	Net Fair Value \$000	Carrying Amount \$000	Net Fair Value \$000
Financial Assets				
Cash and cash equivalents	24,277	24,277	18,155	18,155
Loans and receivables	39,353	39,353	21,357	21,357
	63,630	63,630	39,512	39,512
Financial liabilities				
Bank loans	31,528	31,528	4,355	4,355
Debtors facility	3,833	3,833	-	-
Interest bearing liabilities	1,052	1,052	914	914
Other finance arrangements	757	757	370	370
Trade and other payables	59,382	59,382	39,508	39,508
Derivatives	480	480	-	-
	97,032	97,032	45,147	45,147

NEPTUNE MARINE SERVICES LIMITED ABN: 76 105 665 843 AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Note 32 Business Combinations

Access Management Pty Ltd

Acquisition of Access Management Pty Ltd and subsidiary Access Management Pte Ltd

On 1st July, 2008, Neptune Marine Services Limited acquired Perth-based Access Management Pty Ltd, a specialist access company. Neptune acquired 100% of the issued capital of Access Management for an initial cash payment of \$3.6 million and issued 2,122,222 fully paid ordinary shares at 42.43 cents each, valued at \$900,459 to the trustees of superannuation funds controlled by the vendor. The shares will be held in voluntary escrow for 12 months.

In addition, Neptune will pay the Vendors earn out payments under an earn out arrangement for the next 3 years. The earn out will be paid 80% in cash and 20% in Neptune ordinary shares. As part of the acquisition the vendor Mr McCarthy, has agreed to remain with the company for a minimum of three years. Similarly, all of Access Management's full-time employees will also remain with the business. Access Management also operates a Singapore subsidiary which Neptune plans to expand as part of the Company's focus on the South East Asian region.

	Recognised on acquisition \$
Cash and cash equivalents	5,191
Trade receivables	1,967,397
Plant and equipment	717,855
Inventories	295,109
Trade payables	<u>(1,654,695)</u>
Fair value of identifiable net assets	1,330,857
Goodwill arising on acquisition	<u>8,564,102</u>
	<u><u>9,894,959</u></u>
Cost of combination	
Shares issued, at fair value	900,459
Cash paid	3,602,200
Deferred Settlement	5,272,910
Direct costs relating to the acquisition	119,390
Total cost of the combination	<u>9,894,959</u>
The cash outflow on acquisition is as follows:	
Cash paid	(3,721,590)
Net cash acquired with the subsidiary	5,191
Net consolidated cash outflow	<u>(3,716,399)</u>

From the date of acquisition, Access Management has contributed \$1,283,341 (excluding corporate overheads) to the net profit of the Group.

The goodwill recognised on the acquisition is attributable mainly to the historic, present and projected earnings of the business.

NEPTUNE MARINE SERVICES LIMITED ABN: 76 105 665 843 AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Neptune Subsea Engineering Ltd

Acquisition of Neptune Subsea Engineering Ltd

On 12th January, 2009, Neptune Marine Services Limited acquired UK-based Neptune Subsea Engineering Ltd (SES), a specialist provider of subsea consultancy and project services to the global oil and gas industry. Neptune acquired 100% of the issued capital of SES for an initial cash payment of GBP4.012 million (AUD\$8.629 million*) and issued 6,820,532 fully paid ordinary shares at \$0.305944 cents each, valued at GBP1 million (AUD\$2.086 million*) to the vendors. The shares will be held in voluntary escrow until 30 December 2009.

In addition, Neptune will pay the Vendors earn out payments under an earn out arrangement for the next 3 years. The earn out will be paid 80% in cash and 20% in Neptune ordinary shares. As part of the acquisition the SES Directors Allister Fraser and Hugh Parker, have agreed to remain with the company to help drive its future growth and development. Similarly, all of SES's full-time employees will also remain with the business.

*Foreign exchange rate of \$2.151 as at 9 January 2009 for GBP1 : British Pound equivalent

	Recognised on acquisition \$
Cash and cash equivalents	3,248,333
Trade receivables	2,308,937
Plant and equipment	50,326
Trade payables	<u>(1,742,535)</u>
Fair value of identifiable net assets	3,865,061
Goodwill arising on acquisition	<u>14,209,798</u>
	<u><u>18,074,859</u></u>
Cost of combination	
Shares issued, at fair value	2,086,701
Cash paid	11,204,577
Deferred Settlement	4,333,040
Direct costs relating to the acquisition	450,541
Total cost of the combination	<u>18,074,859</u>
The cash outflow on acquisition is as follows:	
Cash paid	(11,655,118)
Net cash acquired with the subsidiary	<u>3,248,333</u>
Net consolidated cash outflow	<u><u>(8,406,785)</u></u>

From the date of acquisition, Subsea Engineering Ltd has contributed \$985,703 (excluding corporate overheads) to the net profit of the Group. The annualised unaudited contribution would have been \$1,971,406 (excluding corporate overheads) to the net profit of the Group.

The goodwill recognised on the acquisition is attributable mainly to the historic, present and projected earnings of the business.

**NEPTUNE MARINE SERVICES LIMITED ABN: 76 105 665 843 AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

Note 33 Company Details

The registered office of the company is:
Neptune Marine Services Limited
Level 16, 140 St George's Terrace
Perth Western Australia 6000

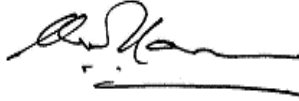
The principal place of Neptune Marine Services Limited is:
Neptune Marine Services Limited
Level 16, 140 St George's Terrace
Perth Western Australia 6000

**NEPTUNE MARINE SERVICES LIMITED ABN: 76 105 665 843
AND CONTROLLED ENTITIES
DIRECTORS' DECLARATION**

The directors of the company declare that:

1. the financial statements, notes, and the remuneration report found in the Directors report of the company and consolidated group, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 30 June 2009 and of the performance for the year ended on that date of the company and consolidated group;
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
 - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - (b) the financial statements and notes for the financial year comply with the International Financial and Reporting Standards (IFRS); and
 - (c) the financial statements and notes for the financial year give a true and fair view.
3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Chairman

Mr Ross Kennan

Dated this 24th day of September 2009

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEPTUNE MARINE SERVICES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Neptune Marine Services Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the Directors' Report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of Neptune Marine Services Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 5 to 11 of the directors' report for the year ended 30 June 2009. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards

Auditor's opinion

In our opinion the remuneration report of Neptune Marine Services Limited for the year ended 30 June 2009 complies with section 300 A of the *Corporations Act 2001*.

**STANTONS INTERNATIONAL
(An Authorised Audit Company)**

Stantons International



K Lingard
Director

West Perth, Western Australia
24 September 2009

**NEPTUNE MARINE SERVICES LIMITED ABN: 76 105 665 843 AND CONTROLLED ENTITIES
ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES**

The following additional information is required by the Australian Securities Exchange Ltd in respect of listed public companies only. This information is correct at 10 September 2009.

1. Shareholding

a. Distribution of Shareholders

Category (size of holding)	Number Ordinary
1 - 1,000	1,148,707
1,001 - 5,000	7,872,830
5,001 - 10,000	14,568,964
10,001 - 100,000	99,817,609
100,001 - and over	293,562,516

b. The number of shareholdings held in less than marketable parcels is 286,409.

c. The name of the substantial shareholder listed in the holding company's register as at 10 September 2009 is:

Shareholder	Number Ordinary
Westoz Funds Management Pty Ltd	20,125,423

d. Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary shares

- Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Redeemable and converting preference shares

- These shares have no voting rights.

e. 20 Largest Shareholders - Ordinary Shares

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1. National Nominees Limited	51,694,080	12.40
2. Zero Nominees Pty Ltd	29,750,000	7.13
3. ANZ Nominees Limited (Cash Income A/c)	22,697,812	5.44
4. J P Morgan Nominees Australia Limited	13,467,822	3.23
5. HSBC Custody Nominees (Australia) Limited	7,868,837	1.89
6. Bond Street Custodians Limited (Smaller Co's A/C)	5,854,685	1.40
7. RBC Dexia Investor Services Australia Nominees (PIIC A/C)	5,462,054	1.31
8. Sandhurst Trustees Ltd (JM Asset Management A/C)	5,158,275	1.24
9. HSBC Custody Nominees (Australia) Limited (Acct 2)	4,843,374	1.16
10. Cogent Nominees Pty Ltd	4,707,400	1.13
11. Mr Michael Erinakes	4,218,450	1.01
12. RBC Dexia Investor Services Australia Nominees (PIPOOLED A/C)	3,913,604	0.94
13. Mr David Husband & Ms Nina Landsnes	3,292,858	0.79
14. RBC Dexia Investor Services Australia Nominees (PISELECT A/C)	3,107,802	0.75
15. Quotidian No 2 Pty Ltd	2,991,926	0.72
16. Mr Kenneth Madden	2,860,632	0.69
17. Citicorp Nominees Pty Ltd (Cwlth Bank Off Super A/C)	2,776,388	0.67
18. Mr Mark Lindsay (The Diamond Fund A/C)	2,528,109	0.61
19. Citicorp Nominees Pty Ltd	2,450,965	0.59
20. Collins Industries Pty Ltd (Collins Family A/C)	2,387,858	0.57
	182,032,931	43.65

2. The name of the company secretary is Mr Gabriel Chiappini.

3. The address of the registered office in Australia is Level 16, 140 St George's Terrace, Perth WA 6000.
Telephone 08 9424 111

4. Registers of securities are held at the following addresses
Western Australia
Level 2, Reserve Bank Building, 45 St George's Terrace, Perth WA 6000

**NEPTUNE MARINE SERVICES LIMITED ABN: 76 105 665 843 AND CONTROLLED ENTITIES
ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES**

5. Securities Exchange Listing

Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the ASX Limited.