NEPTUNE MARINE SERVICES LIMITED AND CONTROLLED ENTITIES

ABN: 76 105 665 843

Financial Report
For The Year Ended
31 March 2014

NEPTUNE MARINE SERVICES LIMITED
AND CONTROLLED ENTITIES

31 March 2014

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CORPORATE INFORMATION

Directors
Mr Boon Wee Kuah
Chairman

Mr Peter Wallace
Non-Executive Director

Mr Dominic Siu
Non-Executive Director

Mr Robin King
Executive Director

Company Secretary
Mr John Louden (appointed 28 October 2013, Gabriel Chiappini resigned 28 October 2013)

Registered Office
Neptune Marine Services Limited
Level 16, 140 St George's Terrace
Perth Western Australia 6000

Principal Place of Business
Neptune Marine Services Limited
Level 16, 140 St George's Terrace
Perth Western Australia 6000

Auditors
Ernst & Young
11 Mounts Bay Road
Perth, WA, 6000

Share Registry
Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St Georges Tce, Perth, WA, 6000

Stock Exchange
ASX Limited
Central Park, 152-158 St Georges Tce
Perth, WA, 6000

ASX Code
NMS

CHIEF EXECUTIVE OFFICER'S REPORT

Neptune enjoyed a significant flow of business across all divisions throughout this year, which was reflected in our improved financial performance. The period was highlighted by the award and completion of several major contracts on key resource projects in our various geographical regions and an internal focus on growing our businesses, increasing our asset base and the continual progression of our systems and processes.

Some key milestones achieved include:

- Successful completion of our largest ever integrated vessel campaign. The campaign, which was performed on-board the Crest Odyssey II, included inspection, repair and maintenance scopes in Australia.
- Completion of four repair projects globally, utilising our patented dry underwater welding technology, NEPSYS®
- Purchase of a new light work class TMS Comanche Remotely Operated Vehicle (ROV).
- Expansion of the Asset Integrity business into a new base in Darwin, Northern Australia.

ASSETS AND FACILITIES

This period Neptune invested significantly in developing our asset base to support and further expand our integrated services capability. Construction of the Dryden Dive Support Vessel (DSV) which Bhagwan Marine is building in conjunction with Neptune, continued in Singapore. Our purchase of the above mentioned Comanche ROV will increase our ROV capability and further grow our ROV business and the Geomatics business invested in new technologies for the enhancement of our survey capabilities.

We also committed to a new combined facility in Perth, Western Australia. The new premises, which will be ready in early 2015, will relocate all our Perth based businesses and comprise of office, warehouse and laydown facilities. The new site will assist with further integration of our businesses and provide further opportunities for pursuing integrated projects.

HEALTH AND SAFETY

We remain focussed on improving our health and safety performance and achieving our goal of a health and safety record that exceeds client and Industry expectations. Throughout this period, both our Subsea Stabilisation and Diving businesses achieved four years Lost Time Injury (LTI) free. Additionally, our Asset Integrity business reached this milestone subsequent to year end. This is a significant achievement and is a testament to all staff involved.

OUTLOOK

The oil and gas broader energy sector remains robust and Neptune's pipeline of future project opportunities is encouraging. We are focussed on increasing our bidding activity for larger scale and longer term integrated projects. We have now demonstrated our ability to perform such projects and will utilise this experience to pursue further similar works.

As we move forward into 2015, I would like to thank our whole team for their hard work and dedication throughout the year. The success of Neptune continues as a result of the strong team we have in place.

Robin King
Chief Executive Officer

Dated this 30 day of May 2014

DIRECTORS' REPORT

Your Directors present their report on the Company and its controlled entities for the financial year ended 31 March 2014.

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

Mr Boon Wee Kuah (appointed Chairman 25th June 2013)
Mr Peter Wallace
Mr Dominic Siu (appointed 25th June 2013)
Mr Robin King (appointed 25th June 2013)
Mr Jeff Dowling (resigned 25th June 2013)
Mr John Cooper (resigned 25th June 2013)

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

INFORMATION ON DIRECTORS

Mr Boon Wee Kuah	**Chairman**
Qualifications	Mr Kuah has a Bachelor of Engineering (1st Class Honours) from Imperial College of Science and Technology, London. He is also a Fellow of the Institute of Chartered Accountants in England and Wales (ICAEW), having trained with KPMG in London.
Experience	Mr Kuah is the Group CEO of MTQ Corporation Limited; he joined the MTQ Board on 10 October 2006 and assumed his current role in July 2010. Prior to that, Mr Kuah has had a distinguished international career working in London, Hong Kong, Australia and Singapore. He had previously been a Senior Management Executive of PSA International Pte Ltd, a 100% subsidiary of Temasek Holdings which has extensive port interests around the world. He served as CEO for South East Asia and Singapore Terminals as well as Group CFO of PSA. He also served as CFO for Singapore Technologies Engineering, a major listed company on the Singapore Stock Exchange ("SGX"), also majority-owned by Temasek Holdings. Mr Kuah currently is the independent Non-Executive Director with The Hour Glass Limited, a position he has held since April 2011 and has been on the Board of Directors of MTQ Corporation Limited since October 2006. He also sits on the Board of a few non-listed entities in the education and government sector.
Mr Peter Wallace	**Non-Executive Director**
Qualifications	Mr Wallace is a Senior Fellow of the Financial Services Institute of Australia, a Fellow of the Australian Institute of Company Directors, and an Associate Fellow of the Australian Institute of Management.
Experience	Mr Wallace has spent some 40 years in the Financial Services industry with experience gained in all aspects of financing with particular involvement in corporate and international funding. Past Executive positions held include Chief Credit Officer and Chief Operating Officer roles in a major regional Bank and Head of Corporate WA for Bell Potter Securities Ltd, one of Australia's largest stockbroking houses. He has directed capital raising for several large publicly listed companies as well as provided a variety of corporate advisory services to a wide range of companies, both private and publicly owned. Mr Wallace has held a number of public and private company Board positions including past Directorships in Decmil Engineering Ltd, RuralAus Investments Ltd and Tethyan Copper Ltd and is a serving Non-Executive Director of HBF Health Ltd and Katana Investments Ltd.
Mr Dominic Siu	**Non-Executive Director**
Qualifications	Mr Siu graduated with a Bachelor of Civil and Structural Engineering (Honours) degree and is a Chartered Accountant qualified in the UK.
Experience	Mr Siu is an experienced senior finance manager and has held senior finance positions in Greater China and South East Asia regions.
Mr Robin King	**Executive Director**
Qualifications	Mr King holds a Masters of Business Administration and a Bachelor of Civil Engineering (First Class Honours).
Experience	Mr King has worked in the international oil and gas industry since 1982, focusing mainly in the offshore and subsea sectors. Prior to being appointed CEO at Neptune in 2010, Mr King was the CEO of Technip Subsea 7 Asia Pacific, responsible for operations throughout Oceania and South East Asia.

Mr Jeff Dowling **Non-Executive Director**

Qualifications Mr Dowling has a Bachelor of Commerce from the University of Western Australia. He is a fellow of the Institute of Chartered Accountants, the Australian Institute of Company Directors and the Financial Services Institute of Australasia.

Experience Mr Dowling is a highly experienced corporate leader with 37 years' experience in professional services with Ernst & Young. He has held numerous leadership roles within Ernst & Young which principally focused on the oil and gas and mining industries. His professional expertise centres around audit, risk management and corporate transactions. His financial knowledge is derived from acting as lead partner on large public company audits, capital raisings and corporate transactions. During his career with Ernst & Young he was a member of the Australian & New Zealand Executive leadership team and was a member of Ernst & Young's Australian Board of Partners. Prior to leaving Ernst & Young he was the Managing Partner of the Ernst & Young Western Region for a period of 5 years and also led their Oceania oil and gas practice for a period of 6 years. Mr Dowling is currently a Director at Sirius Resources, Atlas Iron, the Telethon Institute for Child Health Research and the Western Australian Symphony Orchestra Ltd.

Mr John Cooper **Non-Executive Director**

Qualifications Fellow, The Institute of Company Directors; Fellow, Australian Institute of Management; Fellow, Institution of Engineers.

Experience Mr Cooper has held a range of Senior Executive Management and Board roles associated with development of major capital works throughout Australia and internationally. In 21 years with Concrete Constructions, Mr Cooper managed major construction projects in South East Asia and Australia. He was a managing Director and Chief Executive of CMPS&F, a design engineering and project management organisation specialising in oil and gas, mining, infrastructure and environmental contracts sectors in Australia and South East Asia. Mr Cooper held a general management role with the Sydney Olympic Games Organising Committee, responsible for contingency planning and technology/Games management. Mr Cooper is currently a Non-Executive Director on the Aurizon Board, the Chairman at Southern Cross Electrical Engineering and a Non-Executive Director at NRW Holdings. He has held Executive management roles and Board positions at a number of construction and engineering companies including, Murray and Roberts International which operates in Australia, Canada, the UAE and South Africa.

Company Secretary, Mr John Louden, LLB BCom ACIS

Mr John Louden was appointed as Company Secretary on 28 October 2013. Mr Louden is a commercial lawyer with over 10 years' experience in various private practice and in-house legal roles. He is employed by Neptune in the role of General Counsel, a position he has held since August 2011. Mr Louden is a member of the Governance Institute of Australia and has acted as Company Secretary of Neptune's Australian subsidiaries since April 2012.

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 Boon Wee Kuah (*)	-	-
Mr Peter Wallace	-	-
Mr Dominic Siu (*)	-	-
Mr Robin King	-	-
Mr Jeff Dowling	-	-
Mr John Cooper	-	-

The relevant interest of each Director in the shares and options issued by MTQ Corporation Limited (related body corporate) at the date of this report is as follows:

	Ordinary Shares	Options over Ordinary Shares
Mr Boon Wee Kuah (*)	3,525,630	-
Mr Dominic Siu (*)	278,097	-

(*) Mr Boon Wee Kuah and Mr Dominic Siu are associated with Blossomvale Investments Pte Ltd, which is the controlling entity of Neptune and whose ultimate parent is MTQ Corporation Limited.

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 period ended 31 March 2014.

PRINCIPAL ACTIVITIES

The principal activities of the consolidated Group comprises: commercial diving services; hydrographic surveying, positioning and geophysical services; NDT, inspection and mechanical repair services; pipeline and subsea structure stabilisation and grouting; ROV services; subsea and pipeline engineering; manufacturing, assembly and testing services and dry underwater welding using the proprietary patented NEPSYS® technology.

Neptune's primary focus is the international oil and gas, marine and renewable energy offshore industries in the key regions of Australia, Asia, and the UK.

OPERATING AND FINANCIAL REVIEW

REVIEW OF OPERATIONS

Neptune reported a net profit after tax of $4.750 million for the twelve month period ended 31 March 2014. Annual revenue was $135.920 million which was highlighted by a strong first quarter. Revenue for the June quarter totalled $46.421 million and was mainly attributed to the completion of the multi scope campaign in Australia on-board the Crest Odyssey II, which commenced in the previous financial year.

The Group recorded a positive operating cash flow during the period of $12.076 million. As at 31 March 2014, interest bearing debt was $0.557 million.

Neptune's return to profitability during the period was the result of a steady work flow across all divisions in all regions. The Company continued to develop its platform for sustainable growth through the involvement in some of the world's major oil and gas projects in key operating regions and further developed new and existing strategic relationships.

OFFSHORE SERVICES

The Offshore Services division (as described in Note 5 of the financial summary) reported revenues totalling $102.649 million for the twelve month period ended 31 March 2014.

Neptune was awarded several key contracts on major resource projects in Western and Northern Australia, these included work scopes on the Inpex operated Ichthys LNG project, Chevron's Wheatstone and Gorgon projects and BHP Billiton's Macedon field. Further additional works were awarded subsequent to year end, with Neptune set to continue working on these and other significant oil and gas projects in the new financial year.

Neptune's Asset Integrity business expanded into Northern Australia with the establishment of a dedicated IRATA training facility and NATA accredited mechanical testing and NDT services centre at Charles Darwin University (CDU) in Darwin. The division also signed a Memorandum of Understanding (MOU) with the CDU to further develop technical linkages in Northern Australia.

Following a competitive and challenging previous financial year, the Survey business in Australia was awarded numerous significant contracts, resulting in a robust pipeline of work. The contracts included several rig positioning scopes for oil and gas majors in Australia and the provision of survey and positioning services for the Gorgon Heavy Lift and Tie-In project.

Operational highlights included:

- Completion of the inspection, repair and maintenance campaign on-board the Crest Odyssey II in Australia, which commenced in the previous financial year.
- Purchase of a new Comanche Light Work Class ROV, with delivery expected in first quarter FY2015.
- The manufacture of the Company's largest concrete mattresses to date by the Australian stabilisation business.
- Completion of the first integrated ROV and survey project in South East Asia.
- Two year contract extension for the provision of asset integrity services on the Bayu Undan Platforms and FSO Liberdade for Clough Amec Joint Venture.
- Integrated ROV and pipeline survey inspection campaign in the Irish Sea.
- UXO survey on the Butendiek Wind Farm in Germany.

ENGINEERING SERVICES

The Engineering Services division (as described in Note 5 of the financial summary) reported revenue of $33.271 million for the period ended 31 March 2014.

In Australia, the Engineering division continued to provide dedicated services to our clients as well as engineering support to the other Australian businesses, including key roles in the various NEPSYS® projects completed throughout the year and the Crest Odyssey II campaign.

In conjunction with Neptune's Diving business, the Engineering division successfully completed three repair projects utilising the Company's patented dry underwater welding technology, NEPSYS®. The repairs included a bilge keel repair on an FPSO in Australia, subsea inspection and remedial works on an offshore production platform in China and welded repairs to the legs of a Mobile Offshore Production Unit (MOPU) in Malaysia.

The Manufacturing, Assembly and Testing business in the UK entered a period of growth, generating its biggest ever work order book, which included key contracts from major oil and gas operators in the region, GE Oil and Gas and Technip UK. The business also commenced the manufacturing of the first set of initiation piles for Technip. The piles, which were delivered subsequent to year end, are the largest structures the business has fabricated to date.

Also in the UK, the four businesses completed their first integrated project in the region. The project, which involved the design and manufacture of a J tool and supplementary survey and ROV services, was also the first project completed in West Africa.

Operational highlights included:

- The award of an on-going contract with TOTAL E+P UK Limited for the provision of subsea engineering services and associated hardware.
- Award and commencement of a pile repair project in North Queensland, utilising the NEPSYS® technology. Subsequent to year end the repairs were successfully tested and positive feedback received by the client.
- Four NEPSYS® repair projects globally.

OPERATING RESULTS

The consolidated profit of the Group after income tax, for the year ended 31 March 2014, amounted to $4.750 million (9 months ended 31 March 2013: $17.395 million loss).

FINANCIAL POSITION

The net assets of the consolidated Group have increased to $78.462 million at 31 March 2014 up from $69.009 million as at 31 March 2013. Included in these assets is goodwill of $12.938 million (2013: $12.159 million). Net tangible assets were $63.973 million compared to $55.151 million at 31 March 2013.

Debt Position
As at 31 March 2014 the Company had interest bearing debts of $0.557 million (2013: $0.278 million) which consists of equipment leasing, hire purchase commitments and other finance leases. Interest-bearing debt as a percentage of equity was 0.71% (2013: 0.4%).

Cash and Liquidity
As at 31 March 2014, cash and cash equivalents were $11.955 million (2013: $9.741 million), plus term deposits of $2.378 million (2013: $1.086 million) which is held to support bank guarantees. At 31 March 2014 the working capital position was $30.728 million (31 March 2013: $29.488 million). This equates to a current ratio (current assets / current liabilities) of 2.7 (2013: 2.3).

Goodwill Impairment
No impairment was recognised during the year ended 31 March 2014.

Significant Changes in State of Affairs
There have not been any significant changes in the State of Affairs during the year ended 31 March 2014.

Events After the Reporting Period
Subsequent to year end, Neptune changed its banking facilities from NAB to ANZ. As a result of changeover NAB debtors facility will be replaced with ANZ Interchangeable Facility with a limit of $10 million. Facility may be allocated to the following Sub-Facilities: Standby Letter of Credit or Indemnity/Guarantee (Domestic) Facility and Cash Advance Facility.

Future Development, Prospects and Business Strategy
Neptune will continue to work towards increased profitability in the 2015 financial year. Key strategies for achieving this include:

- Capitalise on new assets and equipment (including the Dryden DSV and Comanche ROV) and the identification of further key assets which will assist in growing the business in Neptune's key operating regions.
- The continued rollout of internal systems and processes to streamline and enhance operations and business productivity.
- Further development of existing strategic relationships.
- Relocation to a single combined facility for the Perth based businesses to improve communication, integration and operating efficiencies.
- Export key operations to Asia and the UK.
- Market technical capability.
- Continued development of our team.

Environmental Requirements and Performance
Neptune's operations are subject to both Commonwealth and State environmental legislation. Neptune's Board believes that Neptune has the appropriate management systems in place to ensure its statutory obligations are met and is not aware of any breach of these obligations.

REMUNERATION REPORT (AUDITED)

This Remuneration Report for the year ended 31 March 2014 outlines the remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 (The Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

This report details the nature and amount of remuneration under the current remuneration framework for each director of Neptune Marine Services Limited ('Neptune'), as well as for other "Key Management Personnel" (KMP) of the Group. The format of this report aligns with the June 2012 recommendations of the Australian Institute of Company Directors.

For the purpose of this report, the definition of KMP aligns with that of the Accounting Standards, namely: those persons having authority and responsibility for planning, directing and controlling the activities of the entity, either directly or indirectly, including any director (whether executive or otherwise) of that entity.

Governance

In determining the remuneration of its Key Management Personnel (KMP), Neptune has established the Remuneration Committee. The Committee recommends to the Board appropriate remuneration policies and practices including the specific remuneration (including base pay, incentive payments, equity awards, superannuation, retirement rights, termination payments, services contracts) to the CEO and other KMP. The proceedings of each Remuneration Committee meeting are reported directly to the Board.

Diversity at Neptune Marine Services

The Group recognises the value contributed to the organisation by employing people with varying skills, cultural backgrounds, ethnicity and experience. As an international operation, Neptune understands the value of having a culturally diverse workforce capable of operating in various countries. Neptune Marine Services believes its diverse workforce is a key to its continued growth, improved productivity and performance.

We actively value and embrace the diversity of our employees and are committed to creating an inclusive workplace where everyone is treated equally and fairly, and where discrimination, harassment and inequity are not tolerated. While Neptune Marine Services is committed to fostering diversity at all levels, diversity has been and continues to be a priority for the Group.

To this end, the Group supports the recommendations contained in the ASX *Corporate Governance Principles and Recommendations*. The Group has established a diversity policy outlining the Board's views for achieving diversity. This is reviewed regularly to measure the progress towards achieving those policy objectives. The diversity policy is available in the policies section on the Group's website. Neptune is continuing to work towards achieving improved outcomes in line with our policy.

Remuneration Philosophy and Policy

(i) Non-Executive Director remuneration

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Directors of a high calibre, whilst incurring a cost that is acceptable to shareholders.

The amount of aggregate remuneration sought to be approved by shareholders and the fee structure is reviewed regularly against fees paid to Non-Executive Directors (NEDs) of comparable companies. The Board considers advice from external consultants when undertaking the review process. As there was no increase in fees in 2014, Neptune did not engage any external consultants during the period.

The Company's constitution and the ASX listing rules specify that the NED fee pool shall be determined from time to time by a general meeting. The latest determination was at the 2007 Annual General Meeting (AGM) held on 19 November 2007 when shareholders approved an aggregate fee pool of $600,000, such fees to be allocated to the Directors as the Board of Directors may determine. Total fees paid out of this pool for period to 31 March 2014, including superannuation and committee fees, was $321,738.

The Board will not seek any increase for the NED pool at the 2014 AGM.

(ii) Executive remuneration

The remuneration policy at Neptune is based on the philosophy of aligning Executive remuneration with shareholder and business objectives. This is achieved by providing a fixed remuneration component in combination with specific short-term and long-term incentives that are based on key performance areas that directly impact on the financial results of the consolidated Neptune Group.

The Board believes the remuneration policy is both appropriate and effective in its ability to attract and retain high calibre Executives to manage the consolidated Neptune Group.

The remuneration structure for key Executives is based on a number of factors, including:

- Experience of the individual concerned
- Overall company performance
- Continuity of service (where relevant for various reward incentives)

Key Management Personnel are also remunerated based on achievement of short and long term objectives considered important to the success of the Company.

All remuneration paid to key Executives is valued at the cost to the Company and is expensed. Where relevant, shares allocated to key Executives are valued as the difference between the market price of those shares and the amount paid by the Executives.

Remuneration Structure

(i) Non-Executive Directors

The remuneration of NEDs consists of Directors' fees and Committee fees. NEDs do not receive retirement benefits, nor do they participate in any incentive programs.

Each NED, except Board Chairman, receives a base cash fee of $70,000 plus superannuation for being a Director of the Group, while the Board Chairman receives a base cash fee of $140,000. An additional fee of $7,500 to $15,000 (depending on the function of the committee) plus superannuation is paid if the Director (except for the Board Chairman) is a Chair of a Board Committee. The payment of additional fees for serving on a committee recognises the additional time commitment required by NEDs who serve on sub-committees.

(ii) Executive

Neptune is committed to ensuring its remuneration structures are appropriately aligned with shareholder value creation over the short and long term and focuses on motivating, rewarding and retaining key Executives. Our structures aim to link performance and reward while taking into account challenges and market forces that companies such as Neptune are confronted with when faced with cyclical and economic forces. Neptune's remuneration framework is based on the outcome of an independent review conducted by PriceWaterhouseCoopers in 2010.

The key initiatives under this review were:

- Benchmarking Executive remuneration to determine where the roles were currently positioned, looking at base salary, short-term incentives and long-term incentives.
- Segmentation of employees into 3 key groupings to better tailor remuneration packages for specific groups of employees
    - Segment 1 - individuals within Neptune who are best able to influence the long-term strategy and direction of the organisation
    - Segment 2 – key managers across the organisation who have greater influence over business unit outcomes rather than company-wide outcomes
    - Segment 3 – all other employees
- Creating a Total Annual Remuneration Framework for Segment 1 and 2 employees.
- Design and implementation of a new equity-based long-term incentive plan.

Neptune's remuneration strategy recognises and rewards performance in a way that is consistent with general practices in the markets in which the Group operates. The Company's remuneration philosophy is focused on the following key principles:

- Alignment to sustainable long-term value creation
- Attraction and retention of highly skilled employees
- Competitiveness within the global markets in which the company operates
- Alignment through high levels of equity ownership
- High rewards for true outperformance
- Simple and transparent remuneration framework
- Consistent remuneration framework across the organisation

As a result of these reviews the Board adopted the Executive Long Term Incentive Plan (LTI Plan) and the Executive Short Term Incentive Plan (STI Plan).

The objective of the LTI Plan is to reward performance that achieves long term growth in shareholder value. The objective of the STI Plan is to reward Neptune's Executives for occupational safety & health targets, continued cost savings, efficiencies, growth in revenues, margin control, and organisational initiatives. Both plans seek to reward and incentivise by aligning the interests of Executives with those of shareholders, and are intended to form part of the overall remuneration package of the Executive.

The CEO's remuneration mix comprises:

Fixed Element

Salary and allowances - 34% remuneration as a proportion of total remuneration.

At Risk Element

Up to 46.5% based on achievement of short term KPI's and profit outcomes (STI); and
Up to 19.5% long term incentives (LTI) based on specific performance outcomes.

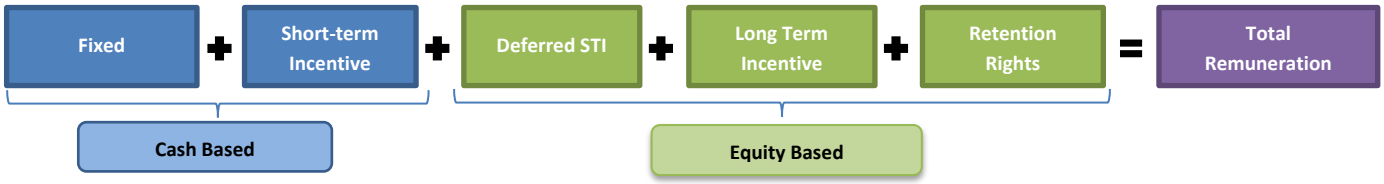
Executives' remuneration mix ranges from 50% fixed remuneration as a proportion of total remuneration, up to 25% STI based on KPI's and 25% based on LTI performance outcomes. In addition, Executives are eligible for a further discretionary bonus approved by the Board in case of significant over performance.

The employment conditions of the Chief Executive Officer, Robin King and other key Executives are formalised in contracts of employment. The contracts for service between the Company and Executives are on a continuing, permanent basis. Upon retirement, Executives are paid employee benefit entitlements

accrued to the date of retirement. Subject to the terms and conditions of the employment contracts, any performance right or option that has not vested or been exercised before or on the date of termination will subsequently lapse.
Directors, Executives and employees receive superannuation contributions. The contribution currently stands at 9.25% however some individuals choose to sacrifice a portion of their salary in order to increase contributions towards superannuation.

Total Remuneration Components
For FY 14 the total annual remuneration structure for Segment 1 and 2 employees was as per the below table

Segment 1 – CEO and COO



Segment 2 – Business Unit managers, Functional heads, other key employees

Reward Mix: The CEO will have over 66% of his total annual remuneration at-risk (i.e. subject to performance) while other Segment 1 employees will have between 40% and 50% of their total annual remuneration at-risk. For Segment 2 employees, approximately 30% of their total annual remuneration will be at-risk. This structure ensures that a significant portion of an employee's remuneration is directly linked to performance.

Fixed Remuneration: An employee's fixed remuneration is based on market benchmarking to ensure the pay is commensurate with the market in which the Group operates. The market benchmarking uses data obtained from similar sized ASX listed companies which operate in the mining/resources services sector and international listed companies with which Neptune competes for projects. In setting remuneration, consideration is given to the experience, skills and knowledge of role incumbents. Fixed remuneration is comprised of base salary, superannuation, other benefits and the cost of Fringe Benefits Tax, and is designed to reward "come-to-work" behaviours, values and activities required to fulfil individuals' job description.

Short-term Incentives (STI): STI rewards reflect both individual and business performance over the relevant financial period through the use of individual performance scorecards. Each employee will have a target STI expressed as a percentage of their base salary. Payment of the individual's target STI is dependent on performance against their scorecard, which measures performance against the following key performance drivers:

- Financial Performance – based directly on financial performance against targets
- Occupational Health, Safety and Environment (typical KPI's are based around excellence in achieving overall Company performance on safety, Executive participation in safety activities and compliance with laws)
- Human Resources Management (typical KPI's are measurements of turnover, staff costs and employee disputes)
- Operational Effectiveness (typical KPI's are successful completion of special projects, identification of cost savings, improvements in operating systems, debtors collection, compliance with laws etc.)

Deferred Short Term Incentive (Deferred STI): Is designed to reward exceptional performance and is paid in the form of equity. Qualifying employees receive one third of the incentive at the assessment date, one third after 12 months and the remaining third at the end of two years. The employee must remain with the Company to continue to be eligible to receive the deferred portion of the equity. During the financial period, no deferred STI's were granted to employees.

Long-term Incentive (LTI): LTI awards are limited to those employees who can directly influence the long-term strategic direction of the Company. The LTI is delivered via a grant of Performance Rights, which has the following key features:

- *Grant Value*: Set as a percentage of base salary, ranging between 25% to 100%, depending on the role.
- *Grant Cycle*: Employees receive a grant every year as part of their total annual remuneration.
- *Vesting / Performance Period*: Performance Rights will vest on the 4th anniversary of their grant date, subject to meeting the performance hurdles. This period of time ensures that the performance outcomes are long-term and sustainable.
- *Performance Conditions*: each grant of Performance Right will be split into two equal tranches, with each tranche having an independent performance hurdle.

Tranche 1: Performance will be measured against relative Total Shareholder Return (TSR), based on performance against a select group of peer companies representing those companies Neptune competes against within the market. It is simply a function of the business in which Neptune operates that most of those competitors are internationally based.

Relative TSR has been identified as an appropriate performance measure as outperformance of Neptune against this peer group will be strongly correlated to improved shareholder value. This is on the basis that outperformance against this peer group would typically mean Neptune has been successful in growing its share of the market at the expense of its competitors or faster than industry averages.

Tranche 1 will vest based on the following performance schedule:

Relative TSR performance	Vesting Outcomes (% vested of TOTAL Performance Rights Grant)
Less than 50th percentile	0% vesting
At 50th percentile	25% vesting
Between 50th and 75th percentile	For each percentile over the 50th, an additional 1% of the performance rights will vest
At or above 75th percentile	50% vesting

Tranche 2: Performance will be measured against absolute Total Shareholder Return (TSR), based on a Compound Average Growth Rate (CAGR) target over the four year period. A cost of capital calculation will be used to assess absolute TSR and will determine vesting outcome. Absolute TSR performance exceeding Neptune's cost of capital will result in the creation of shareholder value. It ensures that investors and shareholders receive a positive return before the awards vest and also takes into account factors that are unique to Neptune that other companies within a comparator group may not share.

Tranche 2 will vest based on the following performance schedule:

Absolute TSR Performance	Vesting Outcomes (% vested of TOTAL Performance Rights Grant)
Less than 14% TSR CAGR	0% vesting
14% TSR CAGR	25% vesting
16% TSR CAGR	50% vesting
Linear vesting between 14% and 16% TSR	

The grant of LTI awards is subject to Board approval and the exercise of Board discretion. During the year, the Board decided not to issue any LTI award in the form of Neptune Performance Rights. Rather, the Board determined that the Long Term Incentive component of the remuneration package for Segment 1 employees (CEO and COO) would be addressed through the MTQ Share Plan (see separate note below).

Retention Rights

During the period of restructuring in 2011 there was significant uncertainty over the continuing operations of Neptune. At this time, the Board identified the potential loss of key staff as a critical risk and a threat to the restructuring efforts. As a result, the Board implemented a retention programme in 2011 whereby Executives identified as key to the organisation's objectives to restructure and grow the business will be awarded with Retention Rights. The Retention Rights are tied into the Executives' continued employment with the Company, having a five year life and will vest annually in equal tranches over 4 years. Should the employee resign during this five year period, any unvested Retention Rights will lapse. Under certain circumstances, including change of control events, there may be pro-rata and/or accelerated vesting of unvested Retention Rights.

During the year Neptune bought back 7,182,074 of its unlisted Retention Rights at a value of 3.2 cents per right. The acquired unlisted Retention Rights were subsequently cancelled.

The maximum number of rights granted to employees and ratified at the 2011 AGM was 41,836,110. As at 31 March 2014, due to the vesting of some of the rights, issue of new rights and resignations of employees (resulting in the cancellation of rights in accordance with their terms), the outstanding balance is now 5,992,074.

MTQ Share Plan

MTQ Corporation Limited ("MTQ"), Neptune's ultimate parent entity, has implemented a new compensation scheme which awards fully paid shares to the participants of the scheme, when and after pre-determined performance conditions are met. The purpose of the scheme is to motivate and retain employees including employees of subsidiary companies.

Neptune's Segment 1 employees (CEO and COO) are both participants in the scheme.

Under the scheme the participants attract an award based on a percentage of annual base salary. Based on meeting all performance targets, MTQ board determine the maximum award size.

The targets set for the Performance Year 2013/2014 (from 1 July 2013 to 30 June 2014) are:

a) Individual performance rating of at least a Grade B in the annual appraisal exercise to be eligible for the award of shares;
b) Group Earnings Per Share meets the target set in the Company's budget;
c) Growth of MTQ Share Price relative to the market benchmark (Straits Times Index).

Performance exceeding the set targets shall attract an increase of the award size. Performance short of the set targets shall attract a decrease.
At the end of the Performance Year, each target is evaluated. The monetary value to be awarded are determined and converted to a number of MTQ ordinary shares based on the ruling market price which is defined as the closing market price after the financial year announcement. The number of shares as determined is the number of shares awarded for the Performance Year. The amount of MTQ Shares awarded shall be delivered in three equal tranches at the end of the Performance Year (year 1), year 2 and year 3 on 1 September. The vesting date for the first instalment of the shares awarded for Performance Year 2013/2014 is 1 September 2014.

During the year ended 31 March 2014 Neptune expensed $87,522 in relation to MTQ Share Plan.

Chief Executive Officer Service Agreement – Mr Robin King
Under his contract, the CEO is entitled to the following conditions: if the Company terminates 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 is required to pay to the CEO 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.

The CEO's current cash salary at the date of this report is $562,250 per annum with an additional $40,000 per annum car allowance. The Remuneration Committee determines the proportion of fixed and variable compensation for each Key Management Personnel.

Employment Contracts
The key terms and conditions of the current Executive and Executive service agreements are outlined below:

Executives	Position	Contract Duration	Non-Solicitation Clauses	Notice Periods based on Current Base Salary
Mr Robin King	Chief Executive Officer	Unlimited	Up to 12 months	12 months by Neptune, 6 months by the Executive
Mr Vincent Allegre	Chief Operating Officer	Unlimited	Up to 12 months	6 months by Neptune, 4 months by the Executive
Ms Ashley Robertson	Chief Financial Officer	Unlimited	Up to 12 months	6 months by Neptune, 3 months by the Executive

Company Performance and the Link to Remuneration
(i) Short Term Incentive (STI)
For the CEO and COO, 50% of their STI is directly linked to measures of overall profit. For other Executives, up to 50% of their STI relates to profit although this may be a mix of the profitability of the business or region under their direction and the overall Company performance. The ability to qualify for this incentive depends upon whether Neptune achieves profit targets as set by the Board.

(ii) Long Term Incentive (LTI)
As previously described, Neptune has a LTI Scheme where executives with the ability to influence the long term success of the Company are granted shares subject to certain performance hurdles. These hurdles are Total Shareholder Returns (TSR) with 50% being measured against a peer group of companies and 50% being measured against the growth in share price. The first potential vesting of these shares does not occur until 2016.

Remuneration Outcomes

The remuneration received by KMP and NEDS during the 2014 financial period is summarised in the below table.

	Short-Term Benefits				Post-Employment Benefits	Share-Based Payment		Total	Proportion of Remuneration Based on Performance %	Value of Options as Proportion of Remuneration %
2014	**Cash, Salary & Fees $**	**Bonus $**	**Non - Cash Benefit[1] $**	**Other[2] $**	**Superannuation $**	**LTI plan $**	**Retention Rights Plan $**	**$**		
Directors										
Mr Boon Wee Kuah	120,000	-	-	-	-	-	-	120,000	0%	0%
Mr Dominic Siu[3]	52,500	-	-	-	-	-	-	52,500	0%	0%
Mr Peter Wallace	96,145	-	-	-	8,812	-	-	104,957	0%	0%
Mr Robin King	556,125	614,356[4]	7,978	40,000	103,104	223,100	-	1,544,663	54%	0%
Former Directors										
Mr Jeff Dowling[5]	21,250	-	-	-	1,912	-	-	23,162	0%	0%
Mr John Cooper[6]	19,375	-	-	-	1,744	-	-	21,119	0%	0%
	865,395	614,356	7,978	40,000	115,572	223,100	-	1,866,401		
Key Management Personnel (KMP)										
Mr Colin Napier[7]	258,818	24,375[8]	8,507	23,804	33,210	-	-	348,714	7%	0%
Mr Vincent Allegre	404,625	218,425[9]	7,978	30,000	55,711	-	133,785	850,524	26%	0%
Ms Ashley Robertson[10]	45,435	11,810[11]	2,550	5,978	4,756	-	-	70,529	17%	
	708,878	254,610	19,035	59,782	93,677	-	133,785	1,269,767		
	1,574,273	**868,966**	**27,013**	**99,782**	**209,249**	**223,100**	**133,785**	**3,136,168**		

1 Car park benefits for the year ended 31 March 2014.

2 Other includes vehicle allowances.

3 Appointed Chairman 25th June 2013.

4 Amount represents a 3 month equivalent of July 12 – June 13 bonus paid out and a 9 month accrual based on full year entitlements. The accrued amounts are subject to final approval, with outcomes based on the success in meeting Key Performance Indicators (KPI's). Also represented in the amount is the MTQ Share Plan portion expensed up to 31 March 2014 – for details on the scheme refer to MTQ Share Plan section of the remuneration report.

5 Resigned 25th June 2013.

6 Resigned 25th June 2013.

7 Resigned 6th January 2014.

8 Amount represents a 3 month equivalent of July 12 – June 13 bonus paid out.

9 Amount represents a 3 month equivalent of July 12 – June 13 bonus paid out and a 9 month accrual based on full year entitlements. The accrued amounts are subject to final approval, with outcomes based on the success in meeting KPI's. Also represented in the amount is the MTQ Share Plan portion expensed up to 31 March 2014 – for details on the scheme refer to MTQ Share Plan section of the remuneration report.

10 Ms Robertson was appointed as a Chief Financial Officer on the 6th of January 2014.

11 Amount represents a 3 month accrual based on full year entitlements. The accrued amounts are subject to final approval, with outcomes based on the success in meeting KPI's.

2013	Short-Term Benefits				Post-Employment Benefits	Share-Based Payment		Total	Proportion of Remuneration Based on Performance %	Value of Options as Proportion of Remuneration %
	Cash, Salary & Fees $	Bonus $	Non - Cash Benefit[12] $	Other[13] $	Superannuation $	LTI plan $	Retention Rights Plan $	$		
Directors										
Mr Boon Wee Kuah	45,000	-	-	-	-	-	-	45,000	0%	0%
Mr Peter Wallace	137,937*	-	-	-	12,414	-	-	150,351	0%	0%
Mr Jeff Dowling	87,376*	-	-	-	7,864	-	-	95,240	0%	0%
Mr John Cooper	57,750	-	-	-	5,231	-	-	62,981	0%	0%
Former Directors										
Mr Ross Kennan	47,036	-	-	-	4,233	-	-	51,269	0%	0%
	375,099	-	-	-	29,742	-	-	404,841		
Key Management Personnel (KMP)										
Mr Robin King	412,500	206,250[14]	5,913	30,000	71,888	309,300	77,504	1,113,355	46%	0%
Mr Colin Napier	225,000	112,500[15]	7,587	22,500	38,070	48,375	55,339	509,371	31%	0%
Mr Vincent Allegre	262,319	133,333[16]	5,913	19,674	37,379	-	58,214	516,832	26%	0%
	899,819	452,083	19,413	72,174	147,337	357,675	191,057	2,139,558		
	1,274,918	452,083	19,413	72,174	177,079	357,675	191,057	2,544,399		

* Included in fees were payments made to Peter Wallace and Jeff Dowling for additional work provided in relation to the Company's response to the takeover offer from Blossomvale Investments Pte Ltd.

12 Car park benefits for the 9 month period ended 31 March 2013.

13 Other includes vehicle allowances and leave.

14 Amount represents a 9 month bonus accrual based on full year entitlements. These amounts are subject to final approval, with outcomes based on the success in meeting Key Performance Indicators (KPI's).

15 Amount represents a 9 month bonus accrual based on full year entitlements. These amounts are subject to final approval, with outcomes based on the success in meeting KPI's.

16 Amount represents an 8 month bonus accrual based on full year entitlements. These amounts are subject to final approval, with outcomes based on the success in meeting KPI's.

Options Granted as Part of Remuneration for the year Ended 31 March 2014
In 2014, no options were granted.

No shares were issued to KMPs from the exercise of options during the period.

Shares Issued as Part of Remuneration
Long Term Incentive Plan
The Long Term Incentive Plan was approved by shareholders at the AGM held on 30th November 2011.

2014	Grant Date	Vesting Date	No of Rights Issued	No of Rights converted	No of Rights lapsed	No of Rights Vested	Remaining Rights not yet Vested	Value per right $	Value of Rights Granted $
Key Management Personnel									
Robin King	22/11/2012	22/11/2016	22,088,354	-	-	-	22,088,354	0.032	706,828
			22,088,354	**-**	**-**	**-**	**22,088,354**		**706,828**

Contractually Robin King was entitled to a further grant of rights in November 2013. However, the Board exercised their discretion to address the Long Term Incentive component of the CEO's contract via a grant of rights under the MTQ Share Plan.

Retention Rights Plan

Retention Rights Plan was approved by shareholders at the AGM held on 30th November 2011.

2014	Grant Date	Vesting Date	No of Rights Issued	No of Rights converted	No of Rights lapsed	No of Right bought back	No of Rights outstanding	Value per right $	Value of Rights Granted $
Key Management Personnel									
Vincent Allegre	27/09/2012	27/09/2013	1,500,000	-	-	1,500,000	-	0.032	48,000
	27/09/2012	27/09/2014	1,500,000	-	-	1,500,000	-	0.032	48,000
	27/09/2012	27/09/2015	1,500,000	-	-	-	1,500,000	0.032	48,000
	27/09/2012	27/09/2016	1,500,000	-	-	-	1,500,000	0.032	48,000
			6,000,000	**-**	**-**	**3,000,000**	**3,000,000**		**192,000**

During the year Neptune bought back 7,182,074 of its unlisted Retention Rights (including 3,000,000 rights previously issued to Vincent Allegre) at a value of 3.2 cents per right. The acquired unlisted Retention Rights were subsequently cancelled.

END OF AUDITED REMUNERATION REPORT

MEETING OF DIRECTORS

During the financial period, eight meetings of Directors (including Committees of Directors) were held. Attendances by each Director during the period were as follows:

	Directors' Meetings		Audit & Governance Committee Meetings	
	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended
Directors' Names				
Mr Boon Wee Kuah	8	8	-	-
Mr Peter Wallace	8	8	3	3
Mr Dominic Siu	6	6	1	1
Mr Robin King	6	6	-	-
Mr Jeff Dowling	3	3	2	2
Mr John Cooper	3	3	-	-

	Remuneration Committee	
	Number Eligible to attend	Number Attended
Directors' Names		
Mr Boon Wee Kuah	1	1
Mr Peter Wallace	1	1
Mr Dominic Siu	-	-
Mr Robin King	-	-

Indemnification and Insurance of Directors and Officers

The Company indemnifies 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 period 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 insurance 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
Unlisted	$0.48	4,220,000

All options entitle the holder to one ordinary share.

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 period.

Employee Details

Details of the number of employees in the consolidated group as at 31 March 2014 are set out below:

	2014 No.	2013 No.
Number of employees	488	377

Non-audit Services

Amounts paid to the auditor of the company, Ernst and Young, and its related practices for all non-audit services provided during the period were $59,243 (2012: $53,908). Refer Note 9 for details. The nature of non-audit services provided means that auditor independence was not compromised. The Directors are satisfied that provision of non-audit services is compatible with the general standard of independence for auditors imposed by Corporations Act 2001.

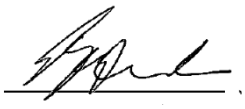
Auditor Independence Declaration

The lead auditor's independence declaration for the year ended 31 March 2014 has been received and can be found on page 20 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 statements and Directors' report have been rounded to the nearest thousand dollars.

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



Boon Wee Kuah
Chairman

Dated this 30 day of May 2014

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Neptune Marine Services Limited, I state that:

1. In the opinion of the directors:

   (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

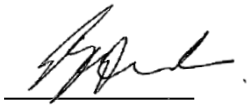
      (i) giving a true and fair view of the consolidated entity's financial position as at 31 March 2014 and of its performance for the year ended on that date; and

      (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*;

   (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(b);

   (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

2. This declaration has been made after receiving the declarations required to be made to the Directors from the Chief Executive Officer and Chief Financial Officer in accordance with section 295A of the Corporations Act 2001 for the financial year ended 31 March 2014.



Boon Wee Kuah
Chairman

Dated this 30 day of May 2014

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
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Auditor's Independence Declaration to the Directors of Neptune Marine Services Limited

In relation to our audit of the financial report of Neptune Marine Services Limited for the financial year ended 31 March 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Peter McIver
Partner
30 May 2014

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2014

		Consolidated	
		12 Months 2014	**9 Months 2013**
	Note	**$000**	**$000**
Revenue	6(a)	135,920	87,534
Other revenue	6(a)	196	104
Total revenue		136,116	87,638
Cost of sales and services rendered		(95,975)	(59,131)
Gross profit		**40,141**	**28,507**
Other income	6(b)	373	77
Marketing expenses		(444)	(244)
Occupancy expenses		(4,034)	(2,944)
Corporate, shared services and board expenses	7(d)	(5,556)	(3,964)
Business operating expenses	7(e)	(23,225)	(18,964)
Takeover related costs	7(h)	-	(1,187)
Technical expenses		(243)	(189)
Finance costs	7(a)	(345)	(307)
Goodwill impairment		-	(16,515)
Other expenses	7(f)	(448)	(1,210)
Profit/(loss) from continuing operations before income tax		**6,219**	**(16,940)**
Income tax expense	8	(1,469)	(455)
Net profit/(loss) for the period		**4,750**	**(17,395)**
Earnings per share			
Basic earnings/(loss) per share	11	0.003	(0.009)
Diluted earnings/(loss) per share	11	0.003	(0.009)

The above consolidated income statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2014

	Consolidated	
	12 Months 2014	**9 Months 2013**
	$000	**$000**
Net profit/(loss) for the period	4,750	(17,395)
Other comprehensive income		
Items in other comprehensive income that may be recycled subsequently through profit and loss		
Foreign currency translation	4,410	(929)
	4,410	**(929)**
Total comprehensive profit/(loss) for the period	**9,160**	**(18,324)**
Total comprehensive profit/(loss) for the period attributable to members of the parent	**9,160**	**(18,324)**

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 MARCH 2014

		Consolidated	
		31 March 2014	**31 March 2013**
	Note	**$000**	**$000**
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	12	11,955	9,741
Trade and other receivables	13	23,662	25,663
Inventories	14	1,028	1,674
Other current assets	19	12,079	15,190
TOTAL CURRENT ASSETS		48,724	52,268
NON-CURRENT ASSETS			
Trade and other receivables	15	2,643	1,116
Property, plant and equipment	17	29,085	23,090
Deferred tax assets	8	2,825	2,677
Intangible assets and goodwill	18	14,489	13,858
TOTAL NON-CURRENT ASSETS		49,042	40,741
TOTAL ASSETS		97,766	93,009
CURRENT LIABILITIES			
Trade and other payables	20	15,138	21,125
Current tax liability	8	975	347
Interest bearing loans and borrowings	21	434	114
Provisions	22	1,449	1,194
TOTAL CURRENT LIABILITIES		17,996	22,780
NON-CURRENT LIABILITIES			
Interest bearing loans and borrowings	21	123	164
Deferred tax liabilities	8	723	800
Provisions	22	462	256
TOTAL NON-CURRENT LIABILITIES		1,308	1,220
TOTAL LIABILITIES		19,304	24,000
NET ASSETS		78,462	69,009
EQUITY			
Contributed equity	23	273,804	273,804
Reserves	24	(17,510)	(22,213)
Accumulated losses		(177,832)	(182,582)
TOTAL EQUITY		78,462	69,009

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2014

Consolidated	Ordinary Shares	Retained Earnings /(Accumulated Losses)	Foreign Currency Translation Reserve	Employee Equity Benefits Reserve	Hedge Reserve	Total
	$000	$000	$000	$000	$000	$000
Balance at 1 July 2012	273,031	(165,187)	(27,721)	6,302	170	86,595
Loss for the period	-	(17,395)	-	-	-	(17,395)
Other comprehensive income	-	-	(929)	-	-	(929)
Total comprehensive income for the period	-	(17,395)	(929)	-	-	(18,324)
Transactions with owners in their capacity as owners						
Retention rights conversion	773	-	-	(773)	-	-
Cost of share based payments	-	-	-	738	-	738
Sub-total	773	(17,395)	(929)	(35)	-	(17,586)
Balance at 31 March 2013	273,804	(182,582)	(28,650)	6,267	170	69,009
Balance at 1 April 2013	273,804	(182,582)	(28,650)	6,267	170	69,009
Profit for the period	-	4,750	-	-	-	4,750
Other comprehensive income	-	-	4,410	-	-	4,410
Total comprehensive income for the period	-	4,750	4,410	-	-	9,160
Transactions with owners in their capacity as owners						
Cost of share based payments	-	-	-	523	-	523
Cash settlement of retention rights	-	-	-	(230)	-	(230)
Sub-total	-	4,750	4,410	293	-	9,453
Balance at 31 March 2014	273,804	(177,832)	(24,240)	6,560	170	78,462

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2014

		Consolidated	
		12 Months 31 March 2014	**9 Months 31 March 2013**
	Note	**$000**	**$000**
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		146,800	80,504
Interest received		196	93
Payments to suppliers and employees		(133,518)	(76,487)
Interest paid		(345)	(304)
Income tax (paid)/received		(1,057)	(300)
Net cash flows derived from operating activities	27(a)	12,076	3,506
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		59	14
Purchase of property, plant and equipment		(8,878)	(2,342)
Net cash flows derived used in investing activities		(8,819)	(2,328)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceed from borrowings		1,210	-
Repayment of borrowings		(951)	(1,413)
Receipts from promissory note loan		-	736
Payment for cancelled retention rights		(230)	-
(Payment)/receipt of deposits for bank guarantee		(1,510)	1,858
Net cash flows (used in) / derived from financing activities		(1,481)	1,181
Net increase / decrease in cash and cash equivalents held		1,776	2,359
Cash and cash equivalents at beginning of financial period		9,741	7,786
Net foreign exchange difference		438	(404)
Cash and cash equivalents at end of financial period	12	11,955	9,741

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

Note 1 Corporate Information

The financial report of the Neptune Marine Services Limited "Group" for the year ended 31 March 2014 and was authorised for issue in accordance with a resolution of the Director's on 30 May 2014.

The financial report covers the consolidated Group of Neptune Marine Services Limited and its controlled entities. Neptune Marine Services Limited is a listed public company, incorporated and domiciled in Australia.

The nature of the operations and principal activities of the Group are described in the Director's Report.

Note 2 Summary of Significant Accounting Policies

(a) Basis of Preparation

Change in financial year end date and this year's comparatives

Neptune Marine Services Limited and Controlled Entities obtained approval from the Australian Securities and Investments Commission ("ASIC") to change its financial year end date from 30 June to 31 March. As a result, the comparative prior financial year of the Group is the nine month period 1 July 2012 to 31 March 2013. Effective 1 April 2013, the financial years of the Group are for twelve month periods ending 31 March. As such, the amounts presented in the financial report are not entirely comparable.

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($000) unless otherwise stated.

The accounting policies adopted are consistent with those of the previous year other than in respect of changes in accounting policies described in note 2(c).

Going Concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

As at 31 March 2014 the consolidated entity had net current assets of $30.728 million (2013: $29.488million). At that date the consolidated entity had cash and cash equivalents of $11.955 million (2013: $9.741 million).

For the year ended 31 March 2014 the consolidated entity has made a profit from continuing operations before tax of $6.219 million (9 months ended 31 March 2013: $16.940 million loss which included goodwill impairment write downs of $16.515 million) and had operating cash inflows of $12.076 million (9 months ended 31 March 2013: inflows $3.506 million).

The Directors have reviewed the business outlook, the positive forecast cash flows and operating results for the 2014/15 year and the assets and liabilities of the Group and are of the opinion that the use of the going concern basis of accounting is appropriate.

On this basis, it is the opinion of the Board of Directors that the consolidated entity will be able to continue as a going concern and that therefore, the basis of preparation is appropriate.

(b) Compliance with IFRS

The financial report also complies with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

(c) New Accounting Standards and Interpretations

(i) Changes in accounting policy and disclosures

Neptune Marine Services Limited has adopted all Australian Accounting Standard and Interpretations mandatory for annual periods beginning on or after 1 April 2013. When the adoption of the Standard or Interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

AASB 13 Fair Value Measurement

AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.

The adoption of AASB 13 did not have a material impact on the financial position or performance of the Group.

(c) New Accounting Standards and Interpretations (continued)

AASB119 Employee Benefits

The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.

This standard resulted in a change in the accounting policy but did not have a material impact on the financial statements.

Other Changes

The Group has adopted the following other new or amended Standards which have not resulted in any significant changes to accounting policies:

- AASB 10 Consolidated Financial Statements
- AASB 11 Joint Arrangements
- AASB 12 Disclosure of Interests in Other Entities
- AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities
- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle
- AASB 2012-9 Amendment to AASB 1048 arising from the withdrawal of Australian Interpretation 1039
- AASB CF 2013-1 Amendments to the Australian Conceptual Framework

Standards early adopted

Other than as noted below, the Group has not elected to early adopt any other new or amended Standards or Interpretations that are issued but not yet effective, as described below.

The AASB issued AASB 2013-3 *Amendments to AASB 136 – Recoverable Amounts Disclosures for Non-financial Assets.* AASB 2013-3 amends the disclosure requirements in AASB 136 *Impairment of Assets.* The amendments addressed certain unintended consequences arising from consequential amendments made to AASB 136 when AASB 13 was issued. Although the mandatory effective date for application of the amendments is for annual periods beginning on or after 1 January 2014 (and hence not applicable to the Group until 1 April 2014), the Group has elected to early adopt it in these financial statements. There was no impact on the financial statements.

Note 2 Summary of Significant Accounting Policies (continued)

(c) New Accounting Standards and Interpretations (continued)

Standards issued but not yet effective

Reference	*Title*	*Summary*	*Application date of standard*	*Impact on Group Financial Report*	*Application date for Group*
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.	1 July 2013	The Group has determined the likely impact will be disclosure only.	1 April 2014
AASB 2012-3	Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities	AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	The Group is yet to assess the impact.	1 April 2014
Interpretation 21	Levies	This Interpretation confirms that a liability to pay a levy is only recognised when the activity that triggers the payment occurs. Applying the going concern assumption does not create a constructive obligation.	1 January 2014	The Group is yet to assess the impact.	1 April 2014
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. a. Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. d. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: ► The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ► The remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk	1 January 2017	The Group is yet to assess the impact.	1 April 2017

Note 2 Summary of Significant Accounting Policies (continued)

(c) New Accounting Standards and Interpretations (continued)

Reference	*Title*	*Summary*	*Application date of standard*	*Impact on Group Financial Report*	*Application date for Group*
		are also presented in profit or loss. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10. The AASB issued a revised version of AASB 9 (AASB 2013-9) during December 2013. The revised standard incorporates three primary changes: 1. New hedge accounting requirements including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures; 2. Entities may elect to apply only the accounting for gains and losses from own credit risk without applying the other requirements of AASB 9 at the same time; and 3. The mandatory effective date moved to 1 January 2017.			
AASB 2013-4	Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting [AASB 139]	AASB 2013-4 amends AASB 139 to permit the continuation of hedge accounting in specified circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations.	1 January 2014	The Group has determined the likely impact on the Group's financial statements will not be material.	1 April 2014
AASB 2013-5	Amendments to Australian Accounting Standards – Investment Entities [AASB 1, AASB 3, AASB 7, AASB 10, AASB 12, AASB 107, AASB 112, AASB 124, AASB 127, AASB 132, AASB 134 & AASB 139]	These amendments define an investment entity and require that, with limited exceptions, an investment entity does not consolidate its subsidiaries or apply AASB 3 Business Combinations when it obtains control of another entity. These amendments require an investment entity to measure unconsolidated subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. These amendments also introduce new disclosure requirements for investment entities to AASB 12 and AASB 127.	1 January 2014	The Group has determined the likely impact on the Group's financial statements will not be material.	1 April 2014

Note 2 Summary of Significant Accounting Policies (continued)

(c) New Accounting Standards and Interpretations (continued)

Reference	*Title*	*Summary*	*Application date of standard*	*Impact on Group Financial Report*	*Application date for Group*
Annual Improvements 2010–2012 Cycle	Annual Improvements to IFRSs 2010–2012 Cycle	This standard sets out amendments to International Financial Reporting Standards (IFRSs) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB. The following items are addressed by this standard: ► IFRS 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'. ► IFRS 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to IAS 37. ► IFRS 8 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' asset to the entity's assets. ► IAS 16 & IAS 38 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts. ► IAS 24 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of IAS 24 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.	1 July 2014	The Group is yet to assess the impact.	1 April 2015
Annual Improvements 2011–2013 Cycle	Annual Improvements to IFRSs 2011–2013 Cycle	This standard sets out amendments to International Financial Reporting Standards (IFRSs) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB. The following items are addressed by this standard: ► IFRS 13 - Clarifies that the portfolio exception in paragraph 52 of IFRS 13 applies to all contracts within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32. ► IAS 40 - Clarifies that judgment is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of IFRS 3 that includes an investment property. That judgment is based on guidance in IFRS 3.	1 July 2014	The Group has determined the likely impact on the Group's financial statements will not be material.	1 April 2015
AASB 1031	Materiality	The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework (issued December 2013) that contain guidance on materiality. AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed.	1 January 2014	The Group has determined the likely impact on the Group's financial statements will not be material.	1 April 2014

Note 2 Summary of Significant Accounting Policies (continued)

(c) New Accounting Standards and Interpretations (continued)

Reference	*Title*	*Summary*	*Application date of standard*	*Impact on Group Financial Report*	*Application date for Group*
AASB 2013-9	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	The Standard contains three main parts and makes amendments to a number Standards and Interpretations. Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1. Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards. Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 Hedge Accounting into AASB 9 Financial Instruments.	1 January 2014	The Group has determined the likely impact on the Group's financial statements will not be material.	1 April 2014

(d) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Neptune Marine Services Limited and its subsidiaries [as outlined in note 28(a)] for the financial year ended 31 March 2014 in the current year and a nine month period in the prior year ended 31 March 2013.

Subsidiaries are all those entities over which the Group has power over the investee such that the Group is able to direct the relevant activities, has exposure or rights to variable returns from its involvements with the investee and has the ability to use its power over the investee to affect the amount of the investor's return. Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date at which control is transferred out of the Group. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a Group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends have been eliminated in full.

Investments in subsidiaries held by Neptune Marine Services Limited are accounted for at cost in the separate financial statements of the parent entity less any impairment charges. Dividends received from subsidiaries are recorded as a component of other revenues in the separate income statement of the parent entity, and do not impact the recorded cost of the investment. Upon receipt of dividend payments from subsidiaries, the parent will assess whether any indicators of impairment of the carrying value of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values [see note 2(e)].

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit disposal of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction.

Note 2 Summary of Significant Accounting Policies (continued)

(d) Basis of consolidation (continued)

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to the profit or loss, or retained earnings, as appropriate.

(e) Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of AASB 139, it is measured in accordance with the appropriate AASB.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(f) Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(g) Foreign Currency Translation

The Group's consolidated financial statements are presented in Australian dollars, which is also the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group has elected to recycle the gain or loss that arises from the direct method of consolidation, which is the method the Group uses to complete its consolidation.

Note 2 Summary of Significant Accounting Policies (continued)

(g) Foreign Currency Translation (continued)

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

Australia	AUD
Asia and Middle East	USD
United Kingdom	GBP

(i) *Transactions and balances*

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date.

All differences arising on settlement or translation of monetary items are taken to the income statement with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed, at which time, the cumulative amount is reclassified to the income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

(ii) *Group companies*

On consolidation the assets and liabilities of foreign operations are translated into AUD at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

(h) Revenue recognition

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 rendering of a service is recognised by reference to the stage of completion of a contract or contracts in progress at reporting date or at the time of completion of the contract and billing to the customer.

Stage of completion is measured by reference to labour hours and costs incurred to date as a percentage of total estimated labour hours and costs for each contract which is determined by a set quotation with the customer.

When the contract outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

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.

(i) Operating Segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the level of segment information presented to the Board of Directors.

Operating segments have been identified based on the information provided to the chief operating decision makers — being Neptune's senior management.

The Group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Nature of the products and services
- Nature of the production processes
- Type or class of customer for the products and services
- Methods used to distribute the products or provide the services, and if applicable
- Nature of the regulatory environment

Note 2 Summary of Significant Accounting Policies (continued)

(i) Operating Segments (continued)

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

(j) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

When the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the income statement over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual instalments. When loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grants.

(k) Income Tax and Other Taxes

Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or in profit or loss.

Tax consolidation legislation

Neptune Marine Services Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2009.

The head entity, Neptune Marine Services Limited and the controlled entities in the tax consolidated Group continue to account for their own current and deferred tax amounts. The Group has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated Group.

Note 2 Summary of Significant Accounting Policies (continued)

(k) Income Tax and Other Taxes (continued)

In addition to its own current and deferred tax amounts, Neptune Marine Services Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details of the tax funding agreement are disclosed in note 8.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable
- Receivables and payables, which are stated with the amount of GST included

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(l) Property, Plant and Equipment

Each class of property, plant and equipment is historical carried at cost less, where applicable, any accumulated depreciation and any accumulated 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 generated from the use of the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

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
Office furniture, equipment and software	25% - 33%
Leasehold Improvements	20% - 33%
Plant and equipment	20% - 40%
Leased Vehicles	20%
Remotely Operated Vehicles (ROV's) and Vessels	5-10%

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.

Note 2 Summary of Significant Accounting Policies (continued)

(m) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of AASB Int 4.

(i) Group as a lessee

Finance leases that transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

(n) Intangible Assets

Research and development

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in technical expenses. During the period of development, the asset is tested for impairment annually.

(o) Financial Instruments – Initial Recognition and Subsequent Measurement

i) Financial assets

Initial recognition and Measurement

Financial assets within the scope of AASB 139 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, and trade and other receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described 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. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR (effective interest rate) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs for loans and in cost of sales or other operating expenses for receivables.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Note 2 Summary of Significant Accounting Policies (continued)

(o) Financial Instruments – Initial Recognition and Subsequent Measurement (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a "pass-through" arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

ii) Impairment of financial assets

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the income statement.

iii) Financial liabilities

Initial Recognition and measurement

Financial liabilities within the scope of AASB 139 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs. The Group's financial liabilities include trade and other payables and loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification, described as follows:

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

Note 2 Summary of Significant Accounting Policies (continued)

(o) Financial instruments – Initial Recognition and Subsequent Measurement (continued)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

(p) 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 is 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

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(q) Impairment of Non-Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating units (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years.

For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the income statement in expense categories consistent with the function of the impaired asset, except for a property previously revalued and the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the assets or CGUs recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

The following assets have specific characteristics for impairment testing:

Goodwill

Goodwill is tested for impairment annually (as at 31 March) and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December either individually or at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

(r) Cash and Short-Term Deposits

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

Note 2 Summary of Significant Accounting Policies (continued)

(s) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at reporting date.

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 due 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.

Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payment to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(t) Share-Based Payment Transactions

Employees (including senior executives) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

Equity-settled transactions

The cost of equity-settled transactions is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense (Note 7c).

No expense is recognised for awards that do not ultimately vest, except for a transaction for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

When an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Note 3 Significant Accounting Judgements, Estimates and Assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

(i) Significant Accounting Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Impairment of non-financial assets other than goodwill and indefinite life intangibles

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product and manufacturing performance, technology, economic and political environments and future product expectations. If an impairment trigger exists the recoverable amount of the asset is determined.

Taxation

The Group's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the statement of financial position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Deferred tax liabilities arising from temporary differences in investments, caused principally by retained earnings held in foreign tax jurisdictions, are recognised unless repatriation of retained earnings can be controlled and are not expected to occur in the foreseeable future.

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, operating costs, restoration costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the statement of comprehensive income.

(ii) Significant Accounting Estimates and Assumptions

Impairment of goodwill and intangibles with indefinite useful lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units, using a value in use discounted cash flow methodology, to which the goodwill and intangibles with indefinite useful lives are allocated. No impairment loss was recognised in the current period in respect of goodwill (2013: $16.515 million impairment loss was recognized). The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives including a sensitivity analysis are discussed in note 18.

Share-based payment transactions

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 with the assistance of an external valuer using an option pricing model. The related assumptions are detailed in note 31. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Estimation of useful lives of assets

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 lives are made when considered necessary.

Depreciation charges are included in note 17.

Note 4 Financial Risk Management

The Group's principal financial instruments comprise receivables, payables, finance facilities, finance leases, hire purchases, cash and short-term deposits.

Risk Exposures and Responses

The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets while protecting future financial security.

Note 4 Financial Risk Management (continued)

Risk Exposures and Responses (continued)

At various times the Group entered into derivative transactions, principally forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance. Derivatives classified as held for trading relating to forward currency contracts provided economic hedges, but did not qualify for hedge accounting and were based on limits set by the Board. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate and foreign exchange. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the Group Finance department under the authority of the Board. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit allowances, and future cash flow forecast projections.

The Group holds the following financial instruments:

	Consolidated	
	2014	**2013**
	$000	**$000**
Financial Assets		
Cash and cash equivalents	11,955	9,741
Trade and other receivables	26,305	26,779
Total	38,260	36,520
Financial Liabilities		
Trade and other payables	15,138	21,125
Interest bearing loans and borrowings	557	278
Total	15,695	21,403

(i) Interest Rate Risk

Cash and cash equivalents

The Group held its cash reserves on deposit and in cheque accounts during the period, which earned interest at rates ranging between 0% and 3% (2013: 0% and 8.50%) depending on account balances.

Other than cash and other short term deposits, all the Group's financial assets are non-interest bearing.

Interest bearing liabilities

Interest bearing liabilities are comprised of hire purchase agreements of $189,000 (2013: $267,000), other finance arrangements of $368,000 (2013: $11,000).

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 variable interest rate risk, including the effective average interest rate by maturity periods.

		Consolidated
	Average Interest Rate	**2014**
		$000
Financial Assets		
Cash and cash equivalents		11,955
Financial liabilities		
Hire Purchase agreements	13.50%	(189)
Other finance arrangements *	0.22%	(368)
		11,398

* Other finance arrangements include Microsoft Office financing.

	Average Interest Rate	**2013**
		$000
Financial Assets		
Cash and cash equivalents		9,741
Financial Liabilities		
Hire Purchase agreements	10.86%	(267)
Other finance arrangements *	9.75%	(11)
		9,463

* Other finance arrangements include insurance funding arrangements and ERP system.

Note 4 Financial Risk Management (continued)

(i) Interest Rate Risk (continued)

The Group's mix of financial assets and liabilities are exposed to Australian and United Kingdom variable interest rate risk determined by local financial institutions.

As at 31 March 2014, if interest rates had changed by +/- 100 basis points from the year end rates with all other variables held constant, post-tax profit/(loss) for the period would have been $40,000 higher/lower (2013: $55,000). This would be a result of higher/lower interest revenue on deposits and higher/lower interest expense on borrowings.

(ii) Foreign Currency Risk

The consolidated entity is exposed to foreign currency on sales, purchases, investments, 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 uses foreign currency denominated cash and foreign exchange forward contracts to manage some of its transaction exposures. There were no derivative instruments at year end. The foreign exchange forward contracts are not designated as cash flow hedges and are entered into for periods consistent with foreign exposure of the underlying transactions, generally from one to 24 months. With regard to other foreign currency transactions, generally there is no need to manage currencies as there is a corresponding asset or liability which will offset any foreign currency risk.

The financial instruments exposed to movements in the GBP are:	Consolidated	
	2014	**2013**
	$000	**$000**
Cash and cash equivalents	477	25
Trade and other payables	(77)	(52)
Net exposure	400	(27)

The financial instruments exposed to movements in the USD are:	Consolidated	
	$000	**$000**
Cash and cash equivalents	1,673	1,258
Trade and other receivables	87	782
Trade and other payables	(7)	(738)
Net exposure	1,753	1,302

As at 31 March 2014, 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 period would have been $28,234 lower/higher.
- if the AUD had strengthened/weakened by 10% against the USD, post-tax profit for the period would have been $83,024 lower/higher

As at 31 March 2013, 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 period would have been $1,185 lower/higher.
- if the AUD had strengthened/weakened by 10% against the USD, post-tax profit for the period would have been $87,051 lower/higher.

(ii) Foreign Currency Risk

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

		Consolidated			
	Current	**Past due but not impaired**		**Past due and impaired**	**Total**
	$000	**$000**	**$000**	**$000**	**$000**
Individual Currency	**0 - 60 days**	**61 - 90 days**	**90 + days**		
Australian Dollars	12,964	75	345	-	13,384
United States Dollars	531	785	2,763	753	4,832
Great British Pounds	2,684	104	11	-	2,799
Euro	534	-	-	-	534
Norwegian Krone	28	-	-	-	28

Note 4 Financial Risk Management (continued)

(ii) Foreign Currency Risk (continued)

	Consolidated				
	Current	Past due but not impaired		Past due and impaired	Total
	$000	$000	$000	$000	$000
Australian Dollar Equivalent	**0 - 60 days**	**61 - 90 days**	**90 + days**		
Australian Dollars	12,964	75	345	-	13,384
United States Dollars	575	850	2,993	816	5,234
Great British Pounds	4,836	187	20	-	5,043
Euro	795	-	-	-	795
Norwegian Krone	5	-	-	-	5
	19,175	1,112	3,358	816	24,461

The majority of the balances held in USD and GBP are held in entities with those respective functional currencies. Therefore there is minimal foreign currency risk.

(iii) 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, the consolidated entity's customers are weighted towards large reputable clients.

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

(iv) 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.

Financial Instruments

The table below reflects the timing of repayments of recognised financial liabilities at 31 March 2014. As such, the amounts may not reconcile to the balance sheet.

	Within Year		1 to 5 years		Total	
	$000		$000		$000	
	2014	2013	2014	2013	2014	2013
Financial Liabilities:						
Trade and sundry payables	15,138	21,125	-	-	15,138	21,125
Lease liabilities and other	434	114	123	164	557	278
Total Financial Liabilities	15,572	21,239	123	164	15,695	21,403

Fair value hierarchy

All financial instruments for which fair value is recognized or disclosed are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

(a) Quoted prices in active markets (Level 1);
(b) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2); and
(c) Inputs that are not based on observable market data (Level 3).

The Group recognizes transfers between the levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no transfers between Level 1, Level 2 or Level 3 fair value measurements during the year ended 31 March 2014.
The carrying value of other financial measurements not measured at fair value approximates their fair values.

Note 5 Operating Segments

Identification of Reportable Segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by Neptune's management team in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the nature of the services provided to customers. Discrete financial information about each of these operating businesses is reported to Neptune's management team on at least a monthly basis.

Types of Products and Services

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

Neptune Marine Services comprises the two distinct divisions: Offshore Services and Engineering Services. Globally, the company has operational bases in Australia, South East Asia and the United Kingdom. The services provided to customers are on an offshore and engineering basis and can combine services from multiple regions.

Offshore Services

The Offshore Services division provides the oil and gas, marine and associated industries with a range of specialised services, including: commercial diving, inspection, repair and maintenance support, difficult and confined area access via rope access, tension netting and modular platforms, remotely operated vehicles (ROVs), subsea pipeline/cable stabilisation and protection, hydro graphic surveying, positioning and geophysical support, and project management.

Engineering Services

The Engineering Services division provides the oil and gas, marine, renewable energy and associated industries with a range of specialised services, including: subsea and pipeline engineering, fabrication, assembly and testing, refurbishment, installation, maintenance, the patented NEPSYS® dry underwater welding technology, and project management.

Accounting Policies and Inter-Segment Transactions

The accounting policies used by the Group in reporting segments internally are the same as those contained in note 2 to the accounts and in the prior period, except as detailed below:

Inter-entity sales

Inter-entity sales are recognised based on an internally set transfer price. The price aims to reflect what the business operation could achieve if they sold their output and services to external parties at arm's length.

Corporate charges

Corporate charges comprise non–segmental expenses such as head office expenses and interest. Corporate charges are allocated to each business segment on a proportionate basis linked to segment revenue so as to determine a segmental result.

It is the Group's policy that if items of revenue and expense are not allocated to operating segments then any associated assets and liabilities are also not allocated to segments. This is to avoid asymmetrical allocations within segments which management believe would be inconsistent.

Unallocated items

The following items and associated assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

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

Major Customers

The Group has a number of customers to which it provides its services. Approximately 19% or $26,318,000 (2013: 27% or $23,807,000) arose from the sale to the Group's two largest customers. These revenues were included in the offshore division segment. No other single customer contributed 10% or more to the Group's revenue for both 2014 and 2013.

The following table presents revenue and profit information for reportable segments for the year ended 31 March 2014 and 9 month period ended 31 March 2013.

Note 5 Operating Segments (continued)

	Continuing Operations					
	Engineering		Offshore Services		Total	
	12 Months 2014 $000	9 Months 2013 $000	12 Months 2014 $000	9 Months 2013 $000	12 Months 2014 $000	9 Months 2013 $000
Revenue						
Sales to external customers	33,271	18,233	102,649	69,301	135,920	87,534
Intersegment sales	16,291	7,608	33,383	9,724	49,674	17,332
Other revenue	3	-	193	104	196	104
Total sales revenue	49,565	25,841	136,225	79,129	185,790	104,970
Internal sales elimination					(49,674)	(17,332)
Total revenue per the income statement					136,116	87,638
Result						
Segment result before impairments, asset write downs and items below:	2,601	2,487	14,836	6,681	17,437	9,168
Impairment of Goodwill	-	(1,482)	-	(15,033)	-	(16,515)
Segment results after impairment and before items below:	2,601	1,005	14,836	(8,352)	17,437	(7,347)
Reconciliation of segment net profit before tax to net profit before tax						
Finance costs					(345)	(307)
Unallocated Corporate, shared services and Board expenses					(9,976)	(8,258)
Technical expenses					(243)	(189)
Share-based payments					(523)	(738)
Foreign exchange loss					(131)	(101)
Net profit/(loss) from continuing operations before tax per the income statement					6,219	(16,940)

	Continuing Operations					
	Engineering		Offshore Services		Total	
Segment assets	2014 $000	2013 $000	2014 $000	2013 $000	2014 $000	2013 $000
Segment operating assets	14,568	7,825	67,435	70,348	82,003	78,173
Goodwill	3,959	3,184	8,979	8,975	12,938	12,159
Segment assets	18,527	11,009	76,414	79,323	94,941	90,332
Reconciliation of segment assets to the statement of financial position						
Deferred tax assets					2,825	2,677
Total assets from continuing operations per the statement of financial position					97,766	93,009

Entity Wide Information

Revenue from external customers by geographical locations is detailed below:

	Segment Revenues from External Customers		Carrying Amount of Assets	Total
	12 Months 2014 $000	9 Months 2013 $000	2014 $000	2013 $000
Australia - country of domicile	86,413	61,047	57,385	61,029
Asia and Middle East	17,609	11,115	15,053	12,019
United Kingdom	31,898	15,372	25,328	19,961
	135,920	87,534	97,766	93,009

Note 6 Revenue & Other Income

	Consolidated Group	
	12 Months 2014	**9 Months 2013**
	$000	**$000**
a) Revenue		
— Rendering of services revenue from operating activities	135,920	87,534
— Other revenue - interest received	196	104
Total Revenue	136,116	87,638
b) Other Income		
— Rent/other income	373	77
Total Other Income	373	77

Note 7 Expenses

	Consolidated Group	
	12 Months 2014	**9 Months 2013**
a) Finance costs:	**$000**	**$000**
— Interest to unrelated parties	345	307
Total finance costs	345	307
b) Depreciation, impairment (excluding goodwill) and amortisation:		
(i) Included in cost of sales		
— Depreciation	3,392	2,398
(ii) Included in administrative expenses		
— Depreciation	566	468
— Amortisation	235	176
Total	801	644
Total depreciation and amortisation	4,193	3,042
c) Employee benefit expenses:		
i) Included in Cost of Sales		
— salaries and wages	30,490	17,878
— superannuation	2,079	1,231
— other	1,989	1,259
Total	34,558	20,368
ii) Included in Administrative Expenses		
— salaries and wages	15,564	11,364
— superannuation	1,056	889
— employee entitlements	639	432
— share based payments	523	738
— other	2,148	1,480
Total	19,930	14,903
Total Employee benefit expenses	54,488	35,271
d) Corporate, shared service and Board expenses		
— Administrative costs	1,026	642
— Personnel expenses	4,272	3,080
— Depreciation expense	258	242
Total	5,556	3,964

Note 7 Expenses (continued)

e)	Business operating expenses		
	— Administrative costs	5,717	4,321
	— Personnel expenses	15,658	11,823
	— Depreciation expense	308	226
	— Other	1,542	2,594
		23,225	18,964
f)	Other expenses		
	— Impairment of property, plant and equipment	-	780
	— Loss on sale of property, plant and equipment	284	318
	— Other	164	112
		448	1,210
g)	Other items included in the income statement		
	— Bad and doubtful debts	(214)	973
	— Repairs and maintenance	578	610
		364	1,583
h)	Takeover related costs		
	— Legal Costs	-	183
	— Secretarial and Accounting	-	600
	— Accelerated share based payment	-	404
		-	1,187

Note 8 Income Tax

		Consolidated Group	
		12 Months 2014 $000	9 Months 2013 $000
(a)	**Income Tax Expense**		
	The major components of income tax expense are:		
	Current income tax		
	Current income tax charge	1,987	1,479
	Adjustments in respect of current income tax or previous years	(183)	(114)
	Deferred tax		
	Relating to origination and reversal of temporary differences	(335)	(910)
	Income tax expense reported in the statement of comprehensive income	1,469	455
(b)	**Amounts charged or credited directly to equity**		
	Current income tax relating to items charged (credited) directly to equity		
	Capital raising costs	-	(403)
	Deferred income tax relating to items charged (credited) directly to equity		
	Capital raising costs	-	403
	Income tax expense reported in equity	-	-
(c)	**Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per statutory income tax rate**		
	Accounting profit before tax	6,219	(16,940)
	Total accounting profit before tax	6,219	(16,940)
	At Parent Entity's statutory income tax rate of 30% (2013: 30%)	1,866	(5,082)
	Adjustments in respect of prior years	(494)	(507)
	Foreign tax rate adjustment	622	1,063
	Deferred tax not recognised	15,450	144
	Withholding tax in non-Australian jurisdictions	229	94
	Capital loss from intercompany loan forgiveness	(12,965)	-
	Share based payments	183	221
	Goodwill Impairment	-	4,570
	Other*	(3,422)	(48)
	Aggregate income tax expense	1,469	455
		1,469	455

* Included in Other is the foreign exchange adjustments associated with the Neptune Scotland Holdings Intercompany loan forgiveness.

Note 8 Income Tax (continued)

	2014 $000 Current Tax	2014 $000 Deferred Tax	2013 $000 Current Tax	2013 $000 Deferred Tax
(d) Recognised deferred tax assets and liabilities				
Opening Balance	(347)	1,877	306	1,414
Charged to income statement	(1,804)	334	(1,365)	910
Charged to equity	-	-	403	(403)
Payments / receipts	1,057	-	300	-
Other Adjustment	119	(109)	9	(44)
Closing balance	**(975)**	**2,102**	**(347)**	**1,877**
Amounts recognised in the statement of financial position:				
Deferred tax asset		2,825		2,677
Deferred tax liability		(723)		(800)
		2,102		**1,877**

	Statement of financial position 2014 $000	2013 $000
Deferred tax at 31 March relates to the following:		
(i) Deferred tax liabilities		
Property, Plant and Equipment	1,717	1,663
Prepayments	-	2
Foreign Exchange	529	673
Other	343	192
Gross deferred tax liabilities	2,589	2,530
Set off of deferred tax assets	1,866	1,730
Net deferred tax liabilities	723	800
(ii) Deferred tax assets		
Provisions	805	573
Foreign Exchange	-	5
Accruals	746	672
Transaction costs on equity issue	525	1,039
Unused tax losses	2,594	2,297
Borrowing Costs	-	10
Other	21	(189)
Gross deferred tax assets	4,691	4,407
Set off of deferred tax assets	1,866	1,730
Net deferred tax assets	2,825	2,677

(e) Tax losses

Gross unused tax losses for which no deferred tax asset has been recognised:	12 Months 2014 $000	9 Months 2013 $000
Australia	78,894	11,874
United Kingdom	11,058	8,946
US	24,707	21,838
Singapore	18,228	16,424
Qatar	567	977
Malaysia	268	-
Total unused tax losses for which no deferred tax asset has been recognised	133,722	60,059

Note 8 Income Tax (continued)

(f) Unrecognised temporary differences

At 31 March 2014, there are no unrecognised temporary differences associated with the Group's investment in subsidiaries, as the Group has no liability for additional taxation should unremitted earnings be remitted (2013: $Nil)

(g) Tax consolidation

(i) Members of the tax consolidated group and the tax sharing arrangement

Neptune Marine Services Ltd and its 100% owned Australian resident subsidiaries formed a tax consolidated group with effect from 1 July 2009. Neptune Marine Services Ltd is the head entity of the tax consolidated group. Members of the Group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the probability of default is remote.

(ii) Tax effect account by members of the tax consolidated group

Measurement method adopted under AASB Interpretation 1052 Tax Consolidation Accounting

The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 Income Taxes. The nature of the tax funding agreement is discussed further below.

In addition to its own current and deferred tax amounts, the head entity also recognises current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Nature of tax funding agreement

Members of the tax consolidated group have entered into a tax funding arrangement. Under the funding agreement the funding of tax within the Group is based on a standalone basis. The tax funding arrangement requires payments to/from the head entity to be recognised via an inter-entity receivable (payable) which is at call.

Tax consolidation contributions / (distributions)

Neptune Marine Services Ltd has recognised the following amounts as tax consolidation contribution adjustments:

	2014 $000	2013 $000
Total increase / (decrease) to tax payable of Neptune Marine Services Ltd	552	394
Total increase / (decrease) to intercompany assets of Neptune Marine Services Ltd	552	394

(h) Taxation of financial arrangements (TOFA)

Legislation is in place which changes the tax treatment of financial arrangements including the tax treatment of hedging transactions. No impact has been recognised and no adjustments have been made to the deferred tax and income tax balances at 31 March 2014.

Note 9 Auditors' Remuneration

	Consolidated Group 12 Months 2014 $	 9 Months 2013 $
Amounts received or due and receivable by Ernst & Young (Australia) for:		
— An audit or review of the financial report of the entity and any other entity in the consolidated Group	209,931	215,898
— Other services in relation to the entity and any other entity in the consolidated Group		
— Tax compliance	30,696	20,454
	240,627	236,352
Amounts received or due and receivable by related practices of Ernst & Young (Australia) for:		
— Audit services provided by overseas Ernst & Young firm	131,155	146,701
— Tax services provided by overseas Ernst & Young firm	28,547	28,801
— Due Diligence Services	-	4,653
	159,702	180,155
	400,329	416,507
Amounts received or due and receivable by non-Ernst & Young audit firms for:		
— Taxation services	43,721	3,947
— Other non-audit services	34,115	3,060
	77,836	7,007

Note 10 Dividends

No dividends have been provided for or paid during the year to 31 March 2014.

Note 11 Earnings Per Share

Basic earnings per share amounts are calculated by dividing net profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

		Consolidated Group	
		12 Months	9 Months
(a)	Earnings used in calculating earnings per share	2014	2013
	For basic profit earnings per share	**$000**	**$000**
	Net profit/(loss) attributable to ordinary equity holder of the parent	4,750	(17,395)
	For diluted profit earnings per share		
	Net profit/(loss) attributable to ordinary equity holders of parent	4,750	(17,395)
		No. Thousands	**No. Thousands**
(b)	Weighted average number of ordinary shares outstanding during the period used in calculating basic EPS	1,849,505	1,832,740
	Dilutive effect of options & retention rights	28,011	4,881
	Weighted average number of ordinary shares outstanding during the period used in calculating dilutive EPS	1,877,516	1,837,621

Note 12 Cash and Short term deposits

	Consolidated Group	
	2014	2013
	$000	$000
Cash at bank and in hand	11,955	9,741

Note 13 Current Assets - Trade and Other Receivables

	Consolidated Group	
	2014	2013
	$000	$000
Trade receivables	24,461	26,796
Allowance for impairment loss	(816)	(1,472)
	23,645	25,324
Other receivables	17	339
	23,662	25,663

Note 13 Current Assets - Trade and Other Receivables (continued)

(a) Allowance for Impairment Loss

Trade Receivables are non-interest bearing and are generally on 30-60 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. Bad debt reversal of $214,000 has been recognised by the Group in the current period (an impairment loss of $1,027,000 was recognised in the previous period). These amounts have been included in the administrative expenses category.

Movements in the provision for impairment loss were as follows:	12 Months 2014 $000	9 Months 2013 $000
At 1 April/1 July	1,472	538
Reversal/charge for the period	(214)	1,027
Foreign exchange differences	(442)	(93)
At 31 March	816	1,472

(b) Ageing of Receivables as at 31 March 2014

	Total $000	0-30 days $000	31-60 days $000	61-90 days $000	91+ days $000	91+ days CI* $000
2014	24,461	12,666	6,509	1,112	3,358	816
2013	26,796	11,930	7,102	3,587	2,705	1,472

* Considered impaired (CI)

(c) Related Party Receivables

For terms and conditions of related party receivables refer to note 28(e).

(d) Fair Value

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value.

(e) Foreign Exchanged Interest Risk

Details regarding foreign exchange and interest rate risk exposure are disclosed in note 4.

Note 14 Current Assets – Inventories

	Consolidated Group 2014 $000	Consolidated Group 2013 $000
Work in progress (at cost)	526	1,253
Finished goods (at cost)	502	421
Total inventories	1,028	1,674

Inventories recognised as an expense for the year ended 31 March 2014 totalled $4,823,435 (9 month period 2013: $3,198,070) for the Group. This expense has been included in the cost of sales line item as a cost of inventories.

Note 15 Non-Current Assets – Trade and Other Receivables

	Consolidated Group 2014 $000	Consolidated Group 2013 $000
Deposits for Security deposit (a)	265	30
Deposits for Bank Guarantee (a)	2,378	1,086
	2,643	1,116

(a) Deposits and Guarantees

All deposits and guarantees are held in AA & A+ credit rated (S&P) banks. Interest is earned based on variable interest rates.

(b) Related Party Receivables

There are no non-current related party receivables.

(c) Fair Values

Fair values of the non-current trade and other receivables approximates to their carrying value.

(d) Interest Rate Risk

Details regarding interest rate risk exposure are disclosed in note 4.

Note 16 Information relating to Neptune Marine Services Ltd

	2014 $000	2013 $000
Current assets	37,069	41,723
Total assets	122,201	123,037
Current liabilities	66,770	42,780
Total liabilities	87,162	60,407
Issued capital	273,804	273,804
Retained earnings	(230,175)	(200,157)
Translation Reserve	(15,320)	(17,454)
Hedge Reserve	170	170
Option Reserves	6,560	6,267
	35,039	62,630
Loss for the parent entity before impairment	(2,719)	(1,091)
Debt forgiveness*	(27,288)	-
Impairment of investment	-	(20,661)
Loss for the parent entity after impairment	(30,007)	(21,752)
Total comprehensive income of the parent entity	(27,873)	(24,319)

* Represents settlement of equity loan and outstanding interest between Neptune Marine Services Ltd and Neptune Scotland Holdings Ltd.

Finance Lease Commitments

Payable — minimum lease payments		
— not later than 12 months	165	11
— between 12 months and 5 years	192	-
Minimum lease payments	357	11
Less future finance charges	(2)	-
Present value of minimum lease payments	355	11

Operating Lease Commitments

Payable — minimum lease payments		
— not later than 12 months	701	660
— between 12 months and 5 years	292	991
Minimum lease payments	993	1,651

Financial Guarantees

The parent has issued the following guarantees in relation to the debt of its subsidiaries:

- Lease guarantee with National Australia Bank for the leased property of Neptune Marine Services (2014: $394,164 2013: $360,164). This lease expires on 30th November 2015.
- Lease guarantee with National Australia Bank for the development of Neptune Marine Services Orrong property (2014: $1,532,300 2013: $-). This lease expires on 31 July 2025.
- Guarantee in relation to the contract performance of its subsidiary Neptune Stabilisation (2014: $87,320, 2013: $208,605).

Contingent Liabilities

The parent entity had no contingent liabilities at 31 March 2014.

Tax Consolidated Group

Neptune Marine Services Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group with effect from 1 July 2009. Neptune Marine Services Limited is the head entity of the tax consolidated group. Members of the Group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. Tax liability for this financial period has been disclosed in accordance with this agreement.

Note 17 Property, Plant and Equipment

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

Consolidated Group:	Office Furniture, Equipment & Software $000	Leasehold Improvements $000	Plant and Equipment $000	Leased Vehicle $000	ROV's & Vessels $000	Construction in Progress $000	Total $000
Balance at 1 July 2012	**1,622**	**1,120**	**10,147**	**138**	**12,018**	**154**	**25,199**
Additions	46	29	462	-	241	1,564	2,342
Disposals	(57)	(142)	(920)	(7)	(1)	-	(1,127)
Transfers	104	-	400	99	-	(603)	-
Depreciation expense	(273)	(164)	(1,389)	(30)	(1,010)	-	(2,866)
Foreign exchange	(4)	-	(20)	-	(434)	-	(458)
Balance at 31 March 2013	**1,438**	**843**	**8,680**	**200**	**10,814**	**1,115**	**23,090**
Cost	3,431	1,885	15,913	382	21,178	1,115	43,904
Accumulated depreciation & impairment	(1,993)	(1,042)	(7,233)	(182)	(10,364)	-	(20,814)
Net carrying amount	**1,438**	**843**	**8,680**	**200**	**10,814**	**1,115**	**23,090**
Balance at 1 April 2013	**1,438**	**843**	**8,680**	**200**	**10,814**	**1,115**	**23,090**
Additions	311	24	3,575	64	80	4,824	8,878
Disposals	(28)	(5)	(315)	-	-	-	(348)
Transfers	-	-	-	-	-	-	-
Depreciation expense	(339)	(186)	(1,866)	(40)	(1,527)	-	(3,958)
Foreign exchange	24	4	102	-	1,293	-	1,423
Balance at 31 March 2014	**1,406**	**680**	**10,176**	**224**	**10,660**	**5,939**	**29,085**
Cost	3,622	1,861	18,476	446	23,310	5,939	53,654
Accumulated depreciation & impairment	(2,216)	(1,181)	(8,300)	(222)	(12,650)	-	(24,569)
Net carrying amount	**1,406**	**680**	**10,176**	**224**	**10,660**	**5,939**	**29,085**

Note 18 Intangible Assets and Goodwill

	2014 $000	**2013 $000**
Goodwill		
Opening balance	12,159	28,782
Foreign exchange differences	779	(108)
Impairment	-	(16,515)
Closing balance	12,938	12,159
Development costs		
Opening balance	1,699	1,875
Additions	87	-
Amortisation	(235)	(176)
Closing balance	1,551	1,699
Total Intangible Assets	**14,489**	**13,858**

Note 18 Intangible Assets and Goodwill (continued)

Description of the Group's Intangible Assets and Goodwill

(i) Development costs

Development costs are carried at cost less accumulated amortisation and accumulated impairment losses. This intangible asset has been assessed as having a finite life and is amortised using the straight line method over a remaining 16 year period. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

(ii) Goodwill

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indication of impairment.

Impairment Losses Recognised

No impairment loss was recognised for the year ended 31 March 2014 (9 months ended 31 March 2013: $16,515,000). The recoverable amount was based on value in use calculation.

Impairment Tests for Goodwill and Intangibles with Indefinite Useful Lives

(i) Description of the cash generating units and other relevant information

Goodwill acquired through business combinations have been allocated to and are tested at the level of their respective cash generating units ("CGU") for impairment testing for each of the entities as detailed below.

The recoverable amount of all cash generating units is determined based on a value in use calculation using cash flow projections as at 31 March based on actual and forecasted financial results approved by management covering a one year period. The long term growth rate used to extrapolate the cash flows of Neptune beyond the one year period is 2.5% (2013: 3%), this considers the industry outlook and market conditions.

The pre-tax, risk adjusted discount rates applied to these assets specific cash flows are:

	2014	2013
Asset Integrity	18.2%	17.6%
Engineering - UK	17.0%	16.4%
Diving - Australia	18.2%	17.6%

(ii) Carrying amount of goodwill allocated to each of the cash generating units (CGU)

	Consolidated Group	
	2014	2013
Carrying amount of goodwill at CGU level	$000	$000
Asset Integrity	3,000	3,000
Engineering - UK	3,959	3,184
Diving - Australia	5,979	5,975
	12,938	12,159

(iii) Key assumptions used in value in use calculations for the cash generating units

The calculations of value in use for all CGU's are most sensitive to the following assumptions:

- Earnings
- Discount rates
- Inflation rates
- Growth rates

Earnings – The forecast process was developed based on revenue expectations in the year built around existing customer contracts along with the potential to develop new markets and sustain growth. Gross margins were calculated on historical values and revenue mix within the various divisional segments throughout the Group with particular emphasis given to achieving consolidated earnings growth.

Discount rates - Discount rates reflect management's estimates of the time value of money and the risks specific to each unit that are not already reflected in the cash flows. In determining appropriate discount rates for each unit, regard has been given to the weighted average cost of capital of the entity as a whole adjusted for country and business risks specific to each unit.

Inflation rates – Inflation rates have been determined using the Consumer Price Index ("CPI") (3%) for the countries from which materials and services are sourced.

Growth rates – This considers the industry outlook and market conditions.

Note 18 Intangible Assets and Goodwill (continued)

(iv) *Sensitivity to changes in assumptions*

With regard to the assessment of the value in use of the non-impaired CGU's, management believe that no reasonably possible change in any of the above key assumptions would cause the carrying value of the CGU to materially exceed its recoverable amount.

Assuming all other assumptions remain constant but the pre-tax discount rate is increased by 0.5%, there would be no other impairment.

Assuming all other assumptions remain constant but the growth rate and CPI drops by 1% per annum, there would be no other impairment.

Note 19 Other Assets

	Consolidated Group	
	2014	**2013**
CURRENT	**$000**	**$000**
Prepayments	952	856
Deposits	88	105
Accrued income	11,039	14,229
	12,079	15,190

Note 20 Trade and Other Payables

	Consolidated Group	
	2014	**2013**
CURRENT	**$000**	**$000**
Unsecured liabilities		
Trade payables	5,001	7,957
Sundry payables and accrued expenses	10,097	13,168
Deferred Revenue	40	-
	15,138	21,125

(a) Fair Value

Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value. Current payables are on 30-45 day payment terms.

Note 21 Interest-bearing Loans and Borrowings

	Consolidated Group	
	2014	**2013**
CURRENT	**$000**	**$000**
Unsecured liabilities		
Hire purchase liability	79	103
Microsoft Financing	355	-
Other	-	11
	434	114
NON-CURRENT		
Unsecured liabilities		
Hire purchase liabilities	110	164
Other	13	-
	123	164

(a) Fair values

The carrying amounts of the Group's current and non-current borrowings approximate their fair value. The fair values have been calculated by discounting the expected future cash. The fair values have been calculated by discounting the expected future cash flows at prevailing market interest rates average 0.22% to 13.5% (2013: 4.88% to 10.86%) depending on the type of borrowing.

Note 21 Interest-bearing Loans and Borrowings (continued)

(b) Interest rate, foreign exchange and liquidity risk

Details regarding interest rate, foreign exchange and liquidity risk is disclosed in note 4.

(b) Debtor facility

Neptune has a debtor facility with NAB with an $8 million limit. Subsequent to year end, Neptune changed its banking facilities from NAB to ANZ. As a result of changeover NAB debtors facility will be replaced with ANZ Interchangeable Facility with a limit of $10 million. Facility may be allocated to the following Sub-Facilities: Standby Letter of Credit or Indemnity/Guarantee (Domestic) Facility and Cash Advance Facility.

Note 22 Provisions

	Consolidated Group	
	2014	2013
CURRENT	$000	$000
Provision for employee entitlements - Annual leave	1,449	1,194
Total provisions	1,449	1,194

	Consolidated Group	
	2014	2013
NON- CURRENT	$000	$000
Provision for employee entitlements - Long service leave	462	256
Total provisions	462	256

(a) Movements in provisions: There are no other non-employee related provisions.

(b) Nature and timing of provisions: Refer to note 2(s) for the relevant acccounting policy and a discussion of the significant estimations and assumptions applied in the measurement of this provision.

Note 23 Contributed Equity

	Consolidated Group	
	2014	2013
	$000	$000
1,849,505,508 (2013: 1,849,505,508) fully paid ordinary shares	273,804	273,804

(a) Ordinary Shares

	Consolidated Group	
	No.	$000
At 1 July 2012	1,815,307,946	273,031
Movements during the current period		
— LTI and Retention rights	34,197,562	773
At 31 March 2013	1,849,505,508	273,804
At 1 April 2013	1,849,505,508	273,804
Movements during the current period	-	-
At 31 March 2014	1,849,505,508	273,804

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

- For information relating to the Neptune Marine Services Limited employee option plan, including details of options issued, rights exercised and lapsed during the financial period and the options/rights outstanding at period-end. Refer to Note 30.
- For information relating to share options issued to key management personnel during the financial period. Refer to Note 29.

Note 23 Contributed Equity (continued)

(c) Capital Management

The treasury, accounting and financial analysis functions within the corporate finance group have responsibility for managing the Group's financial activities including; capital and liquidity management, budgeting and forecasting, financial risk management, compliance and reporting in order to ensure that the Group delivers value to shareholders, fund operations and continue as a going concern.

This area of responsibility is governed by a number of Board and Executive approved policies and procedures. Core capital management objectives include the maintenance of a number of financial metrics within Board approved guidelines including liquidity, leverage and profitability ratios.

The tools and strategies employed to effectively manage the Group's capital structure include those associated with the management of liquidity, capital structure and asset utilisation and financial risk.

There are no externally imposed capital requirements.

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 31 March 2014 and 9 month period ended 31 March 2013 are as follows:

		Consolidated Group	
		2014	**2013**
	Note	**$000**	**$000**
Total borrowings	21	557	278
Less cash and cash equivalents	12	(11,955)	(9,741)
Net debt/(surplus)		(11,398)	(9,463)
Total equity		78,462	69,009
Total capital		67,064	59,546
Gearing ratio		-17%	-16%

Note 24 Reserves

	Consolidated Group	
	12 Months 2014	**9 Months 2013**
Reserves	**$000**	**$000**
Foreign currency translation reserve	(24,240)	(28,650)
Employee equity benefits reserve	6,560	6,267
Hedge reserve	170	170
	(17,510)	(22,213)
Movements:		
Foreign currency translation reserve		
Opening balance	(28,650)	(27,721)
Currency translation difference arising during the period	4,410	(929)
Balance at period end	(24,240)	(28,650)
Employee equity benefits reserve		
Opening balance	6,267	6,302
Cost of equity benefits issued to employees	523	738
Conversion of Retention Rights	-	(773)
Cash settlement of retention rights	(230)	-
Balance at period end	6,560	6,267
Hedge reserve		
Opening balance	170	170
Net profit/(loss) after tax on a hedge of net investment	-	-
Balance at period end	170	170

Note 24 Reserves (continued)

Foreign currency translation reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Employee equity benefits reserve
The option reserve is used to record the value of share based payments provided to employees, including KMP, as part of their remuneration. Refer to note 30 for further details of these plans.

Hedge reserve
The hedge reserve is used to record gains and losses on hedges of the net investments in foreign operations.

Note 25 Commitments

		Consolidated Group	
(a)	**Finance Lease Commitments**	**2014**	**2013**
	Payable — minimum lease payments	**$000**	**$000**
	— not later than 12 months	267	136
	— between 12 months and 5 years	317	173
	Minimum lease payments	584	309
	Less future finance charges	(28)	(31)
	Present value of minimum lease payments	556	278

The finance leases relate to leased vehicles 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. The carrying value of finance leases and hire purchase contracts for various items of plant and machinery is $301,554 (2013: $494,765). There are no restrictions placed upon the lessee by entering into these leases.

		Consolidated Group	
(b)	**Operating Lease Commitments**	**2014**	**2013**
		$000	**$000**
	Non-cancellable operating leases contracted for but not capitalised in the financial statements		
	Payable — minimum lease payments		
	— not later than 12 months	2,422	1,849
	— between 12 months and 5 years	1,269	2,500
	Minimum lease payments	3,691	4,349

All operating leases of the Group relate to the leasing of premises. All leases are payable monthly. These leases have an average life of between one and five years. There are no restrictions placed upon the lessee by entering into these leases. The amount recognised in the income statement for operating lease rentals in 2014 was $2,858,463 (2013: $2,189,000).

(c) Capital Expenditure Commitments
The Group had contractual obligations to purchase plant and equipment for $800,000 at balance date (2013: $2,276,000). This commitment is expected to be settled within 12 months of the balance sheet date. The 2013 commitment was settled during 2013.

Note 26 Contingencies

Financial Guarantees

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

		2014	**2013**
		$000	**$000**
—	Performance guarantees	803	533
—	Guarantees related to leases	1,966	552
		2,769	1,085

Note 27 Cash Flow Information

		2014	2013
(a)	**Reconciliation of net profit after tax to net cash flows from operations**	**$000**	**$000**
	Profit/(loss) after income tax	4,750	(17,395)
	Cash flows excluded from profit attributable to operating activities:		
	Non-cash flows in profit		
	Depreciation/ amortisation	4,193	3,042
	Goodwill Impairment	-	16,515
	Loss on disposal of plant and equipment	284	1,098
	Share based payment expense	523	738
	Foreign exchange loss	131	57
	Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
	(Increase)/decrease in trade and term receivables	10,366	(6,270)
	(Increase)/decrease in prepayments	(66)	485
	(Increase)/decrease in inventories	(1,866)	(1,144)
	(Increase)/decrease in deferred tax assets and liabilities	(336)	(511)
	Increase/(decrease) in trade payables and accruals	(7,177)	6,337
	Increase/(decrease) in income taxes payable	815	666
	Increase/(decrease) in provisions	459	(112)
	Cash flow from operations	12,076	3,506

(b)	**Debtor Finance Facilities**		
	Debtor finance facilities	8,000	8,000
	Amount utilised	-	-
	Unutilised facility	8,000	8,000

Note 28 Related Party Disclosures

(a) Subsidiaries

The consolidated financial statements include the financial statements of Neptune Marine Services Limited and the subsidiaries listed in the following table.

	Country of Incorporation	Percentage owned (%)* 2014	2013
Parent Entity:			
Neptune Marine Services Limited	Australia		
Subsidiaries of Neptune Marine Services Limited			
Neptune Diving Services Pty Ltd	Australia	100%	100%
Allied Diving Services Pty Ltd	Australia	100%	100%
Neptune Marine Services International Pty Ltd	Australia	100%	100%
Neptune Fabrication Services Pty Ltd	Australia	100%	100%
Neptune Subsea Engineering Pty Ltd	Australia	100%	100%
Neptune Asset Integrity Services Pty Ltd	Australia	100%	100%
Neptune Subsea Stabilisation Pty Ltd	Australia	100%	100%
Neptune Geomatics Pty Ltd	Australia	100%	100%
Neptune Underwater Services (USA) LLC	United States of America	100%	100%
Neptune Delaware Holdings Inc.	United States of America	100%	100%
Neptune Scotland Holdings Ltd	United Kingdom	100%	100%
Neptune Offshore Services Ltd	United Kingdom	100%	100%
Neptune Deeptech Symons Ltd	United Kingdom	100%	100%
Neptune Subsea Engineering Ltd	United Kingdom	100%	100%
Neptune ROV Services Holdings Ltd	United Kingdom	100%	100%
Neptune ROV Services Ltd	United Kingdom	100%	100%
Neptune Asia Holdings Pte Ltd	Singapore	100%	100%
Neptune Marine Pacific Pte Ltd	Singapore	100%	100%
Neptune Subsea Stabilisation Pte Ltd	Singapore	100%	100%
PT Neptune Subsea Stabilisation	Indonesia	100%	100%
Neptune Access IRM Pte Ltd	Singapore	100%	100%
Neptune Marine Offshore Pte Ltd	Singapore	100%	100%
Neptune Subsea Services Sdn Bhd	Malaysia	100%	100%
Neptune ROV Services Pte Ltd	Singapore	100%	100%
Submersible Technology Services Sdn Bhd	Malaysia	100%	100%
Submersible Technology Services (Middle East S.P.C)	Bahrain	100%	100%
Neptune Marine Subsea Services Sdn Bhd	Brunei	100%	100%

* Percentage of voting power is in proportion to ownership

Note 28 Related Party Disclosures (continued)

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

(b) Transactions with related parties

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
	$000	$000	$000	$000
Entities with significant influence over the Group*:				
Premier Estate Pte Ltd	-	52	-	-
Premier Sea & Land Pte Ltd	-	9	-	-
Pemac Pte Ltd	-	2	-	-
MTQ Oilfield Services WLL	50	-	3	-
MTQ Engineering Pte Ltd	37	-	-	-
Total	87	63	3	-

*All entities are 100% owned by MTQ Corporation Limited.

(c) Ultimate parent

MTQ Corporation Limited is the ultimate parent entity and the parent of the Group is Neptune Marine Services Limited.

(d) Key management personnel

Details relating to KMP, including remuneration paid, are included in note 29.

(e) Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Any outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash.

Note 29 Key Management Personnel

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

Directors	**Position**
Mr Boon Wee Kuah	Chairman (appointed Chairman 25th June 2013)
Mr Dominic Siu	Non-Executive Director (appointed 25th June 2013)
Mr Peter Wallace	Non-Executive Director
Mr Robin King	Executive Director (appointed 25th June 2013)
Mr Jeff Dowling	Non-Executive Director (resigned 25th June 2013)
Mr John Cooper	Non-Executive Director (resigned 25th June 2013)
Key Management Personnel	
Mr Colin Napier	Chief Financial Officer (resigned 6th January 2014)
Mr Vincent Allegre	Chief Operating Officer
Ms Ashley Robertson	Chief Financial Officer (appointed 6th January 2014)

Note 29 Key Management Personnel (continued)

(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.

	Consolidated Group	
	12 Months 2014 $000	9 Months 2013 $000
Short term employee benefits	2,570	1,819
Post-employment benefits	209	177
Share based payments	357	548
	3,136	2,544

(c) Option holdings

Number of options held by key management personnel:

No options were issued during 2014 or 2013.

(d) Shareholdings

No shares have been held by Key Management Personnel during the year ending 31 March 2014.

2013	Balance 1 July 2012	Received as Compensation	Net Change Other	Balance 31 March 2013
Directors				
Mr Boon Wee Kuah	-	-	-	-
Mr Peter Wallace	2,000,000	-	(2,000,000)	-
Mr Jeff Dowling	900,000	-	(900,000)	-
Mr John Cooper	1,550,000	-	(1,550,000)	-
Key Management Personnel				
Mr Colin Napier	1,000,000	6,600,000	(7,600,000)	-
Mr Robin King	2,800,000	17,000,000	(19,800,000)	-
Vincent Allegre	-	-	-	-
	8,250,000	23,600,000	(31,850,000)	-

(e) LTI Performance rights

Number of Rights held by Key Management Personnel

2014	Balance 1 April 2013	Granted in 2014	Vested in 2014	Net Change Other	Balance 31 March 2014
Key Management Personnel					
Mr Robin King	22,088,354	-	-	-	22,088,354
	22,088,354	-	-	-	22,088,354

2013	Balance 1 July 2012	Granted in 2013	Vested in 2013	Net Change Other	Balance 31 March 2013
Key Management Personnel					
Mr Robin King	11,000,000	22,088,354	(11,000,000)	-	22,088,354
Mr Colin Napier	3,000,000	-	(3,000,000)	-	-
	14,000,000	22,088,354	(14,000,000)	-	22,088,354

Note 29 Key Management Personnel (continued)

(f) Retention rights

Number of Retention Rights held by Key Management Personnel

2014	Balance 1 April 2013	Granted in 2014	Bought back in 2014	Net Change Other	Balance 31 March 2014
Key Management Personnel					
Vincent Allegre	6,000,000	-	(3,000,000)	-	3,000,000
	6,000,000	-	(3,000,000)	-	3,000,000

2013	Balance 1 July 2012	Granted in 2013	Vested in 2013	Net Change Other	Balance 31 March 2013
Key Management Personnel					
Mr Robin King	6,000,000	-	(6,000,000)	-	-
Mr Colin Napier	3,600,000	-	(3,600,000)	-	-
Vincent Allegre	-	6,000,000	-	-	6,000,000
	9,600,000	6,000,000	(9,600,000)	-	6,000,000

(g) MTQ Share Plan

Neptune's CEO and COO are both participants of this scheme (scheme details outlined within remuneration report).

During the year ended 31 March 2014 Neptune expensed $87,522 in relation to MTQ Share Plan.

Note 30 Share-Based Payments

Recognised share-based payment expenses

	2014	2013
	$000	$000
Options (lapsed/cancelled)	1	4
LTI Rights	223	358
Retention Rights	299	376
Total	523	738

The following share-based payment arrangements existed at 31 March 2014:

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, Executive Director 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 is 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.

Employees are entitled to the options if they remain employed with the Company over the service period which is determined at the date of grant on an individual basis.

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.

Note 30 Share-Based Payments (continued)

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

	Consolidated Group			
	2014		2013	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Outstanding at the beginning of the period	5,306,347	0.64	5,306,347	0.64
Granted during the period	-			
Forfeited during the period	-			
Exercised during the period	-			
Expired during the period	(1,086,347)	0.85		
Outstanding at the end of the period	4,220,000	0.48	5,306,347	0.64
Exercisable at the end of the period	4,100,000	0.48	5,171,350	0.64

No options were exercised during the period.

The options outstanding at 31 March 2014 had a weighted average exercise price of $0.48 (2013: $0.64) and a weighted average remaining contractual life of 1.51 years (2013: 1.20 years). Exercise prices range from $0.40 to $0.51 in respect of options outstanding at 31 March 2014 (2013: $0.01 to $1.23).

No options were granted during the period.

In 2010 options issued were calculated by using a Binomial option pricing model applying the following inputs:

Date options issued	1/08/2010
Weighted average exercise price	$0.58
Weighted average life of the option (years)	5.00
Underlying share price	$0.28
Expected share price volatility	71%
Risk free interest rate	4.50%

Historical volatility has been the basis for determining expected share price volatility as it assumed that this is indicative of future tender, 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 $1,000 (2013: $4,000).

Long Term Incentives Plan (LTI)

a) Granting of LTI's

LTI rights are granted to those employees who can directly influence the long- term strategic direction of the Company, and were approved by shareholders at the AGM held on 30th November 2011.

These rights are granted based on a percentage of base salary, ranging between 25% to 100%, depending on role. Relevant employees will receive a grant every year as part of their total annual remuneration and the rights will vest into fully paid ordinary shares on 4th anniversary of their grant date, subject to meeting performance hurdles. Each grant of LTI rights will be split into two equal tranches, with each tranche having an independent performance hurdle.

During the period no additional rights were granted. A total of 22,088,354 LTI rights are still outstanding as at 31 March 2014, 11,044,177 in Tranche 1 and 11,044,177 in Tranche 2.

b) Vesting of LTI's

Tranche 1 and Tranche 2

The contractual life of each LTI Right granted is 4 years. There are no cash settlement alternatives.

As the performance rights were issued during the takeover bid which was fixed at 0.032c (current market price), the performance rights as such were valued at the bid price, as the share price is in this instance already determined.

Note 30 Share-Based Payments (continued)

Included under employee benefits expense in the income statement is $223,000 (2013: $357,675). This relates in full, to equity-settled share-based payment transactions under the Performance Rights Plan.

Retention Performance Rights Plan

The Executives identified as key to the organisation's objectives to grow the business are granted with Retention Performance Rights. These were approved by shareholders at the AGM held on 30th November 2011.

The Retention Rights will be tied into the Executives' continued employment with the Company, will have a 5 year life and will vest annually in equal tranches over 4 years. Should the employee resign during this 4 year period, any unvested Retention Rights will lapse.

During the period no retention rights were granted. At 31 March 2014 5,992,074 rights remain outstanding.

Included under employee benefits expense in the income statement is $299,000 (2013: $375,961).

Note 31 Subsequent Events

Subsequent to year end, Neptune changed its banking facilities from NAB to ANZ. As a result of changeover NAB debtors facility will be replaced with ANZ Interchangeable Facility with a limit of $10 million. Facility may be allocated to the following Sub-Facilities: Standby Letter of Credit or Indemnity/Guarantee (Domestic) Facility and Cash Advance Facility.

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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 consolidated statement of financial position as at 31 March 2014, the consolidated statement of comprehensive income, the consolidated income statement, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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. The procedures selected depend on the auditor's judgment, 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 controls 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 controls. 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.

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*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

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 consolidated entity's financial position as at 31 March 2014 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2(b).

Report on the remuneration report

We have audited the Remuneration Report included in pages 9 to 16 of the directors' report for the year ended 31 March 2014. 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.

Opinion

In our opinion, the Remuneration Report of Neptune Marine Services Limited for the year ended 31 March 2014, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Peter McIver
Partner
Perth
30 May 2014

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following additional information is required by the Australian Securities Ltd in respect of listed public Companies only.

Shareholding

a) Distribution of shareholders category (size of holding)

Range	Total Holders	Shares	% of Issued Capital
1 - 1,000	914	323,803	0.02
1,001 - 5,000	813	2,385,298	0.13
5,001 -10,000	496	4,024,991	0.22
10,001 – 100,000	982	33,813,579	1.83
100,001 – 9,999,999,999	236	1,808,957,837	97.80
Rounding			
Total	3,441	1,849,505,508	

Unmarketable Parcels	Minimum Parcel Size	Holders	Units
Minimum $500.00 parcel at $0.0460 per unit	**10,870**	**2,260**	**7,120,462**

b) The name of the substantial shareholder listed in the holding Company's register as at 30 May 2014 is:

Shareholder	*Number Ordinary*
Blossomvale Investment Pte Ltd	1,605,524,729

c) 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 Share Preference

These shares have no voting rights.

d) 20 Largest Shareholders – Ordinary Shares

As at 30 May 2014

	Name	No. of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1.	Blossomvale Investments Pte Ltd a/c 1	1,605,524,729	86.81
2.	UBS NOMINEES PTY LTD <TP00014 15 A/C>	72,955,500	3.94
3.	JAMES HOWARD NIGEL SMALLEY	17,000,000	0.92
4.	MR DAVID COLIN HUSBAND + MS NINA DONS LANDSNES	13,828,457	0.75
5.	BARRY ALBERT LILLY + BURNICE JUNE LILLY	8,000,000	0.43
6.	MR GARY LESTER HANIKERI	4,450,000	0.24
7.	MERRILL LYNCH AUSTRALIA NOMINEES	4,000,000	0.22
8.	LYNETTE SUSAN PRESTON	3,832,218	0.21
9.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,524,739	0.14
10.	NOEL KENNEDY SMITH	2,200,000	0.12
11.	MRS LEANNE BLAKE + MR TREVOR ROY BLAKE <BLAKEFT SUPER FUND A/C>	2,084,908	0.11
12.	MR ROBERT LEASK DELANEY + MISS JENNIFER JANE SALMON <RL DELANEY SUPER FUND A/C>	2,010,000	0.11
13.	J MCCARTHY & CO PTY LTD	1,702,000	0.09
14.	MISS TERESA HARDY	1,500,000	0.08
15.	BUZPASS PTY LTD	1,455,000	0.08
16.	MR BERNARD MELVILLE KENT <EST JEAN MOIRA KENT A/C>	1,248,600	0.07
17.	WUUDEE AUSTRALIA PTY LIMITED	1,230,000	0.07
18.	MR CZESLAW CZAPLA + MR ZDZISLAW CZAPLA	1,200,000	0.06
19.	UOB KAY HIAN PRIVATE LIMITED <CLIENTS A/C>	1,162,725	0.06
20	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	1,107,069	0.06
	Total	**1,749,015,945**	**94.57**

CORPORATE GOVERNANCE REPORT 2014

Principle	Corporate Governance best practice recommendation	Compliance	Explanation
1	**LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT**		
1.1	Establish and disclose the functions reserved to the Board and those delegated to senior executives	✓	The Board has established a Corporate Governance Policy which summaries the role and duties of the Board. The Company considers that the primary responsibility of the Board is to oversee the Company's business activities and management for the benefit of the shareholders by: – setting objectives, goals and strategic direction with management with a view to maximising shareholder value; – overseeing the financial position and monitoring the business and affairs of the Company; – establishing corporate governance, ethical, environmental and health and safety standards; – ensuring significant business risks are identified and appropriately managed; and – ensuring the composition of the Board is appropriate, selecting directors for appointment to the Board and reviewing the performance of the Board and the contributions of individual directors. The Board has delegated responsibilities and authorities to management to enable management to conduct the Company's day to day activities. The Company has a formal Approvals Matrix (approved by the Board) that addresses sets out the delegated authority for a wide range of operational issues typically encountered by the Company. Senior executives have a high level of authority commensurate with their position in the Company. Authority levels for all management are set out in writing and form a fundamental part of their employment conditions. The management structure of the Company and the suitability of authority levels are determined and reviewed by the Board. Matters which are not covered by the delegations require Board approval. The Corporate Governance Policy is available on the Company's website in the Policies section.
1.2	Disclose the process for evaluating the performance of senior executives	✓	The Board regularly evaluates the performance of senior executives. The Board has established a Remuneration Committee to assist it in exercising its reviews of its senior executives.
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	✓	As at the date of this statement, the Company is of the view that it has complied with each of the Recommendations under Principle 1. The Company has undertaken a performance evaluation for senior executives during the financial year in accordance with the process set out in Recommendation 1.2.
2	**STRUCTURE THE BOARD TO ADD VALUE**		
2.1	A majority of the Board should be independent directors	✗	The Board currently has 4 directors. Mr Peter Wallace is an independent director according to the criteria for independence included in the ASX Best Practice Recommendations. The Company's

Principle	Corporate Governance best practice recommendation	Compliance	Explanation
			majority shareholder holds approximately 86.8% of the share capital of the Company and is represented on the Board by 2 directors, Mr Kuah and Mr Siu. The Company's Chief Executive Officer (Mr King) is the other director and the Company's only executive director.
2.2	The chairperson should be an independent director	✗	The Chairman, Mr Boon Wee Kuah, is not independent as he is the Chief Executive officer of MTQ Corporation Limited, the majority shareholder of the Company.
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual	✓	The positions of Chairman and Chief Executive Officer are not held by the same person.
2.4	The Board should establish a nomination committee	✗	The Company does not presently have a separate nomination committee as recommended by Best Practice Recommendation 2.4. The size of the Company and Board does not warrant the establishment of a separate nomination committee. The duties of such committee have been considered and adopted by the Board. The Company does not have a documented procedure for the selection and appointment of directors. The Board informally reviews the skill set of and market expectations for its directors on a regular basis and considers these factors when appointing / re-electing directors.
2.5	The process for evaluating the performance of the Board, its committees and individual directors should be disclosed.	✓	The Company does not have a documented procedure for the evaluating the performance of the Board, its committees and directors. An evaluation of the performance of the Board and its directors is undertaken informally each year. The Chairman of the Board is the driver of this process. The evaluation of the performance of the Board's various committees is undertaken on an exception basis. This is also an informal process which is driven by the Chairman of the Board.
2.6	The 'Guide to Reporting on Principle 2' provides that certain information should be included in the corporate governance section of the Company's Annual Report or be made publicly available ideally on the Company's website.	✓	The Company has provided the information indicated in the Guide to reporting on Principle 2.
3	**PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING**		
3.1	Establish a code of conduct and disclose the code or a summary of the code as to: (a) the practices necessary to maintain confidence in the Company's integrity; (b) the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; (c) the responsibility and accountability of individuals for reporting and investigating reports of unethical practices;	✓	The Board has adopted a Code of Conduct. The code outlines the Company's position on a range of ethical and legal issues including financial inducements, conflicts of interest and accountability and addresses: • the practices necessary to maintain confidence in the company's integrity; • the practices necessary to take into account their legal obligations and the expectations of their stakeholders; and • responsibility and accountability of individuals for reporting and investigating reports of unethical practices. The code applies to directors, employees, and anyone who works with the Company.
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	✓	The Board has adopted a policy concerning diversity and has disclosed the policy on its website.

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3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	✘	Neptune encourages diversity in its workforces and to that end has adopted an equal opportunity and anti-discrimination policy which seeks to provide equal employment opportunities to all employee's regardless of race, gender, religion, age, nationality or any other grounds while providing a workplace where everyone is treated equally and fairly and where discrimination, harassment and inequality are not tolerated. Further the Group does not positively discriminate in favour of any group of people and positions of employment are based on technical ability, qualifications and experience. Therefore although the company supports the recommendations contained in the ASX *Corporate Governance Principles and Recommendation,* it does not follow the recommendations requiring the company to establish measurable objectives for achieving gender diversity as this contradicts our position of not discriminating in favour of any group of people. While not setting specific targets for achieving gender diversity, Neptune does not discriminate in favour of or against the appointment of women at any level in the organisation, nor does it discriminate based on gender in setting salary levels, training and development or in other advancement opportunities. This will always be based on technical abilities and qualifications with no consideration to gender.
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women in the board	✓	The table below provides actual data on gender diversity that currently exists within the group. Number / % Women employed whole organisation: 77 / 12.3% Women in senior executive roles: 1 / 20.0% Women in board positions: 0 / 0.0%
3.5	Provide related disclosures: - An explanation of any departure from Recommendation 3 - Posting to the company's web site any applicable code of conduct or a summary and the diversity policy or a summary of its main provisions	✓	Explanation of departure from Principles and Recommendation 3.3 is set out above. The Corporate Governance Policies which includes the Diversity Policy and Code of Conduct are posted on the Company's website.
4	**SAFEGUARD INTEGRITY IN FINANCIAL REPORTING**		
4.1	The Board should establish an audit committee	✓	The Board has established an Audit Committee to assist it in exercising its authority.
4.2	Structure the audit committee so that it consists of: a) only non-executive directors b) majority of independent directors c) independent chairperson, who is not the chairperson of the Board d) at least three members	 ✓ ✘ ✓ ✘	The Company's committee consists of 2 members, Mr Dominic Siu and Mr Peter Wallace. Mr Wallace chairs the committee. Mr Wallace is an independent director but Mr Siu (as an officer of MTQ Corporation Limited, a substantial shareholder) is not independent. The members of the committee have extensive financial experience. Given the overall composition of the Board, the Company considers that the current size and composition of its Audit Committee is appropriate.
4.3	The audit committee should have a formal charter	✓	The Audit Committee has a formal charter that can be found on the Company's website.
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	✓	The Company has provided the information indicated in the Guide to reporting on Principle 4.

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5	**MAKE TIMELY AND BALANCED DISCLOSURE**		
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements to ensure accountability at a senior level for that compliance and disclose those policies or a summary of those policies.	✓	The Board recognises that shareholders and the investment market generally should be informed of all major business events that influence the Company in a timely and widely available manner. To safeguard the effective dissemination of information the Company has adopted an Information Disclosure Policy. The Policy outlines how the Company identifies and distributes information to shareholders and market participants and has been designed to ensure: – compliance with ASX Listing Rule disclosure; and – accountability at a senior executive level for that compliance.
5.2	In accordance with the 'Guide to Reporting on Principle 5', the Company has made its Continuous Disclosure and Compliance Policy available on its website.	✓	The Company's Information Disclosure Policy is available on the Company's website in the Policies section.
6	**RESPECT THE RIGHTS OF SHAREHOLDERS**		
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	✓	The Company's communication strategy forms part of the Company's Information Disclosure Policy. The Board aims to ensure that the market and shareholders are informed of all major developments affecting the Company. The Company's website contains a section for shareholders and investors (Investor Centre). All announcements and corporate material of interest to shareholders and the market generally can be found on the Investor Centre. The Company's communication strategy has been designed to: – promote effective communication with shareholders; and – encourage shareholder participation at AGMs.
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	✓	The Company's Information Disclosure Policy is available on the Company's website in the Policies section.
7	**RECOGNISE AND MANAGE RISK**		
7.1	The Company should establish policies for risk oversight and management	✓	Management is responsible for the management and oversight of material business risks. The Audit Committee and Board have assisted and directed management in exercising its responsibilities for risk oversight and management. The Company has a comprehensive strategy for risk management and oversight which includes: • The Company has a separate Risk Management Committee. The formal charter of the Risk Management Committee is available on the Company's website • The Company maintains a comprehensive insurance program which forms an important part of financial risk management. The Company is assisted by experienced insurance brokers with a strong familiarity of the Company's business and needs for effective risk management via insurance. • The Company has an in-house legal team (and receives external legal advice as required) that have a key role in risk management. • The Company employees a considerable number of staff dedicated to Health, Safety, Environment and Quality issues (HSEQ). HSEQ delegates meet on a regular basis. • The Company's General Manager of HSEQ is invited to attend Board meetings on a periodic

Principle	Corporate Governance best practice recommendation	Compliance	Explanation
			basis to report directly to the Board on key HSEQ issues and risk management strategies and effectiveness. • The monthly Board pack prepared by management reports to the Board considerable information on HSEQ risk management effectiveness. • Hazard Identifications (HAZID's) are conducted before project work is conducted. • Throughout the year, the Company has and continues to work on identifying and managing risks and documenting these risks via risk matrices. • The Company is the subject of internal audits on a periodic basis aimed at improving financial risk management. The annual report details material financial risks which arose during the reporting period (see notes to financial statements).
7.2	The Board should require management to design and implement the risk management and internal control system to manage the company's material risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	✓	The Board has required management to design and implement risk management systems. These are detailed in 7.1 above and management has reported to the Board as to the effectiveness of the company's management of its material business risks.
7.3	The Board should disclose whether it has received assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks	✓	The Board has received assurance from the Chief Executive Officer and Chief Financial Officer that the s295A declaration is founded on a sound system of risk management and internal control and the system is operating effectively in all material respects in relation to financial risks.
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	✓	In accordance with the 'Guide to Reporting on Principle 7', the Company provides the following information: (a) The Company has not departed from Recommendations 7.1 to 7.4. (b) The Board has received the report from management under Recommendation 7.2. (c) The Board has received assurance from Mr Robin King, as the Company's Chief Executive Officer and Ms Ashley Robertson as Chief Financial Officer, under Recommendation 7.3
8	**REMUNERATE FAIRLY AND RESPONSIBLY**		
8.1	The Board should establish a remuneration committee	✓	The Board has established a Remuneration Committee. The Committee's role is to assist the Board in establishing remuneration policies and practices for directors, key executives and employees.
8.2	The remuneration committee should be structured so that it: • Consists of a majority of independent directors	✗	The committee currently has 2 members, Mr Peter Wallace and Mr Boon Wee Kuah. Mr Wallace is an independent director but Mr Kuah is not. Mr Peter Wallace chairs the committee. Given the overall composition of the Board, the Company considers that the current size and composition of its Remuneration Committee is appropriate.

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	• Is chaired by the independent chair • Has at least 3 members	✓ ✗	
8.3	Companies should clearly distinguish the structure of non-executive director's remuneration from that of executive directors and senior executives	✓	Refer Remuneration Report. There are clearly identified structures for Non-Executive Directors and Senior Executives.
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	✓ ✓	In accordance with the 'Guide to Reporting on Principle 8', the Company provides the following information: (a) there are no schemes for retirement benefits, other than statutory superannuation, in existence for the Non-Executive Directors; (b) the Company has provided the information indicated in the Guide, including explaining departures from the recommendations.