neptune MARINE

ANNUAL REPORT 2008

CORPORATE DIRECTORY

DIRECTORS

Mr Christian Lange
CEO & Managing Director

Mr Ross Kennan
Chairman

Mr David Agostini
Non-Executive Director

Ms Cathryn Curtin
Non-Executive Director

Mr Robert Scott
Non-Executive Director

COMPANY SECRETARY

Mr Gabriel Chiappini

PRINCIPAL OFFICE

Level 16, 140 St Georges Terrace

Perth Western Australia 6000

Telephone: +61 (0) 8 9424 1111

Facsimile: +61 (0) 8 9424 1110

REGISTERED OFFICE

Level 16, 140 St Georges Terrace

Perth Western Australia 6000

AUDITORS

Stantons International

Level 1, 1 Havelock Street

West Perth Western Australia 6005

SOLICITORS

Piper Alderman

167 Flinders Street

Adelaide South Australia 5000

Cowell Clarke

Level 5, 62 Pirie Street

Adelaide South Australia 5000

SHARE REGISTRY

Computershare Investor Services Pty Ltd

Level 2, Reserve Bank Building

45 St Georges Terrace

Perth Western Australia 6000

Telephone: +61 (0) 8 9323 2000

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STOCK EXCHANGE

Australian Stock Exchange Limited

Exchange Plaza

2 The Esplanade

Perth Western Australia 6000

ASX CODE

NMS

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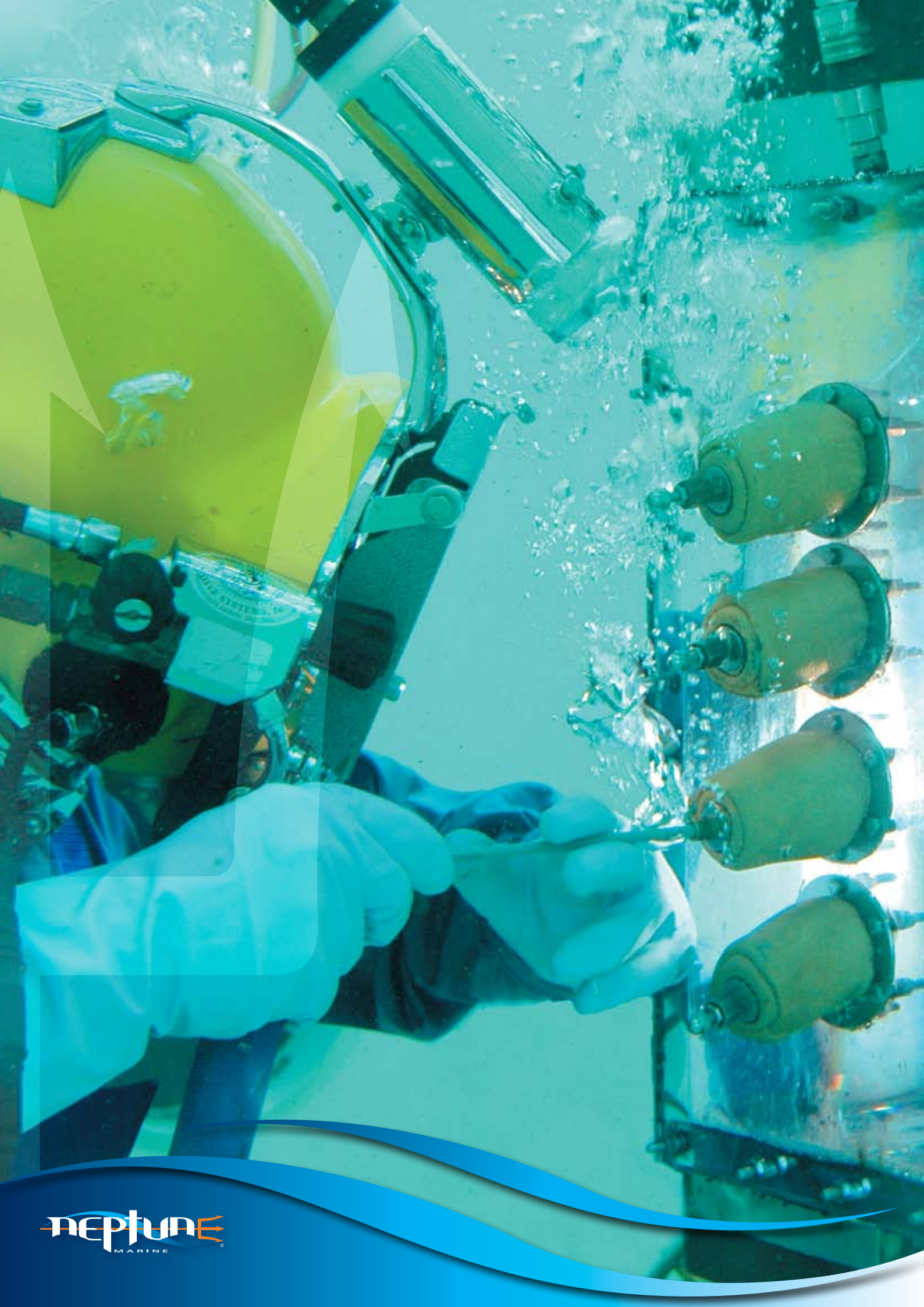

neptune MARINE

HIGHLIGHTS

2008 has been a year of both accelerated growth and consolidation for Neptune Marine Services that has emerged as one of Australia's leading providers of integrated engineering solutions to the international oil and gas, marine and renewable energy industries.

Building on the solid foundation of our domestic footprint, we have, over the last 12 months, identified and pursued a number of strategic opportunities that have resulted in the expansion of our international presence into the world's major geographic regions of North America, Europe and Asia.

Through a combination of acquisition and significant organic growth, Neptune is well positioned to secure a share of the significant investment that is currently taking place across the global oil and gas industry and is extremely well placed to meet the current and future needs of our growing blue chip client base.

2008 HIGHLIGHTS

- Capital raisings totaling $61 million
- Normalised NPAT of $10.9m before IFRS adjustments of share based payments and interest on deferred payments
- EBITDA of $13.5 million
- Significant revenue growth from $15.5 million (FY07) to $86.7 million
- Major integrated services project won and completed - Simpson Pipeline Replacement Project, Phase 1 (Apache Energy)
- Establishment of ROV & Vessel Division - acquired 55m DP1 Support Vessel; Initial order for 3 work class ROVs; Signed MOA for 70.05m DP2 Support Vessel
- Acquired three businesses for a total consideration of $58 million
- European patents and international contracts (Gulf of Mexico; Gulf of Thailand) for the NEPSYS® technology
- Significant levels of organic growth
- Expanded and strengthened management structure
- Strategically positioned heading into 2009

CHAIRMAN'S REPORT

The last 12 months collectively represent a milestone year for Neptune Marine Services as the company has matured to emerge as a leading integrated engineering services provider to the global oil and gas sector.

The $61 million in new equity that the company raised is a clear indication that investors are attracted to Neptune's strong fundamentals, industry dynamics and long term prospects. Evidence of a return on this investment came in the form of three completed acquisitions and the establishment of the Remotely Operated Vehicle (ROV) and Vessel division, a strategic and fundamental component in the efficient delivery of the Neptune Marine service offering. Supporting this increased level of investment activity was the significant organic growth that was recorded across the Neptune group.

This strong performance is reflected in the company's financial results. FY08 revenue of almost $87 million compared to $15.5 million in the previous year, while the net profit after tax figure of $7.4 million compares to a $6.3 million loss in the previous corresponding period. Perhaps a better measure of Neptune's strong financial performance in 2008 is the normalised net profit after tax of $10.9 million, a figure which excludes IFRS adjustments including share based payments and interest on deferred payments.

Analysed further, and the true measure of Neptune's future prospects can be seen in the company's second half financial results where revenue of $55 million compared to $31.7 million in the first half and normalised net profit after tax of $8.7 million compared to $2.2 million in the first half.

It is pleasing to note that while some of Neptune's revenue and profit growth has resulted from acquisitions, the majority can be directly attributed to the organic growth and consistent performance of the new businesses that are benefitting from Neptune's ownership.

The ability to generate this rate of organic growth, raise $61 million in capital funds, establish a new division and complete three acquisitions all within a 12 month period is an achievement by any measure and, on behalf of the Board, I would like to commend Christian Lange and his management team for their outstanding efforts this year.

The depth of talent that exists within the management group represents a vital component of Neptune's ongoing growth and development. Concurrently, the identification and successful integration of this fundamental asset is testament to Neptune's acquisition strategy and has been of significant strategic benefit in the acquisitions that have been made to date.

Similarly, a proactive commitment to succession planning across the group is fostering both future leadership potential and overall functionality. From the recently established Integrated Graduate Recruitment Program to various mentoring programs and targeted opportunities for professional development, this 'focus on the future' is something that sets Neptune apart from those companies that fail to develop the critical consideration of leadership capability as part of the acquisition process.

YOUR BOARD'S COMMITMENT

With Neptune growing at such a rapid pace, the commitment and guidance of the Board has never been more important. Throughout the year, the Directors have been very active in reviewing all aspects of the company. We have met with some of the company's shareholders and customers, have visited a number of job sites and have met with staff to learn more about the businesses at the operational level. We have also been proactive in reviewing management strategies and growth propositions and are confident and satisfied that Neptune is achieving targets across all aspects of the business.

OUTLOOK

The Neptune Marine of today is very well placed to continue its growth and development into the future. The Board remains confident with the guidance of $22-$24 million net profit after tax (before IFRS adjustments) and $150 million in revenue for 2009, a figure that will include a contribution from UK-based Subsea Engineering Services, our latest acquisition target that we expect to settle the purchase of in the latter part of this year.

Lastly, I would like to thank our shareholders for their continued support and suggest to them that the best years for Neptune Marine are ahead of us.

ROSS KENNAN
Chairman

MANAGING DIRECTOR'S REPORT

The strong financial performance recorded by Neptune Marine in the second half of the year is indeed a very good measure of the company's future earnings potential. Additionally, this performance emphasises the fact that the businesses that Neptune has assembled and integrated now provide us with the foundation to deliver the best outcomes for our clients and generate acceptable returns for our shareholders.

I join our Chairman in reiterating the fact that 2008 has been a year of significant progress and consolidation for Neptune. While the pace of change and growth has been significant, I can assure shareholders that the ever evolving management team is very much up to the task of delivering more of the same, and better.

Organic growth and the contribution from acquisitions have again been the dual drivers of our profit and revenue performance. Particularly pleasing is the fact that the businesses we have acquired have continued to grow significantly under Neptune's ownership and the teams that support them have embraced the challenge of building a dynamic and highly regarded international oilfield services company.

While, ultimately, the company's success is measured by the returns we generate for our shareholders, this would not be possible if we did not have the team in place to deliver such returns. Neptune's management team is made up of individuals who have vended their businesses into Neptune, as well as other talented executives who have joined the company because they recognise its potential and want to be part of an exciting growth story.

As a group, Neptune now has more than 500 people operating throughout Australia, Asia, the United Kingdom and the United States. Our ability to attract and retain such a dedicated and pro-active team is testament to the dedicated leadership that we have in place.

I would like to thank the management team and all of our people for their hard work and commitment in what has been a very important year for the group.

GROWING BLUE CHIP CUSTOMER BASE

It has been particularly pleasing to witness the support of our clients during the year and our shareholders should not underestimate the value of these relationships. The Neptune of today is partnering with some of the world's leading energy producers and engineering services firms, and all demand the highest levels of service, a strong commitment to safety and world class technical solutions. We continue to work hard for our clients and deliver the best outcomes for them. This is leading to increased uptake of our services in Australia and greater opportunities for expansion in new international markets. I would like to take this opportunity to thank our clients for their support during the year.

FOUNDATION FOR THE FUTURE

As well as the many milestones that we have achieved this year – capital raisings, acquisitions, investment in new assets and infrastructure, large contract awards and business integration – we have also put in place a foundation that will allow us to capitalise on these achievements and build a more robust company for the future.

We have developed proven business integration strategies and processes that drive improved performance from the businesses we integrate; we have established an Integrated Projects Group to identify and pursue multi-service contracts in all of the markets in which we operate; we have strengthened our business development efforts; we have established graduate and employee assistance programs to attract and retain the future leaders in our industry; and we have put in place a number of reporting and operational procedures to better manage risk and our cost base. As Neptune grows, these initiatives become fundamental in supporting future development and generating favourable returns for shareholders.

STRONG OUTLOOK

The new financial year has started well for Neptune and the group is confident of achieving its growth targets. While organic growth and ensuring we maximise the performance of our current operations will be our main drivers this year, the group will also continue to assess other avenues to broaden our operations and establish Neptune as a leading, global oil and gas services company. With that in mind, and given the current credit market conditions, we remain comfortable with our current capital structure and balance sheet and will risk neither.

The market fundamentals for Neptune are very encouraging. Worldwide demand for energy and a shortage of available oil and gas reserves is only just starting to become apparent. Closer to home, the development of major resource projects in northern Western Australia and the Northern Territory are still in their very early stages.

There are some $100 billion worth of petroleum projects under development or planning in Australia, the global subsea services industry is growing at almost 25 percent every year, spending on offshore drilling for oil and gas is expected to top $380 billion in the next five years and the renewable energy sector is starting to emerge as a tangible and sustainable market.

With the solid foundation that we now have in place, Neptune is very well positioned to capture its share of these opportunities and, in the process, position itself as one of the world's leading oil and gas services companies. With the commitment and experience of the team we have in place, and the early successes we are already witnessing, we are making this goal a reality.

As we move forward into 2009, I would like to take the opportunity to thank our shareholders for their support, feedback and commitment during the last 12 months and reassure them that Neptune's future has never been brighter.

CHRISTIAN LANGE
CEO & Managing Director

DIVING SERVICES

The Diving Services Division returned full year revenue of $30 million.

The demand for Neptune's commercial diving and associated services increased steadily throughout the year, resulting in a 53% revenue increase, year on year.

The amalgamation of Allied Diving Services (Perth) and Territory Diving Services (Darwin) consolidated the assets, management and considerable industry experience of both business units to provide clients in the Australasian region with a comprehensive solution to their commercial diving needs. Further recognition of the service came in the form of the Master Service Agreement that was established with Woodside Energy Limited.

In the United States, US Underwater Services (USUS) maintained a steady flow of work, both on and offshore, for a variety of major industry and municipal clients. Similar to its Australian counterparts, USUS was officially recognised with a Master Service Agreement with the Lower Colorado River Authority and a 'Preferred Vendor' status in the State of California.

While it enjoyed increased industry recognition and associated contract award within Australia, the USA and Asia, the NEPSYS® dry underwater welding technology experienced the negative impact of client rescheduling on more than one occasion, the result of which was (a majority of) revenue deferral to FY09. On the upside, projects were successfully completed in the Gulf of Mexico, extensive research and development continued into improving the process and design of the technology and a European patent was secured.

OFFSHORE SERVICES

The Offshore Services Division returned full year revenue of $19 million, bolstered by the addition during the period of:

- Tri-Surv Geomatics (August 2007; hydrographic survey).
- The ROV and Vessel business unit (October 2007; MV Neptune ROV Supporter and Swift XL Work Class ROVs).
- Sea-Struct (April 2008; pipeline stabilisation, protection and grouting).

The addition of hydrographic survey services through Tri-Surv Geomatics brought with it Master Service Agreements with industry majors Santos and Conoco Phillips and exceptional levels of organic growth (69% growth in revenue post acquisition). Of particular note during the period was the $8+ million contract that the business won to provide geophysical and geotechnical survey services on the Ichthys Gas Field Development operated by INPEX Browse, Ltd.

Neptune completed the acquisition of the 55 metre construction support vessel, the MV Neptune ROV Supporter and the first of three Swift XL work class ROVs. On taking delivery of the vessel, Neptune confirmed a (minimum) 120 day charter for a major

international oil and gas EPIC contractor valued at AUD$5.2 million. Confirmation for the acquisition of a second, larger vessel, the 70.05 metre DP2 AHTS Nor Sea, is expected in 1H09.

A three month contribution from the Sea-Struct pipeline stabilisation business added to revenue and provided Neptune with additional expansion opportunities in Singapore, Indonesia and the Middle East. A good indication of Sea-Struct's future earning potential is the AUD$7 million worth of confirmed projects that was announced in the early part of 1H09.

ENGINEERING & PROJECT MANAGEMENT SERVICES

The Engineering & Project Management Services Division returned full year revenue of $19 million.

A major highlight during the period was the winning and subsequent completion of phase one of Neptune's largest integrated services project to date, the $13 million Simpson Pipeline Replacement Project for Apache Energy that was administered by the Integrated Projects Group (IPG). Employing the full range of integrated services, the project (the second integrated project of the year) provided the industry with an insight into Neptune's service capabilities.

Combined with the consistent industry demand for Subsea Developments' range of specialist engineering services, the Division returned a significant rate of organic growth during the period; a positive indicator of successful integration and strategic development across the Neptune Marine group of companies.

FABRICATION SERVICES

The Fabrication Services Division returned full year revenue of $28.7 million.

Operationally, the division was extended through the addition of Ross Deeptech Initiatives Ltd (February 2008), a specialist subsea and offshore engineering firm based in Aberdeen, Scotland. The business is also regarded as an industry leader in the development of marine renewable energy projects - specifically in the areas of wave, tidal and offshore wind systems – representing another opportunity for expansion within an emerging industry.

Locally, the demand for both on and offshore engineering, fabrication, welding, piping and associated services remained high and resulted in the Link Weld Engineering business unit maintaining a high level of activity for a comprehensive international client list. While the industry wide skills shortage continued to be an issue, the businesses reported good retention rates and solid management structures.

DIRECTOR'S REPORT

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2008.

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

MR CHRISTIAN LANGE
MR ROSS KENNAN
MS CATHRYN CURTIN
MR DAVID AGOSTINI
MR ROBERT SCOTT

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

Company Secretary

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

PRINCIPAL ACTIVITIES

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

- the provision of an integrated suite of subsea services to the oil and gas sector, both domestically and internationally;
- the completion of projects through the provision of Diving Services, Engineering and Fabrication Services and application of the NEPSYS® technology.

- further research and development of applications for the Company's technology; and
- the continuing commercialisation of the Neptune Marine Dry Underwater Welding technology.

During the year ended 30 June 2008, Neptune Marine Services Limited expanded its operations with the purchase of three businesses. These businesses provided Neptune with the opportunity to expand its existing activities and provide additional services to clients that previously would have involved engaging an external party.

OPERATING RESULTS

The consolidated profit of the group after providing for income tax amounted to $7,407,000 (2007: ($6,375,000) loss).

Dividends Paid or Recommended

No dividend has been declared or paid by the Company to the date of this report and no dividend is proposed in respect of the year ended 30 June 2008.

REVIEW OF OPERATIONS

Diving Services

Significant levels of organic growth experienced by the three business units in Allied Diving Services, Territory Diving Services and US Underwater Services resulted in a 53% revenue increase across the division (year on year). In Australia, consolidation of the units resulted in the establishment of Neptune Diving Services – the amalgamation of Perth's Allied Diving Services and Darwin's Territory Diving Services. Under the new structure, Neptune Diving Services will continue to operate from both facilities, focusing on the broader Australasian region. In the United States, US Underwater Services enjoyed a consistent year of activity (in the face of the country's economic downturn) with various opportunities realised in both offshore and onshore environments. Offshore, the provision of services for major oil and gas operators in the Gulf of Mexico gathered pace while, onshore, a number of significant and exclusive contracts were won.

NEPSYS®

Recognition of the unique advantages associated with the NEPSYS® Dry Underwater Welding technology gathered pace during the year, with a European patent secured to complement the Australian and North American patents already in place. Building on the success of past projects, the technology was again successfully applied to operations in the challenging Gulf of Mexico and also broke new ground with a contract award for one of the world's largest integrated energy companies in the Gulf of Thailand. Due to more than one occurrence of client rescheduling however, most of the revenue from contracts awarded in 2008 will be deferred to FY09. This combined with the promising pipeline of current operations and pending tenders has the unit well placed for growth in 2009.

Offshore Services

Expansion dominated the operations of the Offshore Services division during the year; expansion driven by the acquisition of Tri-Surv Geomatics, a Perth-based specialist hydrographic survey and consultancy firm, the acquisition of Sea-Struct, a Perth-

based provider of pipeline and cable stabilisation and protection solutions and the establishment of the ROV and Vessel business unit. Ten months after the acquisition, Tri-Surv Geomatics continues to meet and exceed expectations against a backdrop of significant organic growth. Similarly, and with only three months as a guide, early indications suggest Sea-Struct will be a significant contributor to growth across the Neptune group. The establishment of the ROV and Vessel business unit brought with it Neptune's entry into the provision of remotely operated vehicles (ROVs) and construction support vessels. A highlight during the period was the purchase of the 55 metre MV Neptune ROV Supporter and the signing of a memorandum of agreement for the purchase of the 70.05 metre specialist anchor handling, towing and supply (AHTS) vessel, the Nor Sea.

Engineering and Project Management Services

A major development during the period was the establishment of the Integrated Projects Group (IPG) to administer those projects that utilise Neptune Marine's integrated service capabilities. Shortly after its establishment the IPG administered phase one of Neptune's largest integrated project to date, the Simpson Pipeline Replacement Project for Apache Energy. As was the case with Diving and Offshore Services, Engineering & Project Management through Subsea Developments returned encouraging levels of organic growth – a figure in the order of 43 percent.

Fabrication Services

Building on the solid foundation established by Link Weld Engineering, the international capability of the division was strengthened with the acquisition of Aberdeen based Ross Deeptech Initiatives, a manufacturer of specialist subsea and offshore oil and gas equipment and a recognised industry leader in the development of marine renewable energy (wave and tidal) and offshore wind technologies. With the demand for both on and offshore engineering, fabrication, welding, piping and associated services remaining high, Link Weld Engineering recorded a 42% jump in organic growth over the period. This combined with the contribution from Ross Deeptech Initiatives has the division well placed for accelerated growth in 2009.

FINANCIAL POSITION

The net assets, including goodwill of $113,336,000 of the consolidated group have increased to $133,581,000 at 30 June 2008 from $56,647,000 at 30 June 2007. This increase is a result of the following factors:

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

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

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

(i) The purchase of six trading entities to be included in the Neptune Group. The entities purchased were Tri-Surv Pty Ltd, Ross Deeptech Initiatives Ltd, Ross Deeptech Symons Ltd, Sea-Struct Pty Ltd, Sea-Struct International Pte Ltd and PT Sea-Struct Indonesia.

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

AFTER BALANCE DATE EVENTS

Neptune Marine Services Limited completed the acquisition of Perth based Access Management (WA) Pty Ltd ("Access Management"), one of the largest specialist access companies in the Asia Pacific region, on the 9th of July 2008. The acquisition has been funded with cash raised by way of the share placement concluded on 14th December 2007. Under the terms of the Share Purchase Agreement, Neptune has agreed to acquire 100% of the issued capital of Access Management for an intitial payment of $4.5 million and a three year earnout period based on EBIT performance of Access Management. All payments will consist of 80% cash and 20% shares, the issue price of which is based on the 10 day volume weighted average price at date of issue.

Neptune has also signed a Letter of Intent (LOI) for the acquisition of Aberdeen based Subsea Engineering Services Limited ("SES"), a specialist provider of subsea consultancy and project engineering services to the global oil and gas industry. Under the terms of the agreement, Neptune proposes an initial payment of GPB 5.0 million (AUD$10.29 million) with the added consideration of a three year earn out period based on EBIT performance. The acquisition is subject to Neptune obtaining necessary finance.

Neptune has recently accepted an offer of debt funding for the purchase of the dynamically positioned (DP2) vessel, Nor Sea. The debt facilities for the purchase of the 70.05 metre, 5506 BHP Nor Sea will be provided by National Australia Bank. Neptune expects to take delivery of the vessel during the second half of September 2008 from which time it will incur an immediate financial return stemming from a charter to an Australian geotechnical data services company valued at approximately $7.5 million.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

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

(i) Continue to focus on and expand the integrated services model of the Neptune Group, to include the newly acquired businesses and NEPSYS® technology.

(ii) Continue to build strong, long term relationships with blue chip customers, EPIC contractors and oil and gas operators above and beyond the relationships that already exist with these valuable clients.

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

ENVIRONMENTAL ISSUES

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

INFORMATION ON DIRECTORS

Mr Christian Lange — Chief Executive Officer and Managing Director

Qualifications

MBA from Curtin University; Member, Australian Institute of Company Directors.

Experience

Mr Lange, aged 41, is a former international Vice President for the global oilfield services group, Schlumberger Limited. In a 16-year career with Schlumberger, Mr Lange held a range of Senior Executive positions responsible for operations, capital markets, marketing, business strategy and general management.

Directorships Held in Other Listed Entities

Mr Lange was a non-executive Director of Coretrack Limited, a company listed on the ASX, until he resigned in June 2006.

Mr Ross Kennan — Chairman

Qualifications

Fellow, Institution of Engineers, Australia; Fellow, Australian Institute of Company Directors; Member (Retired), Royal Australian Institute of Chemists; Chartered Engineer, Chartered Chemist (Retired).

Experience

Mr Kennan, aged 69, has had an accomplished international career, most notably as Vice President and SBU Co-chair for international diversified technology and manufacturing company, Honeywell Inc, where he spent 26 years in Senior Executive positions. Mr Kennan has over 17 years of international experience which enable him to provide strategic advice to further support Neptune Marine's continual global growth.

Mr Kennan currently chairs the Human Resource and Compensation committee at Neptune Marine Services Limited.

Directorships Held in Other Listed Entities

Mr Kennan currently sits on several boards and has recently retired from his position as Chairperson of CEO mentoring group, The Executive Connection. Mr Kennan does not hold any Directorships in other listed entities.

Ms Cathryn Curtin — Non-Executive Director

Qualifications

Ms Curtin holds Education and Psychology degrees and is a registered Psychologist, as well as holding a Master of Business Administration from the University of Western Australia.

Experience

Ms Curtin, aged 43, has held senior positions within both the private and Government sectors. She has held Director positions in The Western Australian Department of Education and other private enterprises. Currently she runs her own private consultancy business and provides services to the mining, industrial and government sectors. Her responsibilities have included the strategic development of company direction and delivery of a diverse range of project

management experience for both small and large businesses. She has played key roles in developing policy and in managing integration of strategic initiatives.

Directorships Held in Other Listed Entities

Ms Curtin is currently a Non-Executive Director of Coretrack Limited (appointed November 2005) and SeNevens International Limited, both of which are currently listed on the ASX. Ms Curtin was also a Director of Dyesol Limited until her resignation in February 2006 and Costarella Design Limited until her resignation in March 2008.

Mr David Agostini — Non-Executive Director

Experience

Mr Agostini, aged 69, is highly experienced in working with Government, Universities and research groups. Mr Agostini is currently the Adjunct Professor at the School of Oil and Gas Engineering, at the University of WA. He chaired the School's industry advisory board and the Industry Reference Group supporting the WA State Government in reforming Western Power in WA. He also holds a similar position with the advisory board of the Australian Resources Research Centre.

Mr Agostini is the Chairman of the governing board of the WA Energy Research Alliance and was a member of the four-man panel chaired by Senator Warwick Parer which carried out the Australian Energy Markets Review for COAG over 12 months in 2002.

His professional career includes positions as General Manager of Woodside's North West Shelf interests, including the decision-making forum for marketing LNG into Asia. He is also a former Woodside General Manager of Operations, covering the 3 Train LNG plant, domestic gas plant, North Rankin and Goodwin offshore platforms, the Cossack Pioneer floating production system and offshore drilling rigs.

Mr Agostini is also a former General Manager Gas for Woodside; and Deputy Strategy Manager for Shell in The Hague, covering downstream refining and LNG operations in the USA, Africa and the Middle East.

Mr Agostini currently chairs the Occupational Health, Safety and Environment committee at Neptune Marine Services Limited.

Directorships Held in Other Listed Entities

Mr Agostini does not hold any Directorships in other listed entities.

Mr Robert Scott — Non-Executive Director

Qualifications

Fellow of the Institute of Chartered Accountants in Australia.

Experience

Mr Scott, aged 61, has had a distinguished career spanning 35 years as a Chartered Accountant with major accounting firms. He retired as an International Partner of Arthur Andersen in 1995 and currently consults in corporate structuring and taxation planning to Gooding Pervan Chartered Accountants.

Mr Scott currently chairs the Audit and Governance committee at Neptune Marine Services Limited.

Directorships Held in Other Listed Entities

Mr Scott currently holds the following Directorships; Armadeus Energy Limited - Director since March 1996; bioMD Limited - Chairman since June 1999; Australian Renewable Fuels Limited - Director since

December 2002; Homeloans Limited - Director since November 2000 and New Guinea Energy Ltd - Director since July 2006. All are listed entities. Mr Scott was also a Non-Executive Director of Evans and Tate Limited from July 2005 to August 2007.

REMUNERATION REPORT

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

Remuneration Policy (Audited)

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

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

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

Company Performance, Shareholder Wealth and Director and Executive Remuneration (Audited)

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

Directors and Key Management Remuneration Policy (Audited)

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

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

accrued to date of retirement. Any options not exercised before or on the date of termination lapse.

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

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

Along with these key areas and in light of the Company's need to attract, retain and motivate key executives, in 2007 the Board of Directors of the Company engaged remuneration consultants to assist the Board's review of the employment market for key executives, and best practice in executive remuneration and incentive programs, from both a short term and long term perspective. The reviews resulted in the Board adopting the Executive Long Term Incentive Performance Rights Plan (LTI Plan) and the Executive Short Term Incentive Performance Rights Plan (STI Plan).

The 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 the successful implementation of strategies for growth through acquisitions and subsequent integration and completion of larger projects. Both Plans seek to reward and incentivise the executive in part by aligning the interests of key executives with those of shareholders, and is intended to form part of the overall remuneration package of the executive.

The employment conditions of the Managing Director, Mr Lange and other key management personnel are formalised in contracts of employment. Other than the Managing Director, all other key management personnel are permanent employees of Neptune Marine Services Limited. Mr Lange was employed under a fixed three-year contract, which commenced in February 2006 and expires in February 2009.

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

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

DIRECTORS AND KEY MANAGEMENT

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

DIRECTORS AND KEY MANAGEMENT

	Short-term benefits				Post Employment benefits	Other Long-term Benefits	Share-based Payment		Total	Proportion of remuneration based on performance	Value of options as proportion of remuneration
2007	**Cash, salary & commissions $000**	**Bonus $000**	**Non-cash benefit $000**	**Other $000**	**Superannuation $000**	**Other $000**	**Equity $000**	**Options $000**	**$000**	**%**	**%**
Directors											
Mr Christian Lange	395	350	30	80	37	-	-	669	1,561	65%	43%
Mr Ross Kennan	-	-	-	-	-	-	-	-	-	0%	0%
Ms Cathryn Curtin	35	-	-	-	3	-	-	-	38	0%	0%
Mr David Agostini	35	-	-	-	3	-	-	-	38	0%	0%
Mr Robert Scott	-	-	-	-	-	-	-	-	-	0%	0%
Mr Clive Langley	174	170	-	-	16	-	-	-	360	47%	0%
Key Management Personnel											
Mr Nino Amato	62	-	5	-	6	-	-	46	119	0%	39%
Mr Russell Collins	60	-	-	-	5	-	-	-	65	0%	0%
Mr Graeme Creedon	104	-	-	8	38	-	-	40	190	0%	21%
Mr Geoffrey Edwards	101	-	-	-	9	-	-	50	160	0%	31%
Mr David Husband	30	-	-	-	35	-	-	-	65	0%	0%
Mr Colin Murphy	87	-	9	-	8	-	-	-	104	0%	0%
Mr Geoffrey O'Connor	150	-	17	-	14	-	-	75	256	0%	29%
Mr Timothy Proctor	112	-	-	-	10	-	-	-	122	0%	0%
Mr Mike Erinakes	13	-	-	-	-	-	-	6	19	0%	32%
	1,358	520	61	88	184	-	-		3,097		

The short term incentive bonus paid in 2007/2008 is for performance during the 30 June 2007 financial year using the criteria as set out in each executive or employee contract. The amount was determined after performance reviews were completed and approved by the Board.

The fair value of the options is calculated at the date of grant using the Binomial model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options recognised in this reporting period. In valuing the options, market conditions have been taken into account.

SERVICE AGREEMENTS

Non-Executive Directors - Neptune Marine Services Limited

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

Mr Graeme Creedon - Operations Manager - Neptune Marine Services Limited

- Terms of agreement - Ongoing basis commencing 26 May 2005.
- Remuneration includes base salary and superannuation and an incentive bonus of up to $20,000.
- 3 March 2008 - Ceased Employment.

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

- Terms of agreement - Ongoing basis commencing 1 July 2007 (prior contract ended 30 June 2007).
- Remuneration includes base salary, superannuation, incentive bonus scheme and incentive option scheme.
- Termination terms are by Neptune and Executive in writing with three months notice by the Executive and six months notice by Neptune.

Mr Geoffrey O'Connor - Commercial Director - Neptune Marine Services Limited

- Terms of agreement - Ongoing commencing 14 March 2006.
- Remuneration includes base salary, superannuation, car allowance, incentive options, and 1% of project revenue bonus.
- Termination terms are by the Employee in writing with one months notice or by the company in writing with one months notice.

Mr Colin Murphy - General Manager - Allied Diving Services

- Terms of agreement - Minimum of two years commencing 4 December 2006.
- Remuneration includes base salary, superannuation, car allowance, potential bonus scheme and incentive options.
- There is no other compensation than that stated above.
- Remuneration is reviewed annually in accordance with Company Policy with approval of the CEO.
- Termination terms are by mutual consent by writing during the term to termination date pro-rated on base salary, or without notice for misconduct.

Mr Timothy Proctor - General Manager - Territory Diving Services Pty Ltd

- Terms of agreement - Minimum of three years commencing 4 December 2006.
- Remuneration includes base salary, superannuation and a motor vehicle together with associated costs.
- There is no other compensation than that stated above.
- There is no clause of remuneration review timing or requirement in the contract.
- Termination terms are by mutual consent via writing, without notice for misconduct or breach of conditions; incapability of completing duties for more than 60 days; or by the Employee giving Neptune three months notice.

Mr David Husband - Subsea Business Manager - Subsea Developments (Australasia) Pty Ltd

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

Mr Russell Collins - Pipeline Business Manager - Subsea Developments (Australasia) Pty Ltd

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

Mr Nino Amato - General Manager - Link Weld Engineering Pty Ltd

- Terms of agreement - Minimum of three years commencing 29 March 2007.
- Remuneration includes base salary, superannuation, car allowance, potential bonus if relevant KPI's are met and incentive options.
- There is no other compensation than that stated above.
- There is no clause of remuneration review timing or requirement in the contract.
- Termination terms are by mutual consent via writing, without notice for misconduct or breach of conditions; by Neptune giving two months notice; or if the Employee becomes incapable of performing his obligations for more than 60 consecutive days.

Mr Mike Erinakes - President / COO - US Underwater Services LLP

- Terms of agreement - Minimum of three years commencing 6 June 2007.
- Remuneration includes base salary, incentive bonus scheme, motor vehicle and incentive options.
- Other compensation - five weeks paid annual leave.
- There is no clause of remuneration review timing or requirement in the contract.
- Termination terms are with good cause or without cause or executive's resignation - base salary for the term, disability (90 days) and other provisos.

Mr Mark Lindsay - Business Director - Tri-Surv Pty Ltd

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

Mr Anthony Kerr - Technical Director - Tri-Surv Pty Ltd

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

Mr Bart van der Groen - Marketing Director - Tri-Surv Pty Ltd

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

Mr Martin Anderson - General Manager - Ross Deeptech Initiatives Ltd

- Terms of agreement - Minimum of three years commencing 25 January 2008.
- Remuneration includes base salary, superannuation, car allowance and incentive options.
- There is no other compensation than that stated above.
- There is no clause of remuneration review timing or requirement in the contract.
- Termination terms are by giving one months notice, by either party, in writing.

Mr David McLean - General Manager - Sea-Struct Pty Ltd

- Terms of agreement - Minimum of three years commencing 1 April 2008.
- Remuneration includes base salary, superannuation and incentive options.
- There is no other compensation than that stated above.
- The Employer may review in accordance with remuneration policy.
- Termination terms are by mutual consent via writing, without notice for misconduct or breach of conditions; by Neptune giving two months notice; or if the Employee becomes incapable of performing his obligations for more than 60 consecutive days.

OPTIONS GRANTED AS PART OF REMUNERATION FOR THE YEAR ENDED 30 JUNE 2008

Options are issued to employees and Directors as per the incentive option scheme detailed in note 27.

	Options Granted As Remuneration				Terms & Conditions for Each Grant		
2008	**Vested No.**	**Granted No.**	**Grant Date**	**Value per Option at Grant Date**	**Exercise Price**	**First Exercise Date**	**Last Exercise Date**
Directors							
Key Management Personnel							
Mr Geoffrey Edwards	100,000	500,000	22/8/07	0.49	0.84	22/8/08	22/8/11
Mr Geoffrey O'Connor	100,000	100,000	22/8/07	0.49	0.84	22/8/07	22/8/12
Mr Colin Murphy	-	100,000	22/8/07	0.49	0.84	22/8/07	22/8/12
	200,000	700,000					

All options granted, vest within one to five years of grant date.
Exercise price equals the market price at date of the grant for those options granted prior to the 18 June, 2008. Thereafter, the board approved that the exercise price will be the higher of 12 month VWAP or 30 trading day VWAP plus 10%.
The service and performance criteria set to determine remuneration are included in this remuneration report.
On termination with cause any unvested options will immediately be forfeited.

OPTIONS GRANTED AS PART OF REMUNERATION

2008	**Value of Options Granted $**	**Value of Options Exercised $**	**Value of Options Lapsed $**	**Remuneration Consisting of Options %**
Directors				
Key Management Personnel				
Mr Geoffrey Edwards	244,900	-	-	57%
Mr Geoffrey O'Connor	48,980	-	-	15%
Mr Graeme Creedon	48,980	21,745	52,210	0%
	342,860	21,745	52,210	

SHARES ISSUED ON EXERCISE OF COMPENSATION OPTIONS

2008	No. of Shares Issued	Price per Share $	Unpaid per Share $
Directors			
Key Management Personnel			
Mr Graeme Creedon	66,000	0.59	-
	66,000		-

2007	No. of Shares Issued	Price per Share $	Unpaid per Share $
Directors			
Key Management Personnel			
Nil	Nil	Nil	Nil

OPTIONS GRANTED AS REMUNERATION

					Terms & Conditions for Each Grant		
2007	Vested No.	Granted No.	Grant Date	Value per Option at Grant Date $	Exercise Price $	First Exercise Date	Last Exercise Date
Directors							
Mr Christian Lange	1,000,000	3,000,000	29/05/2007	0.59	0.60	29/05/2007	29/05/2017
Key Management Personnel							
Mr Nino Amato	-	400,000	29/03/2007	0.31	0.59	29/03/2008	29/03/2012
Mr Geoffrey Edwards	-	400,000	22/02/2007	0.36	0.28	31/10/2007	30/10/2011
Mr Mike Erinakes	-	400,000	7/06/2007	0.40	0.82	7/06/2008	7/06/2012
	1,000,000	4,200,000					

No options were excercised during the year ended 30 June, 2007

	Granted		Terms & Conditions for Each Grant				Vested	
2008	No.	Grant Date	Exercise price per Option $	Expiry Date	First Exercise Date	Last Exercise Date	%	No.
Directors								
Key Management Personnel								
Mr Geoffrey Edwards	500,000	22/8/07	0.84	22/8/12	22/8/07	22/8/12	100.00%	500,000
Mr Geoffrey O'Connor	100,000	22/8/07	0.84	22/8/12	22/8/07	22/8/12	100.00%	100,000
Mr Colin Murphy	100,000	22/8/07	0.84	22/8/12	22/8/07	22/8/12	100.00%	100,000
	700,000							700,000

	Granted		Terms & Conditions for Each Grant				Vested	
	No.	Grant Date	Exercise price per Option	Expiry Date	First Exercise Date	Last Exercise Date		No.
2007			$				%	
Directors								
Mr Christian Lange	3,000,000	29/5/07	0.60	29/5/17	29/5/07	29/5/17	33.33%	1,000,000
Key Management Personnel								
Mr Nino Amato	400,000	29/3/07	0.59	29/3/12	29/3/08	29/3/12	0.00%	-
Mr Geoffrey Edwards	400,000	22/2/07	0.28	30/10/11	31/10/07	30/10/11	0.00%	-
Mr Mike Erinakes	400,000	7/6/07	0.82	7/6/12	7/6/08	7/6/12	0.00%	-
	4,200,000							1,000,000

MEETINGS OF DIRECTORS

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

	Directors' Meetings		Audit & Governance Committee Meetings		Human Resources & Compensation Committee Meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Directors						
Mr Christian Lange	11	11	-	-	-	-
Mr Ross Kennan	11	11	2	2	4	4
Ms Cathryn Curtin	11	10	-	-	4	4
Mr David Agostini	11	11	-	-	-	-
Mr Robert Scott	11	11	2	2	-	-

There were three meetings of the Occupational Health, Safety and Environment Committee held during the year ended 30 June 2008 of which two were attended by Mr Christian Lange, three were attended by Mr David Agostini and all meetings were attended by the Corporate HSEQ Manager Mr Adam Mroz.

INDEMNIFYING OFFICERS OR AUDITOR

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

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

The Company paid a premium during the year in respect of a Director and officer liability insurance policy insuring the Directors of the Company, the Company Secretary and all Executive Officers of the Company against a liability incurred as such a Director, Secretary, or Executive Officer to the extent permitted by the Corporations Act 2001. The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the Directors' and Officers' liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contract.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

EMPLOYEE DETAILS

The number of permanent employees in the consolidated group as at 30 June 2008 was 397.

NON-AUDIT SERVICES

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

AUDITOR'S INDEPENDENCE DECLARATION

The lead Auditor's Independence Declaration for the year ended 30 June 2008 has been received and can be found on page 19.

ROUNDING OF AMOUNTS

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

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

MR CHRISTIAN LANGE

CEO & Managing Director

Dated this 17th day of September 2008

Stantons International
ABN 41 103 088 697
LEVEL 1, 1 HAVELOCK STREET
WEST PERTH WA 6005, AUSTRALIA
PH: 61 8 9481 3188 • FAX: 61 8 9321 1204
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17 September 2008

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

Dear Directors

RE: NEPTUNE MARINE SERVICES LIMITED

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

As the Audit Director for the audit of the financial statements of Neptune Marine Services Limited for the year ended 30 June 2008, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely
STANTONS INTERNATIONAL
(Authorised Audit Company)

J P Van Dieren
Director

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

		Consolidated Group		Parent Entity	
		2008	2007	2008	2007
	Note	$000	$000	$000	$000
Revenue	2	86,713	15,536	14,218	4,899
Cost of Sales		(41,487)	(6,544)	(11,674)	(1,944)
Gross Profit		45,226	8,992	2,544	2,955
Other income	2	1,851	1,376	9,201	1,366
Marketing expenses		(469)	(240)	(322)	(203)
Occupancy expenses	3	(2,135)	(307)	(734)	(134)
Corporate and administrative expenses		(10,799)	(2,508)	(2,863)	(1,214)
Depreciation of property, plant and equipment	3	(1,534)	(215)	(186)	(53)
Technical expenses		(4)	(1,661)	(4)	(1,661)
Employee benefits expense	3	(18,282)	(5,121)	(3,712)	(782)
Impairment of goodwill	3	-	(4,895)	-	-
Share based payments		(1,583)	(926)	(1,583)	(926)
Foreign Exchange loss	3	(118)	(463)	(4,794)	(458)
Finance Costs	3	(497)	(54)	(51)	(16)
Finance costs - Deferred Payments	3	(1,878)	(269)	(1,363)	(89)
Other expenses		(14)	(166)	-	-
Profit / (loss) before income tax		9,764	(6,457)	(3,867)	(1,216)
Income tax (expense) / credit	4	(2,357)	82	999	247
Profit / (loss) from continuing operations		7,407	(6,375)	(2,868)	(970)
Profit / (loss) for the year		7,407	(6,375)	(2,868)	(970)
Profit / (loss) attributable to members of the parent entity		7,407	(6,375)	(2,868)	(970)
Overall Operations					
Basic earnings per share (cents per share)	8	3.00	(6.52)		
Diluted earnings per share (cents per share)	8	2.95	(6.52)		

The accompanying notes form part of these financial statements.

BALANCE SHEET AS AT 30 JUNE 2008

		Consolidated Group		Parent Entity	
		2008	2007	2008	2007
	Note	$000	$000	$000	$000
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	9	18,155	16,030	10,857	14,325
Trade and other receivables	10	19,884	10,340	6,850	2,147
Inventories	11	3,310	1,603	101	-
Other current assets	16	1,014	582	569	383
TOTAL CURRENT ASSETS		42,363	28,555	18,377	16,855
NON-CURRENT ASSETS					
Trade and other receivables	10	1,473	362	76,628	31,922
Financial assets	12	-	-	58,550	16,512
Property, plant and equipment	14	23,067	4,086	5,760	525
Deferred tax assets	19	1,630	-	1,797	-
Intangible assets	15	114,776	44,482	1,440	-
TOTAL NON-CURRENT ASSETS		140,946	48,930	144,175	48,959
TOTAL ASSETS		183,309	77,485	162,552	65,814
LIABILITIES					
CURRENT LIABILITIES					
Trade and other payables	17	21,488	8,325	11,106	2,318
Financial liabilities	18	2,094	2,120	456	391
Current tax liabilities	19	3,417	52	35	-
Short-term provisions	20	867	548	258	125
TOTAL CURRENT LIABILITIES		27,866	11,045	11,855	2,834
NON-CURRENT LIABILITIES					
Trade and other payables	17	18,020	5,186	15,576	594
Financial liabilities	18	3,545	4,607	213	18
Deferred tax liabilities	19	297	-	-	-
TOTAL NON-CURRENT LIABILITIES		21,862	9,793	15,789	612
TOTAL LIABILITIES		49,728	20,838	27,644	3,446
NET ASSETS		133,581	56,647	134,908	62,368
EQUITY					
Issued capital	21	139,405	66,011	139,405	66,011
Reserves	22	(2,072)	1,795	4,124	2,110
Accumulated losses		(3,752)	(11,159)	(8,621)	(5,753)
Parent interest		133,581	56,647	134,908	62,368
TOTAL EQUITY		133,581	56,647	134,908	62,368

The accompanying notes form part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2008

Consolidated	Note	Ordinary	Accumulated Losses	Foreign Currency Translation Reserve	General Reserves	Option Reserve	Total
		$000	$000	$000	$000	$000	$000
Balance at 1 July 2006		4,559	(4,784)	-	-	1,184	959
Shares issued during the year		63,338	-	-	-	-	63,338
Transaction costs		(3,029)	-	-	-	-	(3,029)
Loss attributable to members of parent entity		-	(6,375)	-	-	-	(6,375)
Adjustments from translation of foreign controlled entities		-	-	(315)	-	-	(315)
Exercise of options		1,143	-	-	-	-	1,143
Cost of share based payments		-	-	-	-	926	926
Sub-total		66,011	(11,159)	(315)	-	2,110	56,647
Balance at 30 June 2007		66,011	(11,159)	(315)	-	2,110	56,647
Shares issued during the year		74,394	-	-	-	-	74,394
Transaction costs (including deferred tax provision)		(1,771)	-	-	-	-	(1,771)
Profit attributable to members of parent entity		-	7,407	-	-	-	7,407
Adjustments from translation of foreign controlled entities		-	-	(5,881)	-	-	(5,881)
Exercise of options		771	-	-	-	-	771
Cost of share based payments		-	-	-	-	2,014	2,014
Sub-total		139,405	(3,752)	(6,196)	-	4,124	133,581
Balance at 30 June 2008		139,405	(3,752)	(6,196)	-	4,124	133,581

The accompanying notes form part of these financial statements.

Parent Entity	Note	Ordinary	Accumulated Losses	Foreign Currency Translation Reserve	General Reserves	Option Reserve	Total
		$000	$000	$000	$000	$000	$000
Balance at 1 July 2006		4,559	(4,784)	-	-	1,184	959
Loss attributable to members of parent entity		-	(969)	-	-	-	(969)
Shares issued during the year		63,338	-	-	-	-	63,338
Transaction costs		(3,029)	-	-	-	-	(3,029)
Exercise of options		1,143	-	-	-	-	1,143
Cost of share based payments		-	-	-	-	926	926
Sub-total		66,011	(5,753)	-	-	2,110	62,368
Balance at 30 June 2007		66,011	(5,753)	-	-	2,110	62,368
Shares issued during the year		74,394	-	-	-	-	74,394
Transaction costs (including deferred tax provision)		(1,771)	-	-	-	-	(1,771)
Exercise of options		771	-	-	-	-	771
Cost of share based payments		-	-	-	-	2,014	2,014
Loss attributable to members of parent entity		-	(2,868)	-	-	-	(2,868)
Sub-total		139,405	(8,621)	-	-	4,124	134,908
Balance at 30 June 2008		139,405	(8,621)	-	-	4,124	134,908

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

		Consolidated Group		Parent Entity	
		2008	2007	2008	2007
	Note	$000	$000	$000	$000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		83,331	10,708	12,143	3,981
Interest received		1,126	349	897	340
Payments to suppliers and employees		(70,010)	(14,267)	(17,850)	(6,667)
(Borrowing costs paid)		(529)	(54)	(81)	(16)
Income tax paid		(2,994)	-	-	-
Net cash provided by (used in) operating activities	26a	10,924	(3,264)	(4,891)	(2,362)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of property, plant and equipment		252	-	1	-
Purchase of property, plant and equipment		(16,531)	(403)	(5,425)	(379)
Expenditure on development costs		(1,440)	-	(1,440)	-
Purchase of investments		(1,882)	(265)	(1,636)	(250)
Payment for subsidiaries, net of cash acquired		(44,971)	(31,511)	(14,171)	(31,739)
Bank guarantee		(591)	-	(411)	-
Payment of deferred payments		(2,003)	-	(2,003)	-
Loan from controlled entity		-	-	(34,564)	(2,368)
Net cash provided by (used in) investing activities		(67,166)	(32,179)	(59,649)	(34,736)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		60,461	50,179	60,461	50,179
Proceeds from the exercise of options		813	-	813	-
Proceeds from borrowings		257	224	317	176
Share / option issue costs		(132)	-	(132)	-
Repayment of borrowings		(2,465)	(112)	(387)	(112)
Net cash provided by (used in) financing activities		58,934	50,291	61,072	50,243
Net increase in cash held		2,692	14,848	(3,468)	13,145
Cash at beginning of financial year		16,030	1,182	14,325	1,180
Effect of exchange rates on cash holdings in foreign currencies		(567)	-	-	-
Cash at end of financial year	9	18,155	16,030	10,857	14,325

The accompanying notes form part of these financial statements.

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Basis of Preparation

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

Reporting Basis and Conventions

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

The financial statements were approved by the Board on 17 September 2008.

Accounting Policies

(a) Principles of Consolidation

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

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

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

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

(b) Income Tax

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

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

where there is no effect on accounting or taxable profit or loss.

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

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

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

c) Inventories

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

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

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

(d) Property, Plant and Equipment

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

Plant and Equipment

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

Depreciation

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

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

Class of Fixed Asset	Depreciation Rate
Computer equipment	33% - 100%
Leasehold improvements	20% - 33%
Plant and equipment	20% - 40%
Vehicles	20%

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

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

(e) Leases

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

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

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

(f) Financial Instruments

Recognition

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

Loans and Receivables

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

Financial Liabilities

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

Derivative Instruments

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

Fair Value

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

(g) Impairment of Assets

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

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

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

(h) Intangibles

Goodwill

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

Research and Development

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

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

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

(i) Foreign Currency Transactions and Balances

Functional and Presentation Currency

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

Transactions and Balances

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

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

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

Group Companies

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

- assets and liabilities are translated at year end exchange rates prevailing at that reporting date;

- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

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

(j) Employee Benefits

Wages, Salaries, Annual Leave and Non-Monetary Benefits

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

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

Equity-settled Compensation

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

(k) Provisions

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

(l) Cash and Cash Equivalents

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

(m) Revenue

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

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

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

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

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

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

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

(n) Borrowing Costs

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

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

(o) Goods and Services Tax (GST)

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

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

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

(p) Business Combinations

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

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

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

(q) Comparative Figures

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

(r) Rounding of Amounts

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

(s) Critical Accounting Estimates and Judgments

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

Key Estimates - Impairment

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

Key Estimates - Depreciation

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

Key Estimates - Share Based Payments

The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using the Binomial model, with the assumptions detailed in note 27.

Key Estimates - Deferred Payments

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

(t) New Accounting Standards and Interpretations

Certain new accounting standards have been published that are not mandatory for 30 June 2008 reporting periods. The Group has not applied any of the following and has not yet determined the potential effect of amendments on the Group's financial report.

AFFECTED STANDARD	NATURE AND IMPACT OF CHANGE TO ACCOUNTING POLICY	APPLICATION*
AASB 8: Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8	No impact on accounting policy or amounts recognised in the financial statements, but will require change to disclosures in relation to 'management approach' of segment reporting.	1 January 2009
AASB 123: Borrowing Costs	No impact on financial statements as no borrowing costs incurred by the Group to date.	1 January 2009
AASB 101: Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101	Introduces a statement of comprehensive income and makes changes in equity, but will not affect any of the amounts recognised in the financial statements.	1 January 2009
AASB 3: Business Combinations	As there is no requirement to retrospectively restate comparative amounts for business combinations undertaken before this date, there is unlikely to be any impact on the financial statements when this revised standard is first adopted.	1 July 2009
AASB 127: Consolidated and Separate Financial Statements	As there is no requirement to retrospectively restate the effect of these revisions, there is unlikely to be any impact on the financial statements when this revised standard is first adopted.	1 July 2009
AASB 2008-1 Amendments to Australian Accounting Standard - Share-based Payment: Vesting Conditions and Cancellations	This changes the measurement of share-based payments that contain non-vesting conditions. The Group has not yet determined the potential effect of the amending standard on the Group's financial report.	1 January 2009

* Applicable to reporting periods commencing on or after the given date.

NOTE 2 REVENUE

		Consolidated Group		Parent Entity	
		2008	2007	2008	2007
Revenue	**Note**	**$000**	**$000**	**$000**	**$000**
- sale of goods		-	-	-	-
- rendering of services revenue from operating activities		86,713	15,536	14,218	4,899
Total Revenue		86,713	15,536	14,218	4,899
Other Revenue					
- interest received	2(a)	1,149	349	2,541	340
- government subsidies received		469	1,027	469	1,026
- corporate overhead recovery		-	-	5,975	-
- other revenue		233	-	216	-
Total Other Revenue		1,851	1,376	9,201	1,366
Total Sales Revenue and Other Revenue		88,564	16,912	23,419	6,264
(a) Interest revenue from:					
- Other		1,149	349	2,541	340
Total interest revenue		1,149	349	2,541	340

NOTE 3 EXPENSES

	Note	Consolidated Group 2008 $000	Consolidated Group 2007 $000	Parent Entity 2008 $000	Parent Entity 2007 $000
(a) Expenses					
Cost of sales		41,487	6,544	11,674	1,944
Finance costs:					
- Finance charges payable under finance leases and hire		69	54	51	16
- Other Persons - Interest to Unrelated Parties		428	-	-	-
Total finance costs		497	54	51	16
Interest on Discounted Deferred Payments		1,878	269	1,363	89
Depreciation:					
- Depreciation of leasehold improvements		82	12	41	10
- Depreciation of leased vehicle		194	38	3	7
- Depreciation of office furniture and equipment		207	38	95	29
- Depreciation of plant and equipment		1,051	127	47	7
Total depreciation		1,534	215	186	53
Foreign currency translation (gains)/losses		118	463	4,794	458
Net (gain)/loss on disposal of plant and equipment		42	-	4	-
Bad and doubtful debts		-	10	-	-
Employee benefit expenses:					
- Salaries and wages		14,630	2,617	2,835	438
- Superannuation		1,201	357	153	171
- Employee entitlements		620	269	12	75
- Other		1,831	1,878	712	98
Total Employee benefit expenses		18,282	5,121	3,712	782
Share based payments		1,583	926	1,583	926
Occupancy Costs		2,135	307	734	134
Impairment of goodwill		-	4,895	-	-

NOTE 4 INCOME TAX

	Note	Consolidated Group 2008 $000	Consolidated Group 2007 $000	Parent Entity 2008 $000	Parent Entity 2007 $000
(a) The components of tax expense comprise:		2,878	165	35	-
Current tax		(837)	-	(1,003)	-
Deferred tax	19	-	(247)	-	(247)
Income tax credit - R&D tax offset		316	-	(31)	-
Under provision in respect of prior years		2,357	(82)	(999)	(247)
(b) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows					
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2007: 30%)					
- Consolidated group		2,929	(1,937)		
- Parent entity				(1,160)	(361)
Add:					
Tax effect of:					
- Non-deductible depreciation and amortisation		-	812	-	-
- Other non-allowable items		46	16	994	7
- Write-downs to recoverable amounts		-	-	-	-
- Share options expensed during year		475	275	475	275
- Foreign subsidiary loss		-	218	-	-
- Intercompany transactions recognised for tax		-	355	-	-
- Losses not consolidated for tax		-	154	-	80
- Tax losses deducted		(705)	-	(705)	-
- Deferred tax previously unrecognised		(837)	-	(1,003)	-
- Income accrual		-	1	-	1
- Future income tax benefit not brought to account		-	156	-	156
- Prepayments		-	1	-	1
- Non-deductible interest on deferred payments		563	33	409	-
- R & D Offset		(9)	-	(9)	-
- Provisions		-	35	-	23
- Consolidation adjustment		39	-	-	-
- JPDA income		(57)	-	-	-
- Differences due to foreign tax rates		(87)	-	-	-
- Accruals		-	239	-	85
		2,357	358	(999)	267
Less:					
Tax effect of:					
- Non-assessable income		-	-	-	74
- Income tax credit - R&D tax offset		-	247	-	247
- Capital raising costs		-	193	-	193
- Provisions		-	-	-	-
- Tax losses utilised		-	-	-	-
- Reconciling item		-	-	-	-
Recoupment of prior year tax losses not previously brought to account		-	-	-	-
Income tax attributable to entity		2,357	(82)	(999)	(247)
The applicable weighted average effective tax rates are as follows:		24%	1%	26%	20%

(c) Tax Consolidation Legislation

Neptune Marine Services Limited has not implemented the tax consolidation legislation as of 30 June 2008.

	Consolidated Group		Parent Entity	
(d) Amounts charged or credited directly to equity	**2008**	**2007**	**2008**	**2007**
	$000	**$000**	**$000**	**$000**
Deferred income tax on capital raising costs	400	-	400	-

(e) Tax Rates

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

NOTE 5 DIRECTOR AND KEY MANAGEMENT PERSONNEL COMPENSATION

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

Directors	Position
Mr Christian Lange	Managing Director and Chief Executive Officer
Mr Ross Kennan	Non Executive Director
Ms Cathryn Curtin	Non Executive Director
Mr David Agostini	Non Executive Director
Mr Robert Scott	Non Executive Director
Key Management Personnel	
Mr Geoffrey Edwards	Chief Financial Officer
Mr Geoffrey O'Connor	Commercial Director
Mr Graeme Creedon	Operations Manager
Mr Colin Murphy	General Manager - Allied Diving Services Pty Ltd
Mr Timothy Proctor	General Manager - Territory Diving Services Pty Ltd
Mr David Husband	Subsea Business Manager - Subsea Developments (Australasia) Pty Ltd
Mr Russell Collins	Pipelines Business Manager - Subsea Developments (Australasia) Pty Ltd
Mr Nino Amato	General Manager - Link Weld Engineering Pty Ltd
Mr Mike Erinakes	President / COO - US Underwater Services LLP
Mr Mark Lindsay	Business Director - Tri-Surv Pty Ltd
Mr Anthony Kerr	Technical Director - Tri-Surv Pty Ltd
Mr Bart van der Groen	Marketing Director - Tri-Surv Pty Ltd
Mr Martin Anderson	General Manager - Ross Deeptech Initiatives Ltd
Mr David McLean	General Manager - Sea-Struct Pty Ltd

(b) Options Holdings

Number of Options Held by Key Management Personnel

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

2007	Balance 1 July 2007	Granted as Compensation	Options Exercised	Net Change Other*	Balance 30 June 2008	Total Vested 30 June 2008	Total Exercisable 30 June 2008	Total Unexercisable 30 June 2008
Mr Christian Lange	1,000,000	3,000,000	-	-	4,000,000	2,000,000	2,000,000	2,000,000
Mr Nino Amato	-	400,000	-	-	400,000	-	-	400,000
Mr Graeme Creedon	-	100,000	-	-	100,000	-	-	100,000
Mr Geoffrey Edwards	-	400,000	-	-	400,000	-	-	400,000
Mr Geoffrey O'Connor	-	400,000	-	-	400,000	-	-	400,000
Mr Mike Erinakes	-	400,000	-	-	400,000	-	-	400,000
Mr David Agostini	200,000	-	-	-	200,000	200,000	200,000	-
	1,200,000	4,700,000	-	-	5,900,000	2,200,000	2,200,000	3,700,000

* The 'Net Change Other' column above includes those options that have been forfeited by holders as well as options issued or expired during the year under review.

Further disclosure of options granted and exercised during the year can be found in the Remuneration Report of the Director's Report.

(c) Shareholdings

Number of Shares held by Key Management Personnel

2008	Balance 1 July 2007	Received as Compensation	Options Exercised	Net Change Other*	Balance 30 June 2008
Directors					
Mr Christian Lange	413,478	-	-	15,789	429,267
Mr Ross Kennan	-	22,355	-	96,263	118,618
Ms Cathryn Curtin	84,000	11,178	-	38,052	133,230
Mr David Agostini	47,250	11,178	-	-	58,428
Mr Robert Scott	-	11,178	-	50,000	61,178
Key Management Personnel					
Mr Geoffrey Edwards	70,067	-	-	17,500	87,567
Mr Geoffrey O'Connor	3,150	-	-	41,750	44,900
Mr Graeme Creedon	-	-	66,000	-	66,000
Mr Colin Murphy	328,125	-	-	-	328,125
Mr Timothy Proctor	3,700	-	-	68,720	72,420
Mr David Husband	2,767,573	-	-	70,000	2,837,573
Mr Russell Collins	2,767,573	-	-	120,000	2,887,573
Mr Nino Amato	402,711	-	-	119,014	521,725
Mr Mike Erinakes	6,123,438	-	-	(204,988)	5,918,450
Mr Mark Lindsay	-	-	-	2,928,109	2,928,109
Mr Anthony Kerr	-	-	-	2,930,531	2,930,531
Mr Bart van der Groen	-	-	-	2,296,422	2,296,422
Mr David McLean	-	-	-	1,199,716	1,199,716
	13,011,065	55,889	66,000	9,786,878	22,919,832

2007	Balance 1 July 2006	Received as Compensation	Options Exercised	Net Change Other*	Balance 30 June 2007
Directors					
Mr Christian Lange	61,376	-	-	352,102	413,478
Mr Ross Kennan	-	-	-	-	-
Ms Cathryn Curtin	55,000	-	-	29,000	84,000
Mr David Agostini	6,000	-	-	41,250	47,250
Mr Robert Scott	-	-	-	-	-
Mr Clive Langley	8,400,000	-	-	(8,400,000)	-
Key Management Personnel					
Mr Nino Amato	-	-	-	402,711	402,711
Mr Russell Collins	-	-	-	2,767,573	2,767,573
Mr Graeme Creedon	-	-	-	-	-
Mr Geoffrey Edwards	-	-	-	70,067	70,067
Mr David Husband	-	-	-	2,767,573	2,767,573
Mr Colin Murphy	-	-	-	328,125	328,125
Mr Geoffrey O'Connor	-	-	-	3,150	3,150
Mr Timothy Proctor	-	-	-	3,700	3,700
Mr Mike Erinakes	-	-	-	6,123,438	6,123,438
Mr Michael McGilvray	-	-	-	-	-
	8,522,376	-	-	4,488,689	13,011,065

* The 'Net Change Other' refers to shares purchased, sold or grnted as part of an acquisition during the financial year.

NOTE 6 AUDITORS' REMUNERATION

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	$000	$000	$000	$000
Remuneration of the auditor of the parent entity for:				
– Auditing or reviewing the financial report	248	73	187	73
– Other services	-	-	-	-
	248	73	187	73
Remuneration of other auditors of subsidiaries for:				
– auditing or reviewing the financial report of subsidiaries	152	18	-	8

NOTE 7 DIVIDENDS

No dividends have been provided for or paid during the year 1 July 2007 to 30 June 2008.

NOTE 8 EARNINGS PER SHARE

	Consolidated Group	
	2008	2007
	$000	$000
Basic earnings per share (cents)	3.00	(6.52)
Diluted earnings per share (cents)	2.95	(6.52)
(a) Profit / (Loss) used in the calculation of EPS	7,407	(6,375)
(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	246,714,736	97,747,622
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	251,256,873	97,747,622

NOTE 9 CASH AND CASH EQUIVALENTS

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	$000	$000	$000	$000
Cash at bank and in hand	7,798	5,030	500	3,325
Deposits	10,357	11,000	10,357	11,000
	18,155	16,030	10,857	14,325
Reconciliation of Cash and Cash equivalents				
Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:				
Cash and Cash equivalents	18,155	16,030	10,857	14,325
	18,155	16,030	10,857	14,325

NOTE 10 TRADE AND OTHER RECEIVABLES

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
CURRENT	$000	$000	$000	$000
Trade receivables	18,189	10,018	5,287	2,042
Provision for impairment of receivables	-	-	-	-
	18,189	10,018	5,287	2,042
Other receivables	1,695	361	1,563	134
Less: Provision for doubtful amounts - other receivables	-	(39)	-	(29)
	19,884	10,340	6,850	2,147
NON-CURRENT				
Amounts receivable from:				
Wholly-owned entities	-	-	76,081	31,563
Security deposit	1,473	362	548	359
	1,473	362	76,628	31,922

NOTE 11 INVENTORIES

	Consolidated Group		Parent Entity	
CURRENT	2008	2007	2008	2007
	$000	$000	$000	$000
At cost				
Work in progress	3,292	1,579	101	-
Finished goods	18	24	-	-
	3,310	1,603	101	-

NOTE 12 FINANCIAL ASSETS

		Consolidated Group		Parent Entity	
		2008	2007	2008	2007
NON CURRENT	Note	$000	$000	$000	$000
Investment in controlled entities - at cost	(a)	-	-	58,557	16,519
Less: provision for diminution in value		-	-	(7)	(7)
		-	-	58,550	16,512

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	$000	$000	$000	$000
(a) Investments in controlled entities				
Unlisted				
Investment at cost - Neptune Marine Europe ApS	-	-	29	29
Less: provision for diminution in value - Neptune Marine Europe ApS	-	-	(7)	(7)
Investment at cost - Allied Diving Services	-	-	2,740	2,729
Investment at cost - Territory Diving Services	-	-	5,082	4,134
Investment at cost - Other	-	-	82	92
Investment at cost - Neptune Marine Services International	-	-	9,535	9,535
Investment at cost - Tri-Surv Pty Ltd	-	-	32,509	-
Investment at cost - Sea-Struct Pty Ltd	-	-	8,580	-
	-	-	58,550	16,512

NOTE 13 CONTROLLED ENTITIES CONSOLIDATED

(a) Controlled Entities Consolidated

	Country of Incorporation	Percentage Owned (%)*	
Parent Entity:		**2008**	**2007**
Neptune Marine Services Limited	Australia		
Ultimate Parent Entity:			
Neptune Marine Services Limited	Australia		
Subsidiaries of Neptune Marine Services Limited:			
Allied Diving Services Pty Ltd	Australia	100.00%	100.00%
Territory Diving Services Pty Ltd	Australia	100.00%	100.00%
Neptune Marine Services International Pty Ltd	Australia	100.00%	100.00%
Link Weld Engineering Pty Ltd	Australia	100.00%	100.00%
Subsea Developments (Australasia) Pty Ltd	Australia	100.00%	100.00%
US Underwater Services LLC	United States of America	100.00%	100.00%
Neptune Delaware Holdings Inc	United States of America	100.00%	100.00%
US Underwater Management LLC	United States of America	100.00%	100.00%
US Underwater Services LLP	United States of America	100.00%	100.00%
Neptune Marine Europe (Aps)	Denmark	100.00%	100.00%
Tri-Surv Pty Ltd	Australia	100.00%	0.00%
Tri-Surv Deepwater Pty Ltd	Australia	100.00%	0.00%
Sea-Struct Pty Ltd	Australia	100.00%	0.00%
Neptune Scotland Holdings Ltd	United Kingdom	100.00%	0.00%
Ross Deeptech Initiatives Ltd	United Kingdom	100.00%	0.00%
Ross Deeptech Symons Ltd	United Kingdom	100.00%	0.00%
Neptune Asia Holdings Pte Ltd	Singapore	100.00%	0.00%
Neptune Marine Pacific Pte Ltd	Singapore	100.00%	0.00%
Sea-Struct International Pte Ltd	Singapore	100.00%	0.00%
PT Sea-Struct Indonesia	Indonesia	100.00%	0.00%

* Percentage of voting power is in proportion to ownership

(b) Acquisition of Controlled Entities

Details of the acquisitions of controlled entities during the year ended 30 June 2008 can be found at note 31 'Business Combinations'.

NOTE 14 PROPERTY, PLANT AND EQUIPMENT

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	$000	$000	$000	$000
PLANT AND EQUIPMENT				
Plant and equipment				
At cost	12,085	3,207	457	146
Accumulated depreciation	(3,420)	(677)	(113)	(63)
	8,665	2,530	344	83
Leasehold improvements				
At cost	412	157	320	74
Accumulated depreciation	(104)	(31)	(69)	(28)
Total Leasehold Improvements	308	126	251	46
Leased vehicle	1,087	911	33	34
At cost	(303)	(88)	(18)	(15)
Accumulated depreciation	784	823	15	19
Office furniture and equipment	2,116	694	540	436
At cost	(967)	(87)	(149)	(59)
Accumulated depreciation	1,149	607	391	377
Remote Operating Vehicles - Capital Work in Progress	3,624	-	3,624	-
At cost	-	-	-	-
Accumulated depreciation	3,624	-	3,624	-
Vessels				
At cost	8,537	-	1,134	-
Accumulated depreciation	-	-	-	-
	8,537	-	1,134	-
Total Plant and Equipment	23,067	4,086	5,760	525
Total Property, Plant and Equipment	23,067	4,086	5,760	525

The Remote Operating Vehicles have not incurred depreciation at reporting date as deposits have only been made to acquire them and delivery is not due to take place until the next financial year. The Vessels with a consolidated cost of $8,537,000 have not incurred depreciation at reporting date as only a deposit of $1,134,000 was paid on one Vessel. The other Vessel, costing $7,503,000 was only commissioned after balance sheet date.

(a) Movements in Carrying Amounts

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

	Office Furniture and Equipment $000	Leasehold Improvements $000	Plant and Equipment $000	Leased Vehicle $000	ROV's and Vessel $000	Total $000
Consolidated Group:						
Balance at 1 July 2006	59	42	73	25	-	199
Additions	348	15	40	149	-	552
Additions through acquisition of entities	238	81	2,544	687	-	3,550
Depreciation expense	(38)	(12)	(127)	(38)	-	(215)
Balance at 30 June 2007	607	126	2,530	823	-	4,086
Additions	612	265	3,383	110	12,161	16,531
Disposals	(11)	-	(61)	(208)	-	(280)
Additions through acquisition of entities	162	-	4,109	290	-	4,561
Depreciation expense	(207)	(82)	(1,051)	(194)	-	(1,534)
Foreign exchange	(14)	(1)	(245)	(37)	-	(297)
Balance at 30 June 2008	1,149	308	8,665	784	12,161	23,067
Parent Entity:						
Balance at 1 July 2006	59	42	73	25	-	199
Additions	347	14	17	1	-	379
Depreciation expense	(29)	(10)	(7)	(7)	-	(53)
Balance at 30 June 2007	377	46	83	19	-	525
Additions	113	246	307	-	4,759	5,425
Disposals	(4)	-	-	-	-	(4)
Depreciation expense	(95)	(41)	(46)	(4)	-	(186)
Balance at 30 June 2008	391	251	344	15	4,759	5,760

NOTE 15 INTANGIBLE ASSETS

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	$000	$000	$000	$000
Goodwill				
Cost	117,903	51,020	-	-
Accumulated operational increase in earn outs	7,098	-	-	-
Accumulated reduction in deferred payments	(922)	(922)	-	-
Accumulated foreign exchange differences	(5,848)	(721)	-	-
Accumulated impairment losses	(4,895)	(4,895)	-	-
Net carrying value	113,336	44,482	-	-
Development costs				
Cost	1,440	-	1,440	-
Accumulated amortisation and impairment	-	-	-	-
Net carrying value	1,440	-	1,440	-
Total Intangibles	114,776	44,482	1,440	-

Intangible assets, other than goodwill have finite useful lives. The current amortisation charges in respect of intangible assets are included under depreciation and amortisation expense per the income statement. Goodwill has an infinite life and is tested annually for impairment.

The recoverable amount of each Cash Generating Unit (CGU) is determined based on a value-in-use calculation. These calculations use cash flow projections based on financial budgets approved by the Board, covering a four year period. Cash flows beyond the four year period are extrapolated using the estimated growth rates stated below.

Key assumptions used for value-in-use calculations

	Growth rate **	Pre-tax discount rate ***
	2008	2008
	%	%
Australasia	7.6 - 9.3	12.50
USA	8.5	10.55
UK	8.4	11.23

** Weighted average growth rate used to extrapolate cash flows beyond the budget period.

*** In performing the value-in-use calculations for each CGU, the Neptune Group has applied pre-tax discount rates to discount the forecast future attributable post-tax cash flows. These assumptions have been used for the analysis of each CGU within the business segment.

Management determined budgeted earnings before interest, tax, depreciation and amortisation (EBITDA) based on past performance and its expectations of the future. The weighted average growth rates used are consistent with forecasts included in industry reports, and are considered to be conservative given the strength of the oil and gas industry. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments and the countries in which they operate.

Impact of possible changes in key assumptions

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

NOTE 16 OTHER ASSETS

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	$000	$000	$000	$000
CURRENT	976	571	569	383
Prepayments	38	11	-	-
Deposits	1,014	582	569	383

NOTE 17 TRADE AND OTHER PAYABLES

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
CURRENT	$000	$000	$000	$000
Unsecured liabilities				
Trade payables	5,688	3,494	3,261	1,214
Sundry payables and accrued expenses	6,430	1,997	1,763	730
Deferred consideration	9,370	2,834	6,082	374
	21,488	8,325	11,106	2,318
NON-CURRENT				
Unsecured liabilities				
Deferred consideration	18,020	5,186	15,559	575
Unsecured loan owing to controlled entity	-	-	17	19
	18,020	5,186	15,576	594

Deferred consideration is made up of an estimate of 67% cash and 33% shares to vendors of the acquired subsidiaries based on an earnout calculation that is discounted to account for the time value of money and interest expense. The interest expense has been brought to account in the income statement, and amounts to $1,878,000 for the year ended 30 June 2008.

Financial guarantees

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

– Performance guarantees	171	-	-	-
– Guarantees related to leases	548	359	548	359
The guarantees are secured by cash	719	359	548	359

NOTE 18 FINANCIAL LIABILITIES

		Consolidated Group		Parent Entity	
		2008	2007	2008	2007
CURRENT	Notes	$000	$000	$000	$000
Unsecured liabilities					
Hire purchase liability	23	318	72	85	41
Other		370	358	371	350
		688	430	456	391
Secured liabilities					
Bank loans	18 (a), (b), (c)	1,406	1,690	-	-
		1,406	1,690	-	-
		2,094	2,120	456	391
NON-CURRENT					
Unsecured liabilities					
Hire purchase liabilities	23	596	193	213	18
		596	193	213	18
Secured liabilities					
Bank loans	18 (a), (b), (c)	2,949	4,414	-	-
		2,949	4,414	-	-
		3,545	4,607	213	18

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	$000	$000	$000	$000
(a) Total current and non-current secured liabilities:				
Bank loan	4,355	6,104	-	-
	4,355	6,104	-	-
(b) The carrying amounts of non-current assets pledged as security are:				
Floating charge over assets, including listed investments at market value	4,355	6,104		
	4,355	6,104	-	-

(c) The bank loans are secured by charge over the assets of the parent entity and the subsidiaries.

NOTE 19 TAX

Liabilities	Consolidated Group 2008 $000	Consolidated Group 2007 $000	Parent Entity 2008 $000	Parent Entity 2007 $000
CURRENT				
Income Tax	3,417	52	35	-
TOTAL	3,417	52	35	-

Deferred Tax Assets

2008 Consolidated Group Deferred Tax Assets	Opening Balance $	Charged to Income $	Charged directly to Equity $	Changes in Tax Rate $	Exchange Differences $	Closing Balance $
Provisions	-	154	-	-	-	154
Accruals	-	201	-	-	-	201
Transaction costs on equity issue	-	-	1,184	-	-	1,184
Property, Plant and Equipment	-	91	-	-	-	91
Balance as at 30 June 2008	-	446	1,184	-	-	1,630

In the 2007 financial year no Deferred Tax Assets were brought to account, the benefits of a deferred tax asset will only be realised if the conditions for deductability set out in Note 1(b) occur.

The 2007 Deferred Tax Asset consisted of the following:

2007 Consolidated Group Deferred Tax Assets	Opening Balance $	Charged to Income $	Charged directly to Equity $	Changes in Tax Rate $	Exchange Differences $	Closing Balance $
Provisions	-	197	-	-	-	197
Accruals	-	201	-	-	-	201
Transaction costs on equity issue	-	-	770	-	-	770
Unused tax losses	-	991	-	-	-	991
Balance as at 30 June 2007	-	1,389	770	-	-	2,159

2008 Parent Entity Deferred Tax Assets	Opening Balance $	Charged to Income $	Charged directly to Equity $	Changes in Tax Rate $	Exchange Differences $	Closing Balance $
Provisions & Unrealised Foreign Exchange Gains/Losses	-	548	-	-	-	548
Accruals	-	62	-	-	-	62
Transaction costs on equity issue	-	-	1,184	-	-	1,184
Property, Plant and Equipment	-	3	-	-	-	3
Balance as at 30 June 2008	-	613	1,184	-	-	1,797

In the 2007 financial year no Deferred Tax Assets were brought to account, the benefits of a deferred tax asset will only be realised if the conditions for deductibility set out in Note 1(b) occur.

The 2007 Deferred Tax assets consisted of the following:

2007	Opening Balance	Charged to Income	Charged directly to Equity	Changes in Tax Rate	Exchange Differences	Closing Balance
Parent Entity	$	$	$	$	$	$
Deferred Tax Assets						
Provisions	-	175	-	-	-	175
Accruals	-	125	-	-	-	125
Transaction costs on equity issue	-	-	770	-	-	770
Property, Plant and Equipment	-	843	-	-	-	843
Balance as at 30 June 2007	-	1,143	770	-	-	1,913

Deferred Tax Liabilities

2008	Opening Balance	Charged to Income	Charged directly to Equity	Changes in Tax Rate	Exchange Differences	Closing Balance
Consolidated Group	$	$	$	$	$	$
Deferred Tax Liabilities						
Provisions	-	-	-	-	-	-
Accruals	-	-	-	-	-	-
Transaction costs on equity issue	-	-	-	-	-	-
Property, Plant and Equipment	-	297	-	-	-	297
Balance as at 30 June 2008	-	297	-	-	-	297

NOTE 20 PROVISION FOR EMPLOYEE BENEFITS

	Consolidated Group		Parent Entity	
	2008	**2007**	**2008**	**2007**
CURRENT	**$000**	**$000**	**$000**	**$000**
Employee Entitlements				
Provision for employee entitlements	867	548	258	125

	Consolidated Group		Parent Entity	
	2008	**2007**	**2008**	**2007**
Analysis of Total Provisions	**$000**	**$000**	**$000**	**$000**
Current	867	548	258	125
Non-current	-	-	-	-
	867	548	258	125

Provision for Employee Entitlements

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

NOTE 21 ISSUED CAPITAL

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
292,737,786 (2007: 204,964,014) fully paid ordinary shares	$000	$000	$000	$000
	139,405	66,011	139,405	66,011

		Consolidated Group		Parent Entity	
		2008	2007	2008	2007
	No.	$	$	$	$
(a) Ordinary Shares					
At the beginning of reporting period	34,030,501	66,011,332	4,558,705	66,011,332	4,558,705
Shares issued during the prior year					
– 7 July 2006 - Exercise of options	26,520	-	5,304	-	5,304
– 9 August 2006 - Share purchase plan	1,784,397	-	571,007	-	571,007
– 25 October 2006 - Placement	5,000,000	-	1,000,000	-	1,000,000
– 2 November 2006 - Exercise of options	93,350	-	18,670	-	18,670
– 22 November 2006 - Exercise of options	5,000	-	1,000	-	1,000
– 30 November 2006 - Rights issue shares	81,771,336	-	16,354,267	-	16,354,267
– 4 December 2006 - Vendor shares - Allied Diving	625,000	-	125,000	-	125,000
– 4 December 2006 - Vendor shares - Territory Diving	1,875,000	-	450,000	-	450,000
– 5 February 2007 - Exercise of options	200,000	-	86,400	-	86,400
– 14 February 2007 - Exercise of options	54,013	-	10,803	-	10,803
– 2 March 2007 - Vendor shares - Subsea Developments	7,907,348	-	3,953,624	-	3,953,624
– 29 March 2007 - Vendor shares - Link Weld	4,027,119	-	2,416,271	-	2,416,271
– 3 April 2007 - Exercise of options	100,000	-	20,000	-	20,000
– 13 April 2007 - Exercise of options	210,000	-	42,000	-	42,000
– 26 April 2007 - Exercise of options	69,760	-	13,952	-	13,952
– 4 May 2007 - Exercise of options	1,679,850	-	335,970	-	335,970
– 11 May 2007 - Exercise of options	2,773,015	-	554,603	-	554,603
– 28 May 2007 - Exercise of options	212,700	-	42,540	-	42,540
– 31 May 2007 - Placement	50,000,000	-	30,000,000	-	30,000,000
– 7 June 2007 - Vendor Shares - USUS	3,561,343	-	2,770,550	-	2,770,550
– 7 June 2007 - Vendor Shares - USUS	1,209,716	-	943,578	-	943,578
– 7 June 2007 - Vendor Shares - USUS	789,193	-	613,398	-	613,398
– 8 June 2007 - Exercise of options	58,853	-	11,771	-	11,771
– 13 June 2007 - Rights issue shares	6,900,000	-	4,140,000	-	4,140,000
Less transaction costs for capital raising activities					
– Capital raising costs to June 2007		-	(3,028,081)	-	(3,028,081)
Balance at 30 June 2007	204,964,014		66,011,332		66,011,332

		Consolidated Group		Parent Entity	
		2008	2007	2008	2007
	No.	$	$	$	$
Shares issued during the current year					
– 10 July 2007 - Exercise of options	85,462	17,092	-	17,092	-
– 10 July 2007 - Exercise of options (employee)	34,000	20,060	-	20,060	-
– 25 July 2007 - Exercise of options	410,600	82,120	-	82,120	-
– 9 August 2007 - Exercise of options	53,600	10,720	-	10,720	-
– 17 August 2007 - Vendor shares - Tri Surv	7,332,188	6,012,394	-	6,012,394	-
– 30 August 2007 - Exercise of options	300,000	60,000	-	60,000	-
– 6 September 2007 - Exercise of options	230,490	46,098	-	46,098	-
– 7 September 2007 - Exercise of options	50,000	10,000	-	10,000	-
– 11 September 2007 - Exercise of options	30,075	6,015	-	6,015	-
– 18 September 2007 - Exercise of options (employee)	35,000	20,650	-	20,650	-
– 8 October 2007 - Exercise of options	100,000	20,000	-	20,000	-
– 9 October 2007 - Vendor shares - Link Weld	183,980	150,000	-	150,000	-
– 23 October 2007 - Exercise of options	108,450	21,690	-	21,690	-
– 5 November 2007 - Exercise of options	341,456	68,291	-	68,291	-
– 5 November 2007 - Exercise of options (employee)	31,000	18,290	-	18,290	-
– 21 November 2007 - Exercise of options	332,000	66,400	-	66,400	-
– 6 December 2007 - Exercise of options	191,787	38,357	-	38,357	-
– 21 December 2007 - Placement	32,100,000	30,495,000	-	30,495,000	-
– 21 December 2007 - Exercise of options	114,846	22,969	-	22,969	-
– 21 December 2007 - Exercise of options (employee)	100,000	50,900	-	50,900	-
– 31 December 2007 - Exercise of options	137,665	27,533	-	27,533	-
– 8 January 2008 - Exercise of options	109,711	21,942	-	21,942	-
– 17 January 2008 - Exercise of options	470,500	94,100	-	94,100	-
– 1 February 2008 - NED Share Plan	55,888	50,000	-	50,000	-
– 1 February 2008 - Placement	32,100,000	30,495,000	-	30,495,000	-
– 4 February 2008 - Vendor shares - TDS	68,720	82,210	-	82,210	-
– 7 February 2008 - Share Purchase Plan	1,956,997	1,859,227	-	1,859,227	-
– 1 March 2008 - Exercise of options	5,000	1,000	-	1,000	-
– 18 March 2008 - Exercise of options	50	10	-	10	-
– 8 April 2008 - Vendor shares - Link Weld	276,223	150,000	-	150,000	-
– 28 April 2008 - Vendor shares - Sea-Struct	10,197,584	5,100,000	-	5,100,000	-
– 2 May 2008 - Exercise of options	230,500	46,100	-	46,100	-
– 23 June 2008 - Exercise of options		1,000	-	1,000	-
Less transaction costs for capital raising activities					
– Capital raising costs to June 2008 (including deferred tax)		(1,771,538)	-	(1,771,536)	-
At reporting date	292,737,786	139,404,964	66,011,332	139,404,966	66,011,332

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

(b) Options

(i) For information relating to the Neptune Marine Services Limited employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end. Refer to Note 27: Share-based Payments.

(ii) For information relating to share options issued to key management personnel during the financial year. Refer to Note 27: Share-based Payments.

NOTE 22 RESERVES

		Consolidated Group		Parent Entity	
		2008	2007	2008	2007
	Note	$000	$000	$000	$000
Foreign currency translation reserve					
Option reserve		4,124	2,110	4,124	2,110
		(2,072)	1,795	4,124	2,110
Movements:					
Foreign currency translation reserve					
Balance at 1 July		(315)	-	-	-
Currency translation difference arising during the year		(5,881)	(315)	-	-
Balance at 30 June		(6,196)	(315)	-	-
Option reserve					
Balance at 1 July		2,110	1,184	2,110	1,184
Cost of options issued to employees		2,014	926	2,014	926
Balance at 30 June		4,124	2,110	4,124	2,110

NOTE 23 CAPITAL AND LEASING COMMITMENTS

		Consolidated Group		Parent Entity	
		2008	2007	2008	2007
	Note	$000	$000	$000	$000
(a) Finance Lease Commitments					
Payable - minimum lease payments					
- not later than 12 months		329	95	86	45
- between 12 months and 5 years		609	220	215	19
- greater than 5 years		-	-	-	-
Minimum lease payments		938	315	301	64
Less future finance charges		(23)	(50)	(3)	(5)
Present value of minimum lease payments	18	915	265	298	59

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

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
(b) Operating Lease Commitments	**$000**	**$000**	**$000**	**$000**
Non-cancellable operating leases contracted for but not capitalised in the financial statements				
Payable - minimum lease payments				
- not later than 12 months	1,460	588	466	136
- between 12 months and 5 years	4,482	1,980	1,958	414
- greater than 5 years	2,158	59	1,143	-
	8,100	2,627	3,567	550

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

(c) Capital Expenditure Commitments

The consolidated group of Neptune Marine Services as at 30 June 2008 had committed to purchasing three Remotely Operated Vehicles. The Group had also committed to the purchase of the Nor Sea Vessel. Please refer to note 28 for further details.

As at 30 June 2008, Neptune Marine Services Ltd had entered into an agreement to purchase Access Management (WA) Pty Ltd, please refer to note 28 for details.

NOTE 24 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The consolidated group of Neptune Marine Services at 30 June 2008 has a contingent liability in relation to the purchase of Subsea Engineering Services (SES) as at 30 June 2008. The purchase is contingent on Due Diligence and obtaining finance. Please refer to note 28 for details.

Related party guarantees

A guarantee is secured over the assets of US Underwater Services, to the extent of the interest bearing liability in the United States. At 30 June 2008 the outstanding principal of the interest bearing liability was $3,957,000.

There is a floating charge over the assets of Ross Deeptech, to the extent of the interest bearing loan in the UK. At 30 June 2008 the outstanding principal of the interest bearing liability was $397,000.

Neptune Marine Services recently accepted an offer for debt funding to purchase the Nor Sea, please refer Note 28. A mortgage has been provided in relation to this National Australia Bank loan over the two vessels, the Nor Sea and the Neptune MV ROV Supporter.

NOTE 25 SEGMENT REPORTING

Primary Reporting — Business Segments	Fabrication		Offshore Services		Diving Services and NEPSYS®		Project Management and Engineering		Total	
	2008 $000	2007 $000	2008 $000	2007 $000	2008 $000	2007 $000	2008 $000	2007 $000	2008 $000	2007 $000
REVENUE										
External Sales	23,003	3,555	18,648	-	25,891	8,654	19,171	3,327	86,713	15,536
Other Segments	5,721	-	499	48	4,402	147	32	21	10,654	216
Total Sales Revenue	28,724	3,555	19,147	48	30,293	8,801	19,203	3,348	97,367	15,752
Segment Depreciation	352	30	408	-	766	184	8	1	1,534	215
Segment Profit	3,628	500	8,505	-	2,515	2,722	3,537	452	18,185	3,674
Non Operating Movement									(10,778)	(10,049)
RESULT Profit/(Loss)									7,407	(6,375)
ASSETS										
Net Additions	2,298	771	11,115	-	7398	3317	1	14	20,812	4,102
Total Segment Assets	40,693	11,920	61,925	-	68,378	53,232	12,313	12,333	183,309	77,485
LIABILITIES										
Segment Liabilities	7,260	4,412	3,972	-	33,781	11,111	4,715	5,315	49,728	20,838

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

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

Secondary Reporting — Geographical Segments

	Segment Revenues from External Customers		Carrying Amount of Segment Assets	
	2008	**2007**	**2008**	**2007**
	$000	**$000**	**$000**	**$000**
Geographical location:				
Australia	65,777	14,729	171,755	70,569
United Kingdom	7,272	-	4,127	-
Asia	2,133	-	4,751	-
United States of America	11,531	807	2,676	6,916
	86,713	15,536	183,309	77,485

Accounting Policies

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

Intersegment Transfers

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

NOTE 26 CASH FLOW INFORMATION

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	$000	$000	$000	$000
(a) Reconciliation of Cash Flow from Operations with Profit/(Loss) after Income Tax				
Profit/(Loss) after income tax	7,407	(6,375)	(2,868)	(970)
Cash flows excluded from loss attributable to operating activities				
Finance costs on discounted deferred payments	1,878	269	1,363	89
Non-cash flows in profit				
Amortisation	-	53	-	-
Depreciation	1,534	162	186	53
Write-off of capitalised expenditure	31	6	-	5
Share options expensed	1,583	926	1,583	926
Foreign exchange losses	118	369	4,794	369
Loss on interest rate swap	46	-	-	-
Interest	-	-	(1,644)	-
Corporate overhead	-	-	(5,975)	-
Impairment loss	-	4,895	-	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries				
(Increase)/decrease in trade and term receivables	(9,544)	(5,298)	(4,703)	(3,874)
(Increase)/decrease in prepayments	(432)	(242)	(188)	(300)
(Increase)/decrease in inventories	(1,707)	(814)	(101)	11
Increase/(decrease) in trade payables and accruals	6,068	2,236	2,429	1,255
Increase/(decrease) in income taxes payable	3,365	52	35	-
Increase/(decrease) in financial liabilities	258	-	65	-
Increase/(decrease) in provisions	319	497	133	74
Cash flow from operations	10,924	(3,264)	(4,891)	(2,362)

(b) Acquisition of Entities

Details with regard to the various components including cash paid for the six entities purchased during the year can be found at note 31 'Business Combinations'.

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
(c) Loan Facilities	$000	$000	$000	$000
Loan facilities	6,173,100	7,068,000	-	-
Amount utilised	-	(6,104,000)	-	-
	6,173,100	964,000	-	-

The major facilities are summarised as follows:

Revolving loan facility - US$1,000,000 loan facility. - No drawdowns as at 30 June 2008. There is a fixed and floating charge on US assets as security if this facility is drawn down.

Debtor finance facility - AU$5,134,247 finance facility - No drawdowns as at 30 June 2008. There is a fixed and floating charge on Australian assets as a security if this facility is drawn down.

Finance will be provided under all facilities provided the company and the consolidated group have not breached any borrowing requirements and the required financial ratios are met.

NOTE 27 SHARE-BASED PAYMENTS

The following share-based payment arrangements existed at 30 June 2008:

Incentive Option Scheme

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

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

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

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

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

	Consolidated Group				Parent Entity			
	2008		2007		2008		2007	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Outstanding at the beginning of the year	5,900,000	0.62	1,400,000	0.71	5,900,000	0.62	1,400,000	0.73
Granted	3,345,000	0.57	4,700,000	0.57	3,345,000	0.57	4,700,000	0.57
Forfeited	(100,000)				(100,000)			
Exercised	(66,000)		(200,000)		(66,000)		(200,000)	
Expired	-		-		-		-	
Outstanding at year-end	9,079,000	0.61	5,900,000	0.62	9,079,000	0.61	5,900,000	0.62
Exercisable at year-end	3,800,000		2,200,000		-		2,200,000	

There were 200,000 options exercised under the Incentive Option Scheme during the year ended 30 June 2008.

The options outstanding at 30 June 2008 had a weighted average exercise price of $0.60 and a weighted average remaining contractual life of five years. Exercise prices range from $0.28 to $0.99 in respect of options outstanding at 30 June 2008.

The weighted average fair value per option granted during the year was $0.51.

This price was calculated by using the Binomial option pricing model applying the following inputs:

	Mr C Lange	Other Options
Weighted average exercise price	$0.60	$0.56
Weighted average life of the option	10 years	5 years
Underlying share price	$0.67	$1.03
Expected share price volatility	50%	50%
Risk free interest rate	7.25%	6.75%

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 $1,583,209. This relates in full to equity-settled share-based payment transactions.

NOTE 28 EVENTS AFTER THE BALANCE SHEET DATE

Neptune Marine Services Limited completed the acquisition of Perth based Access Management (WA) Pty Ltd ("Access Management"), one of the largest specialist access companies in the Asia Pacific region on the 9th of July 2008. The acquisition has been funded with cash raised by way of the share placement concluded on 14th December 2007.

Under the terms of the Share Purchase Agreement, Neptune has agreed to acquire 100% of the issued capital of Access Management for an initial payment of $4.5m and a three year earn out period based on EBIT performance. All payments will consist of 80% cash and 20% shares, the issue price of which is based on the 10 day volume weighted average price at date of issue.

Neptune has also signed a Letter of Intent (LOI) for the acquisition of Aberdeen based Subsea Engineering Services Limited ("SES"), a specialist provider of subsea consultancy and project engineering services to the global oil and gas industry. Under the terms of the agreement, Neptune proposes an initial payment of GBP £5m (AUD$10.29m) with the added consideration of a three year earn out period based on EBIT performance. The acquisition is subject to Neptune obtaining necessary finance.

Neptune has recently accepted an offer of debt funding for the purchase of the dynamically positioned (DP2) vessel, Nor Sea. The Nor Sea will cost US$30m (AUD$31.17m based on exchange rate at 30 June 2008), and the company has entered into a forward exchange contract to fix the foreign currency.

The debt facilities for the purchase of the 70.05 metre, 5506 BHP Nor sea will be provided by National Australia Bank. Neptune expects to take delivery of the vessel during the second half of September 2008 from which time it will incur immediate financial return stemming from a charter for an Australian geotechnical data services company valued at approximately $7.5m.

The consolidated group of Neptune Marine Services as at 30 June 2008 had committed to purchasing three Remotely Operated Vehicles (ROV's) for a combined total of $8.2m Singapore Dollars (AUD$6.27m based on exchange rate at 30 June 2008).

NOTE 29 RELATED PARTY TRANSACTIONS

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	$000	$000	$000	$000
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.				
Transactions with related parties:				
(a) Associated Companies				
Allied Diving Services, a subsidiary of Neptune Marine Services Ltd, currently leases premises from Peter Sare and Colin Murphy (through a related superannuation fund). Colin is an employee of the Neptune Marine Services group.	43	20	-	-
US Underwater Services, a subsidiary of Neptune Marine Services Ltd, currently leases premises from Michael and Angie Erinakes and their associated entities. Michael and Angie are both employees of the Neptune Marine Services group.	201	14	-	-
Sales to Subsidiaries			729	5
Purchases from Subsidiaries			2,329	134

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

Loans to Subsidiaries:				
Beginning of the Year	-	-	31,563	-
Loans advanced / (repaid)	-	-	44,518	31,563
End of Year			76,081	31,563

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

Loans from the Parent to Subsidiaries to fund the acquisitions of businesses are interest bearing and incur an interest charge quarterly based on market rates at that time.

NOTE 30 FINANCIAL RISK MANAGEMENT

(a) Financial Risk Management

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

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

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

The Group and the Company hold the following financial instruments:

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	$000	$000	$000	$000
Financial Assets				
Cash and cash equivalents	18,155	16,030	10,857	14,325
Trade and other receivables	21,357	10,702	83,478	34,069
Other financial assets	-	-	58,550	16,512
Total	39,512	26,732	152,885	64,906
Financial Liabilities				
Trade and other payables	39,508	13,511	26,682	2,912
Other financial liabilities	5,639	6,727	669	409
Total	45,147	20,238	27,351	3,321

(i) Financial Risks

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

Interest Rate Risk

Cash and Cash Equivalents

The company held its cash reserves on deposit and in cheque accounts during the year, which earned interest at rates ranging between 0% and 6.00% (2007 0% and 5.85%) depending on account balances.

Other than cash, all the Company's financial assets are non-interest bearing.

Interest Bearing Liabilities

Interest bearing liabilities are comprised of hire purchase agreements of $914,000, bank loans of $4,355,000, and other finance arrangements of $370,000. Refer note 18 for details.

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

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

		Consolidated		
30 June 2008	**Weighted average interest rate**	**1 year or less '000**	**2-5 years '000**	**Total '000**
Financial Assets				
Cash and cash equivalents	5.19%	18,155	-	18,155
Financial liabilities				
Hire Purchase agreements	8.93%	(318)	(596)	(914)
Bank Loans	5.50%	(1,406)	(2,949)	(4,355)
Other finance arrangements *	7.73%	(370)	-	(370)
		16,061	(3,545)	12,516

* Other finance arrangements includes insurance funding arrangements

		Consolidated		
30 June 2007	**Weighted average interest rate**	**1 year or less '000**	**2-5 years '000**	**Total '000**
Financial Assets				
Cash and cash equivalents	5.85%	16,030	-	16,030
Financial liabilities				
Hire Purchase agreements	8.02%	(72)	(193)	(265)
Bank Loans	5.50%	(2,048)	(4,414)	(6,462)
		13,910	(4,607)	9,303

Group Sensitivity

As at 30 June 2008, if interest rates had changed by +/- 100 basis points from the year end rates with all other variables held constant, post-tax profit for the year would have been $125,000 lower / higher. This would be a result of higher/lower interest revenue on deposits and higher/lower interest expense on borrowings.

Foreign Currency Risk

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

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

Credit Risk

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

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

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

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

			'000		
Currency	**Current**	**31-60**	**61-90**	**90+**	**Total**
United States Dollars	1,595	418	177	79	2,269
Australian Dollars	8,444	1,606	1,767	340	12,157
Great British Pounds	747	563	395	79	1,784

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

Liquidity Risk

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

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

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

(b) Financial Instruments

Interest Rate Swaps

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

The notional principal amounts of the swap contracts ($4,355,000) approximates the consolidated Group's borrowing facility. The settlement dates of the swap contracts correspond with interest payment dates of the borrowings. The swap contracts require settlement of the net interest payable and are brought to account as an adjustment to borrowing costs.

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

	Effective Average Interest Rate Payable		Notional Principal	
	2008	2007	2008	2007
	%	%	'000	'000
Less than 1 year	5.50%	5.50%	1,406	2,048
1 to 2 years	5.50%	5.50%	1,406	1,406
2 to 5 years	5.50%	5.50%	1,543	3,008
			4,355	6,462

Foreign Exchange Contracts

The consolidated Group has entered into a forward exchange contract to buy and sell specified amounts of foreign currency in the future at stipulated exchange rates. The objective in entering the forward exchange contracts is to protect the consolidated group against unfavourable exchange rate movements for both the contracted and anticipated future sales and purchases undertaken in foreign currencies.

The accounting policy in regard to forward exchange contracts is detailed in Note 1.

At balance date, the details of outstanding forward exchange contracts are:

	Buy United States Dollars		Average Exchange Rate	
	Consolidated Group	Parent Entity	Consolidated Group	Parent Entity
Settlement	2008	2008	2008	2008
	'000	'000		
Less than 6 months	1,000	1,000	0.95	0.95

The above forward exchange contract is to purchase US$1m using Australian Dollars and is to be settled on a net basis. At 30 June 2008 the derivative was marked to market which resulted in a loss of $9,365. This amount has not been brought to account as it is deemed immaterial.

Financial Instrument Composition and Maturity Analysis

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

Consolidated					Fixed Interest Rate Maturing			
	Weighted Average Effective Interest Rate		Floating Interest Rate $000		Within Year $000		1 to 5 years $000	
Financial Assets:	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Cash and cash equivalents	5.19%	5.85%	18,155	16,030	-	-	-	-
Receivables	0.00%	0.00%	-	-	-	-	-	-
Total Financial Assets			18,155	16,030	-	-	-	-
Financial Liabilities:								
Bank loans and overdrafts	5.50%	5.50%	-	-	1,406	2,048	2,949	4,414
Trade and sundry payables	0.00%	0.00%	-	-	-	-	-	-
Lease liabilities	8.93%	8.02% - 12.73%			688	72	596	193
Total Financial Liabilities			-	-	2,094	2,120	3,545	4,607

	Fixed Interest Rate Maturing					
	Over 5 Years $000		Non-interest Bearing $000		Total $000	
Financial Assets:	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Cash and cash equivalents	-	-	-	-	18,155	16,030
Receivables	-	-	21,357	10,713	21,357	10,713
Total Financial Assets	-	-	21,357	10,713	39,512	26,743
Financial Liabilities:						
Bank loans and overdrafts	-	-	-	-	4,355	6,462
Trade and sundry payables	-	-	39,508	13,511	39,508	13,511
Lease liabilities	-	-	-	-	1,284	265
Total Financial Liabilities	-	-	39,508	13,511	45,147	20,238

Net Fair Values

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

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

	2008		2007	
	Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value
Financial Assets	**$000**	**$000**	**$000**	**$000**
Cash and cash equivalents	18,155	18,155	16,030	16,030
Loans and receivables	21,357	21,357	10,713	10,713
	39,512	39,512	26,743	26,743

	2008		2007	
	Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value
Financial liabilities	**$000**	**$000**	**$000**	**$000**
US bank loan	4,355	4,355	6,104	6,104
Interest bearing liabilities	914	914	265	265
Other finance arrangements	370	370	358	358
Trade and other payables	39,508	39,508	13,511	13,511
	45,147	45,147	20,238	20,238

NOTE 31 BUSINESS COMBINATIONS

Tri-Surv Pty Ltd

Acquisition of Tri-Surv Business Assets

On 1st August, 2007, Neptune Marine Services Limited acquired 100% of share capital of Tri-Surv Pty Ltd a specialist hydrographic surveying company. Neptune acquired all of the issued capital of Tri-Surv for $16.4 million up front, paid in $11,370,805 cash; 7,332,188 in fully paid ordinary shares at 64 cents each; and has agreed to grant 525,000 unlisted options to Tri-Surv employees under the company's Employee Incentive Option Scheme. The options grant to employees, at the request of the founders of Tri-Surv, was in lieu of issuing shares.

In addition to the consideration paid at completion, Neptune will pay the Vendors 60% of Tri-Surv's EBIT under an earn-out arrangement for the next three years. The earn out will be paid 70% in cash and 30% in Neptune ordinary shares. All shares issued as part of the purchase price will be held in voluntary escrow for 12 months. As part of the acquisition the three vendors of Tri-Surv, Mark Lindsay, Anthony Kerr and Bart van der Groen have agreed to remain with the company for a minimum of three years to continue to drive Neptune's expansion into marine survey and consulting work. Tri-Surv's 25 full time employees will also remain with the business.

Acquisition of Tri-Surv Business Assets (continued)

	Recognised on on acquisition $
Plant and equipment	1,581,038
Hire Purchase loans	(193,350)
Fair value of identifiable net assets	1,387,688
Goodwill arising on acquisition	31,121,754
	32,509,442
Cost of combination	
Shares issued, at fair value	6,012,394
Cash paid	11,370,805
Unlisted options issued to employees	430,500
Deferred settlement	14,509,826
Direct costs relating to the acquisition	185,917
Total cost of the combination	32,509,442
The cash outflow on acquisition is as follows:	
Cash paid	(11,533,691)
Net consolidated cash outflow	(11,533,691)

From the date of acquisition, Tri-Surv Pty Ltd has contributed $7,624,144 (excluding goodwill impairment and corporate overheads) to the net profit of the Group.

If the combination had taken place at the beginning of the year, the profit from continuing operations for the Group would have increased by $1,276,147 and revenue from continuing operations would have increased by $2,089,173 (these figures have not been audited).

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

Ross Deeptech Initiatives Limited

Acquisition of Ross Deeptech Initiatives Limited and subsidiary Ross Deeptech Symons Limited

On 25th January, 2008, Neptune Marine Services acquired Aberdeen based subsea and offshore engineering firm, Ross Deeptech Initiatives Limited and subsidiary Ross Deeptech Symons Limited ("Ross Deeptech").

Neptune acquired Ross Deeptech with a one-off payment of £11 million (AUD$24.6* million). As announced on 14th December, 2007, the acquisition was funded by way of a share placement. As part of the acquisition, all of Ross Deeptech's 95 full time employees and senior management will remain with the business. Generating annual revenue of almost £10 million (AUD$22.4* million) and EBITDA of £2.1 million (AUD$4.7* million), Ross Deeptech is a manufacturer of specialist subsea and offshore oil and gas equipment. It also provides support services for production, drilling, diving, construction and intervention projects in deepwater areas such as west of Shetland, Norway, the Gulf of Mexico, West Africa, Canada, Egypt and Australia.

* Foreign exchange rate of £0.4464 as at 25 January 2008 for AUD$: British Pound equivalent.

	Recognised on acquisition $
Cash and cash equivalents	2,145,460
Trade receivables	6,471,435
Plant and equipment	2,267,821
Inventories	2,404,181
Trade payables	(4,282,657)
Interest bearing liabilities	(1,023,068)
Fair value of identifiable net assets	7,983,172
Goodwill arising on acquisition	18,811,205
Foreign exchange movement of goodwill since acquisition	1,934,140
	28,728,517
Cost of combination	
Cash paid	28,071,695
Direct costs relating to the acquisition	656,822
Total cost of the combination	28,728,517
The cash outflow on acquisition is as follows:	
Cash paid	(28,728,517)
Net consolidated cash outflow	(28,728,517)

From the date of acquisition, Ross Deeptech has contributed $1,004,636 (excluding goodwill impairment and corporate overheads) to the net profit of the Group.

If the combination had taken place at the beginning of the year, the profit from continuing operations for the Group would have increased by $3,561,217 and revenue from continuing operations would have increased by $13,260,870 (these figures have not been audited).

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

Sea-Struct Pty Ltd

Acquisition of Sea-Struct Pty Ltd and subsidiaries

On 1st April, 2008, Neptune Marine Services acquired Perth based Sea-Struct Pty Ltd ("Sea-Struct") including subsidiares Sea-Struct International Pte Ltd and PT Sea-Struct Indonesia. Neptune acquired Sea-Struct with a cash payment of $11.9 million together with the issue of Neptune shares to the value of $5.1 million* and an additional consideration of a three year earn out period. The acquisition was funded by way of a share placement announced on 14th December, 2007. As part of the acquisition, all of Sea-Struct's full time employees and senior management will remain with the business.

Generating annual revenue of $9 million and EBITDA of $4 million, Sea-Struct specialises in the manufacture, supply and installation of innovative pipeline stabilisation, grouting and erosion control products for the oil and gas, marine and civil engineering industries. The company's main operation is based in Fremantle, Western Australia, with additional offices in Singapore and Indonesia and representation in the United Arab Emirates and South Korea.

* Consideration paid in shares is to be calculated on a 10 day VWAP prior to the date of share issue.

	Recognised on acquisition $
Plant and equipment	792,078
Working capital	350,000
Fair value of identifiable net assets	1,142,078
Goodwill arising on acquisition	20,072,659
Foreign exchange movement of goodwill since acquisition	569,796
	21,784,533
Cost of combination	
Shares issued, at fair value	5,100,000
Cash paid	11,900,000
Deferred settlement	4,443,632
Direct costs relating to the acquisition	340,901
Total cost of the combination	21,784,533
The cash outflow on acquisition is as follows:	
Cash paid	(11,900,000)
Net consolidated cash outflow	(11,900,000)

From the date of acquisition, Sea-Struct has contributed $988,102 (excluding goodwill impairment and corporate overheads) to the net profit of the Group.

If the combination had taken place at the beginning of the year, the profit from continuing operations for the Group would have increased by $2,964,306 and revenue from continuing operations would have increased by $8,821,650 (these figures have not been audited).

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

Disclosure of book values of assets and liabilities at date of acquisition has not been provided as it is deemed to be impracticable.

NOTE 32 COMPANY DETAILS

The registered office of the company is:

Neptune Marine Services Limited

Level 16, 140 St George's Terrace

Perth Western Australia 6000

The principal place of Neptune Marine Services Limited is:

Neptune Marine Services Limited

Level 16, 140 St George's Terrace

Perth Western Australia 6000

DIRECTOR'S DECLARATION

The Directors of the Company declare that:

1. The financial statements, notes, and the remuneration report found in the Directors report of the Company and consolidated Group are in accordance with the Corporations Act 2001 and:

   (a) comply with Accounting Standards and the Corporations Regulations 2001; and

   (b) give a true and fair view of the financial position as at 30 June 2008 and of the performance for the year ended on that date of the Company and consolidated Group.

2. The Chief Executive Officer and Chief Finance Officer have each declared that:

   (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;

   (b) the financial statements and notes for the financial year comply with the International Financial and Reporting Standards (IFRS); and

   (c) the financial statements and notes for the financial year give a true and fair view.

3. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

ROSS KENNAN
Chairman

Dated this day 17th of September 2008

INDEPENDENT AUDITOR'S REPORT

Stantons International

ABN 41 103 088 697

LEVEL 1, 1 HAVELOCK STREET
WEST PERTH WA 6005, AUSTRALIA
PH: 61 8 9481 3188 • FAX: 61 8 9321 1204
www.stantons.com.au

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

Report on the Financial Report and the AASB 124 remuneration disclosures contained in the Directors' Report

We have audited the accompanying financial report of Neptune Marine Services Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

We have also audited the remuneration disclosures contained in the Directors' Report under the heading "remuneration report" on pages 4* to 8*.

Directors' responsibility for the Financial Report and the AASB 124 remuneration disclosures contained in the Directors' Report

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

The directors of the Company are also responsible for the remuneration disclosures contained in the Directors' Report.

Auditor's responsibility

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

*Pages 7 to 17 of this document.

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

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

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

Independence

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

Auditor's opinion on the financial report

In our opinion:

(a) the financial report of Neptune Marine Services Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

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

Auditor's opinion on the AASB 124 remuneration disclosures contained in the directors' report

In our opinion the remuneration disclosures that are contained in pages 4* to 8* of the Directors' Report comply with section 300 A of the *Corporations Act 2001*.

STANTONS INTERNATIONAL
(An Authorised Audit Company)

Stantons International

J P Van Dieren
Director

West Perth, Western Australia
17 September 2008

*Pages 7 to 17 of this document.

ADDITIONAL INFORMATION FOR LISTED COMPANIES

The following additional information is required by the ASX Limited in respect of listed companies only.

1. Shareholding

a. Distribution of Shareholders

Category (size of holding)	Number Ordinary
1 - 1,000	789,350
1,001 - 5,000	6,468,850
5,001 - 10,000	11,596,967
10,001 - 100,000	66,676,273
100,001 - 9,999,999,999	207,206,347

b. The number of shareholdings held in less than marketable parcels is 791,382.

c. The names of the substanial shareholders listed in the holding company's register as at 30 June 2008 is:

Shareholder	Number Ordinary
Bond Street Custodians Limited	28,068,461

d. Voting Rights

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

Ordinary Shares

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

Redeemable and converting preference shares

- These have no voting rights

ADDITIONAL INFORMATION FOR LISTED COMPANIES

e. 20 Largest Shareholders - Ordinary Shares

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
Bond Sreet Custodians Limited (Macquarie Smaller CO's A/C)	28,068,461	9.59%
National Nominees Limited	27,529,785	9.40%
Mr Timothy Howard	8,997,868	3.07%
Bond Street Custodians Limited (Macquarie Alpha Opport A/C)	8,910,376	3.04%
Thorney Investments Pty Ltd	7,187,500	2.46%
Bond Street Custodians Limited (Macqaurie AUS Long Short EQ A/C)	7,124,268	2.43%
JP Morgan Nominees Australia Limited	6,671,335	2.28%
Queensland Investment Corporation	6,475,631	2.21%
Bond St Custodians Limited (Macquarie AUST Market Neutral A/C)	4,297,081	1.47%
HSBC Custody Nominees Limited	4,240,515	1.45%
HSBC Custody Nominees Limited (A/C 2)	4,028,494	1.38%
Mr Michael Erinakes	3,247,443	1.11%
Quotidian No 2 Pty Ltd	2,991,926	1.02%
Citicorp Nominees Pty Limited	2,977,520	1.02%
Collins Industries Pty Ltd	2,887,573	0.99%
Mr David Husband	2,837,573	0.97%
Mr Kenneth Madden	2,678,000	0.91%
Mr Michael Erinakes	2,671,007	0.91%
Mr Mark Lindsay	2,528,109	0.86%
Mr Bart van der Groen	2,296,422	0.78%
	138,646,887	47.35%

2. The name of the Company Secretary is Gabriel Chiappini.

3. The address of the registered office in Australia is Level 16, 140 St Georges Terrace, Perth WA 6000.

Telephone 08 9424 1111

4. Registers of securities are held at the following addresses

Western Australia

Level 2, Reserve Bank Building, 45 St Georges Terrace, Perth WA 6000

5. Securities Exchange Listing

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

Principle	Corporate governance best practice recommendation	Compliance	How we comply
1.1	Formalise and disclose the functions reserved to the Board and those delegated to management.	✓ ✓	The Board has adopted corporate governance practices and procedures to discharge its responsibilities. Refer to the Corporate Governance Statement in the Investor Centre section of the Company website.
2.1	A majority of the Board should be independent directors.	✓	The majority of the Board is independent. The Board considers an independent director to be a non-executive director who meets the criteria for independence included in the ASX Best Practice Recommendations. The Board considers that Mr Ross Kennan, Ms Cathryn Curtin, Mr David Agostini and Mr Robert Scott meet these criteria.
2.2	The Chairperson should be an independent director.	✓	The Chairman, Mr Ross Kennan, is considered by the Board to be independent.
2.3	The roles of Chairperson and Chief Executive Officer should not be exercised by the same individual.	✓	The Chairman, Mr Ross Kennan, facilitates the relationship between the Board and Mr Christian Lange, the Chief Executive Officer.
2.4	The Board should establish a nomination committee.	✗	The Company does not presently have a separate nomination committee as required by Best Practice Recommendations 2.4 and 9.2 respectively. 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 Board invites persons with relevant industry experience and financial experience when required to carry out the functions of such committee.
2.5	Provide the following information in the annual report:		
2.5.1	The skills, expertise and experience relevant to the position of director held by each director in office at the date of the annual report.	✓	Refer to Directors' Report.
2.5.2	The names of the directors considered by the Board to be independent directors and the Company's material thresholds (note: the Board should state its reasons if it considers a director to be independent notwithstanding that the director does not meet the definition of independence contained in the ASX Guidelines).	✓	Refer to Directors' Report.

2.5.3	A statement as to whether there is a procedure agreed by the Board of directors to take independent professional advice at the expense of the Company.	✓	Refer to Directors' Report.
2.5.4	The term of office held by each director in office at the date of the annual report.	✓	Refer to Driectors' Report.
2.5.5	The names of members of the nomination committee and their attendance at meetings of the committee.	✗	Refer above at 2.4
	The following material should be made publicly available, ideally on the Company's website in a clearly marked corporate governance section:		
	a) a description of the procedure for the selection and appointment of new directors to the Board	✓	The process is outlined on the Company's website in the Investor Centre section.
	b) the charter of the nomination committee or a summary of the role, rights, responsibilities and membership requirements for the committee	✗	Refer above at 2.4
	c) the nomination committee's policy for the appointment of directors.	✗	Refer above at 2.4
3.1	Establish a code of conduct to guide directors, the Chief Executive Officer, the Chief Financial Officer and any other key executives as to:		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. The code applies to directors, employees, and anyone who works with the Company.
	a) the practices necessary to maintain confidence in the Company's integrity	✓	
	b) the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	✓	
3.2	Disclose the policy concerning trading in Company securities by directors, officers and employees.	✓	The Board has adopted a policy on Dealing Rules for Employees and Directors. Directors and employees must not deal in the Company's securities during designated prohibited periods or at any time that they might have access to unpublished price sensitive material.
3.3	The following material should be made publicly available, ideally on the Company's website in a clearly marked corporate governance section:		The policy on Dealing Rules for Employees and Directors is available on the Company's website in the Investor Centre section.
	a) any appliance code of conduct or a summary of its main provisions	✓	
	b) the trading policy or summary of its main provisions.	✓	

4.1	Require the Chief Executive Officer and Chief Financial Officer to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and that operational results are in accordance with relevant accounting standards.	✓	The Chief Executive Officer and Chief Financial Officer have certified that the 2008 financial statements present a true and fair view, in all material respects, of the Company's financial condition and that operational results are in accordance with relevant accounting standards.
4.2	The Board should establish an audit committee.	✓	The Board has established an Audit and Governance Committee to assist it in exercising its authority.
4.3	Structure the audit committee so that it consists of:		The committee does not presently comply with the structure as required by the Best Practice Recommendation 4.3. The Board considers the size of the Company and Board does not warrant such structure, and resolved to structure the committee consisting of at least two non executive director members. The Board considers the committee is of sufficient size, independence and technical expertise to discharge its mandate effectively.
	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.	✗	
4.4	The audit committee should have a formal charter.	✓	The Audit and Governance Committee has a formal charter that can be found in the Investor Centre section of the Company website.
4.5	Provide the following information in the annual report:		
	a) Details of the names and qualifications of those appointed to the audit committee	✓	Refer to Director's Report.
	b) The number of meetings of the audit committee and the names of the attendees.	✓	Refer to Director's Report.
	The following material should be made publicly available, ideally on the Company's website in a clearly marked corporate governance section:		
	c) The audit committee charter	✓	The charter of the Audit and Governance Committee is available at the Company's website in the Investor Centre section.
	d) Information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners.	✓	The process is outlined on the Company's website in the Investor Centre section.

5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.	✓	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.
5.2	The following material should be publicly available, ideally on the Company's website in a clearly marked corporate governance section: a) a summary of the policies and procedures designed to guide compliance with Listing Rule disclosure requirements.	✓	The Company's Information Disclosure Policy is available on the Company's website in the Investor Centre section.
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	✓	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.
6.2	The external auditor attends the Annual General Meeting and is available to answer shareholder questions about the conduct of the audit and the preparation and conduct of the auditor's report.	✓	The Company's external auditor attends the AGM in accordance with Recommendation 6.2.
7.1	The Board or Board committee should establish policies on risk oversight and management.	✓	The Board has established an Audit and Governance Committee to assist it exercising its responsibilities for risk oversight management.

7.2	The Chief Executive Officer and the Chief Financial Officer should state to the Board in writing that:		The Chief Executive Officer and Chief Financial Officer have certified to the Board that the financial statements are founded on a sound system of risk management and internal compliance and that the system is operating efficiently and effectively in all material respects.
	a) the statement given under Recommendation 4.1 (integrity of financial statements) is based on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and	✓	
	b) the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.	✓	
7.3	The following material should be made publicly available, ideally on the Company's website in a clearly marked corporate governance section:		The risk management strategy forms part of the Company's Audit and Governance Charter and is available on the Company's website in the Investor Centre section.
	a) description of the Company's risk management policy and internal compliance and control system.	✓	
8.1	The following material should be made publicly available, ideally on the Company's website in a clearly marked corporate governance section:		A formalised questionnaire methodology led by the Audit and Governance Committee evaluates the contribution of each member and the Chair. Feedback is provided to each member to action improvements agreed by the Board collectively.
	a) the process for performance evaluation of the Board, its committees and individual directors, and key executives	✓	The Board has established a Human Resources and Compensation Committee to assist it in exercising its authority. The Charter establishing the Committee is available on the Company's website in the Investor Centre section.
	Include in the corporate governance statement:		Key executive performance is measured against specific criteria approved by the Board.
	b) whether a performance evaluation of the Board and its members has taken place in the reporting period and how it was conducted.	✓	
9.1	Provide disclosure in relation to the Company's remuneration policies to enable investors to understand		Refer to Remuneration Report.
	a) the costs and benefits of those policies	✓	
	b) the link between remuneration paid to directors and key executives and corporate performance.	✓	

9.2	The Board should establish a remuneration committee.	✓	The Board has established a Human Resources and Compensation Committee. The Committee's role is to assist the Board in establishing human resources and compensation policies and practices for directors, key executives and employees.
9.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executives.	✓	Refer to Remuneration Report.
9.4	Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.	✓	Refer to Remuneration Report.
9.5	Provide the following information in the annual report:		
	a) Disclosure of the Company's remuneration policies referred to in best practice Recommendation 9.1	✓	Refer to Remuneration Report.
	b) the names of the members of the remuneration committee and their attendance at meetings of the committee	✓	Refer to Remuneration Report.
	c) the existence and terms of any schemes for retirement benefits, other than statutory superannuation, for non-executive directors.	✓	Refer to Remuneration Report.
	The following material should be made publicly available, ideally on the Company's website in a clearly marked corporate governance section:		
	d) The charter of the remuneration committee or a summary of the role, rights, responsibilities and membership requirements for that committee.	✓	The Charter for the Human Resources and Compensation Committee is available on the Company's website in the Investor Centre section.

10.1	Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders. Any applicable code of conduct or a summary of its main provisions should be made publicly available, ideally on the Company's website in a clearly marked corporate governance section.	✓	The Board has established a Code of Conduct. The Code enables employees to alert management and the Board in good faith to potential misconduct without fear of retribution, and will require recording and investigation of such events. The Code of Conduct is available on the Company's website in the Investor Centre section. The Board aims to ensure that the market is informed of all major developments affecting the Company. The Investor Centre contains corporate material of interest to shareholders and the market generally.

NEPTUNE MARINE SERVICES LIMITED

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