Results for announcement to the market

30 September 2016

Financial Results			**Sep 2016 $'000**	**Sep 2015 $'000**
Revenue from ordinary activities	*Down*	*38.05%*	39,630	63,970
(Loss)/profit from continuing operations after income tax	*Down*	*245.73%*	(2,645)	1,815
Net (loss)/profit for the period attributable to members	*Down*	*245.73%*	(2,645)	1,815

Dividends	Amount per Ordinary Security	Franked amount per security	Tax rate for franking credit
2016 special dividend	8 cents	8 cents	30%
2015 interim dividend	8 cents	8 cents	30%

Record date for determining entitlements to the 2016 special dividend	31 August 2016

Net Tangible Asset Backing	**Sep 2016**	**Sep 2015**
Net tangible asset backing per ordinary security	$0.811	$1.222

Financial statements
Refer to the attached consolidated financial statements for the half year ended 30 September 2016.

Accounting standards used by foreign entities
Refer to Notes to the Consolidated Financial Statements for the half year ended 30 September 2016.

Commentary on results and Outlook
Refer to the Review and Results of Operations section of the Directors' Report of the attached consolidated financial statements for the half year ended 30 September 2016.

Audit / review of accounts upon which this report is based and Qualification of audit / review
This report is based on accounts which have been reviewed by Ernst & Young. Ernst & Young has issued an un-qualified review report on the financial statements for the Neptune Marine Services Group for the half year ended 30 September 2016.

Explanation of Dividends
The Company announced and paid a special dividend in the current half year as below:

Record date	Payment date	Type	Amount Per Security	Total Dividend	Franked amount per security
31 August 2016	14 September 2016	Special	8 cents	4,915,303	8 cents

NEPTUNE MARINE SERVICES LIMITED AND CONTROLLED ENTITIES

ABN: 76 105 665 843

Interim Financial Report for the Half Year Ended 30 September 2016

NEPTUNE MARINE SERVICES LIMITED
AND CONTROLLED ENTITIES

30 September 2016
ABN: 76 105 665 843

CONTENTS

CORPORATE INFORMATION

Directors

Mr Boon Wee Kuah
Chairman

Mr Robin King
Executive Director

Mr Peter Wallace
Non-Executive Director

Mr Dominic Siu
Non-Executive Director

Company Secretary

Mr Ian Hobson

Registered Office

Neptune Marine Services Limited
404 Orrong Road
Welshpool, WA, 6106

Principal Place of Business

Neptune Marine Services Limited
404 Orrong Road
Welshpool, WA, 6106

Share Registry

Computershare Investor Services Pty Ltd
Level 11, 172 St Georges Tce
Perth, WA. 6000

Auditors

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

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

ASX Code
NMS

DIRECTORS' REPORT

Your Directors present their report on Neptune Marine Services Limited and its controlled entities ('the Group') for the half year ended 30 September 2016.

Directors

The names of the Group Directors in office during the half-year and until the date of this report are set out below. Directors were in office for the entire period unless otherwise stated.

Mr Boon Wee Kuah
Mr Robin King
Mr Peter Wallace
Mr Dominic Siu

Review and Results of Operations

The loss before tax amounted to $(2.549)m (September 2015 profit: $1.201m) and the consolidated loss of the Group after providing for income tax amounted to $(2.645)m (September 2015 profit: $1.815m).

The challenging market conditions which continued in the global oil and gas industry had a significant impact on the Company's financial results, with clients continuing to delay non-essential projects and reducing operating and capital expenditure which has had an impact across each of the Company's operating regions.

The Company's Diving business had a strong first half of the year with NepSys work continuing for Petronas. In addition, the Group continued with ongoing work for Oil Search in Papua New Guinea, Chevron at Barrow Island and for McDermott at the Inpex operated Ichthys field. However, the ROV service line continued to experience challenges with low utilisation rates during the first half of the year.

The working capital of the Group remains strong with the Current Assets/Current Liabilities ratio of 3.6 compared to 2.8 at March 2016. Interest Bearing Debt also remains at very low levels with a total outstanding of $0.214m. The Group remains in a strong cash position with $17.632m at the end of the half year.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (unless otherwise stated) under ASIC Corporations (Rounding in Financial/Directors' Reports) Instruments 2016/191. The Company is an entity to which the Instrument applies.

Basic and diluted profit/(loss) per share

The basic and diluted loss per share is (0.043) (September 2015: basic and diluted profit per share of 2.95).

Dividends

A special cash dividend for Neptune Marine Services was approved by the Board of Directors on 24 August 2016.

Significant Changes in State of Affairs

No significant changes in the state of affairs occurred during the half-year ended 30 September 2016.

Future Developments, Prospects and Business Strategies

The Group is focusing on the following key strategies:

(i) Continue pursuing the key long term Inspection, Maintenance and Repair (IMR) opportunities that will be commencing shortly in Australia;
(ii) Developing relationships with key partners to enhance Neptune's service offering to our clients;
(iii) Ongoing expansion of our core capabilities into our other established geographical locations;
(iv) Ongoing investment in new equipment and assets;
(v) Further integration and collaboration across our businesses and regions;
(vi) Diversification into other industry sectors; and
(vii) Exploring technologies that improve our efficiency and capabilities.

Auditor Independence Declaration

Section 307(c) of the *Corporations Act 2001* require the Company's auditors, Ernst & Young to provide the directors with a written Independence Declaration in relation to their review of the financial report for the half year ended 30 September 2016. The written Auditor's Independence Declaration on page 7 forms part of this Directors' report.

Signed for and on behalf of the Directors in accordance with a resolution of the Board.

Chairman

Mr Boon Wee Kuah

Dated this 17th day of November 2016

DIRECTORS' DECLARATION

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

In the opinion of the directors:

(a) the financial statements and notes of Neptune Marine Services Limited are in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 30 September 2016 and of its performance for the half year ended on that date; and
- (ii) complying with Australian Accounting Standards AASB 134 *Interim Financial Reporting* and the *Corporation Regulations 2001*; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Chairman ______________________

Mr Boon Wee Kuah

Dated this 17th day of November 2016

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Perth WA 6000 Australia
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Auditor's Independence Declaration to the Directors of Neptune Marine Services Limited

As lead auditor for the review of Neptune Marine Services Limited for the half-year ended 30 September 2016, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review*;* and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Neptune Marine Services Limited and the entities it controlled during the financial period.

Ernst & Young

Ernst & Young

T G Dachs
Partner
17 November 2016

CONSOLIDATED INCOME STATEMENT
FOR THE HALF YEAR ENDED 30 SEPTEMBER 2016

		Consolidated Group	
		6 months ended 30 September	6 months ended 30 September
	Note	2016	2015
		$000	$000
Revenue from rendering of service	4(a)	39,630	63,970
Other revenue	4(a)	61	40
Total revenue		39,691	64,010
Cost of sales and services rendered		(29,618)	(46,412)
Gross profit		**10,073**	**17,598**
Other income	4(b)	424	1,920
Marketing expenses		(51)	(218)
Occupancy expenses		(1,991)	(2,442)
Corporate, shared service and board expenses	5(a)	(1,107)	(2,153)
Business operating expenses	5(b)	(9,702)	(11,741)
Technical expenses		(49)	(136)
Finance costs		(113)	(111)
Other expenses	5(c)	(33)	(1,516)
Profit/(loss) before income tax		(2,549)	1,201
Income tax benefit/(expense)	6	(96)	614
Net profit/(loss) for the period		**(2,645)**	**1,815**
Earnings per share			
Basic/diluted (loss)/earnings per share (cents per share)	7	(0.043)	2.95

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2016

	Consolidated Group	
	6 months ended 30 September 2016 $000	6 months ended 30 September 2015 $000
Net profit/(loss) for the period	**(2,645)**	**1,815**
Other Comprehensive Income		
Items in other comprehensive income that may be reclassified subsequently to profit and loss		
Exchange differences on translating foreign operations	(1,419)	3,770
Net fair value loss on hedging instruments entered into for cash flow hedges	(258)	(51)
Other comprehensive profit/(loss) for the period, net of tax	**(1,677)**	**5,534**
Total comprehensive profit/(loss) for the period	**(4,322)**	**5,534**
Total comprehensive profit/(loss) for the period attributable to members of the parent	**(4,322)**	**5,534**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2016

		Consolidated Group	
		30 September	31 March
	Note	2016	2016
ASSETS		$000	$000
CURRENT ASSETS			
Cash and cash equivalents	8	17,632	14,165
Trade and other receivables	9	11,601	26,476
Inventories		775	901
Other current assets		7,424	10,618
TOTAL CURRENT ASSETS		**37,432**	**52,160**
NON-CURRENT ASSETS			
Trade and other receivables	9	-	20
Property, plant and equipment	10	18,342	20,072
Deferred tax assets		6,194	6,166
Intangible assets and goodwill	11	13,711	14,248
TOTAL NON CURRENT ASSETS		**38,247**	**40,506**
TOTAL ASSETS		**75,679**	**92,666**
CURRENT LIABILITIES			
Trade and other payables	12	8,811	14,194
Current tax liability		450	3,078
Interest bearing loans and borrowings		214	70
Provisions		984	1,170
TOTAL CURRENT LIABILITIES		**10,459**	**18,512**
NON-CURRENT LIABILITIES			
Trade and other payables	12	352	447
Interest bearing loans and borrowings		362	15
Deferred tax liabilities		216	224
Provisions		728	669
TOTAL NON-CURRENT LIABILITIES		**1,658**	**1,355**
TOTAL LIABILITIES		**12,117**	**19,867**
NET ASSETS		**63,562**	**72,799**
EQUITY			
Contributed equity	13	273,540	273,540
Reserves		(15,399)	(13,722)
Accumulated losses		(194,579)	(187,019)
TOTAL EQUITY		**63,562**	**72,799**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2016

	Ordinary Shares	Accumulated Losses	Foreign Currency Translation Reserve	Employee Equity Benefits Reserve	Hedge Reserve	Total
Consolidated Group	$000	$000	$000	$000	$000	$000
Balance at 1 April 2015	273,540	(175,012)	(20,143)	6,127	97	84,609
Net profit	-	1,815	-	-	-	1,815
Other comprehensive profit	-	-	3,770	-	(51)	3,719
Total comprehensive income for the period	-	1,815	3,770	-	(51)	5,534
Balance at 30 September 2015	273,540	(173,197)	(16,373)	6,127	46	90,143
Balance at 1 April 2016	273,540	(187,019)	(20,244)	6,127	395	72,799
Net profit/(loss) for the period	-	(2,645)	-	-	-	(2,645)
Other comprehensive profit/(loss)	-	-	(1,419)	-	(258)	(1,677)
Total comprehensive profit/(loss) for the period	-	(2,645)	(1,419)	-	(258)	(4,322)
Transactions with owners in their capacity as owners						
Dividend paid	-	(4,915)	-	-	-	(4,915)
Subtotal	-	(7,560)	(1,419)	-	(258)	(9,237)
Balance at 30 September 2016	273,540	(194,579)	(21,663)	6,127	137	63,562

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2016

	Note	Consolidated Group	
		6 months ended 30 September 2016 $000	**6 months ended 30 September 2015 $000**
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		55,797	64,214
Interest received		61	40
Payments to suppliers and employees		(45,685)	(61,980)
Interest paid		(113)	(111)
Income tax paid		(211)	(313)
Net cash flows from operating activities		9,849	1,850
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from property, plant and equipment		65	-
Purchase of property, plant and equipment		(672)	(4,318)
Net cash flows used in investing activities		(607)	(4,318)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(4,915)	-
Drawdown/(repayment) of borrowings		(135)	(122)
Receipt of deposits for bank guarantee		40	236
Net cash flows (used)/from financing activities		(5,010)	114
Net (decrease)/increase in cash and cash equivalents held		4,232	(2,354)
Cash and cash equivalents at beginning of financial period		14,165	17,594
Net foreign exchange difference		(765)	1,173
Cash and cash equivalents at end of financial period	8	17,632	16,413

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

The interim financial report of Neptune Marine Services Limited ("Group") for the half-year ended 30 September 2016 was authorised for issue in accordance with a resolution of the Director's on 17th November 2016.

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

The nature of the operations and principal activities are described in Note 3.

2. Basis of Preparation and Changes to the Group's Accounting Policies

Basis of Preparation

This interim financial report for the half year ended 30 September 2016 is a condensed general purpose financial report prepared in accordance with AASB 134 *Interim Financial Reporting*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the 12 months ended 31 March 2016 and considered together with any public announcements made by Neptune Marine Services Limited during the half year ended 30 September 2016 in accordance with the continuous disclosure obligations of the ASX listing rules.

New Standards, Interpretations and Amendments thereof, adopted by the Group

The accounting policies adopted are consistent with those of the previous financial reporting period except as follows:

Reference	Title	Application date of standard	Application date for Group
AASB 2015-3	*Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality* *The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.*	1 July 2015	1 April 2016
AASB 2015-4	*Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent* *The amendment aligns the relief available in AASB 10 Consolidated Financial Statements and AASB 128 Investments in Associates and Joint Ventures in respect of the financial reporting requirements for Australian groups with a foreign parent.*	1 July 2015	1 April 2016

New and amended Standards and Interpretations did not result in any significant changes to the Group's accounting policies. The Group did not early adopt any other standard, interpretation or amendment that has been issued but is not yet effective.

3. Operating Segment Information

Identification of Reportable Segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

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

Neptune Marine Services comprises the two distinct divisions of Offshore Services and Engineering Services. Globally, the company has operational bases in Australia, South East Asia and the United Kingdom. The services provided to customers are on an Offshore and Engineering basis and can combine services from multiple regions. Management assesses performance and determines the allocation of resources based on products and services, as these are the sources of the Group's major risks and have the most impact on the rates of return.

3. Operating Segment Information (continued)

Offshore Services

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

Engineering Services

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

Accounting Policies and Inter-segment Transactions

The accounting policies used by the Group in reporting segments internally are the same as those to prepare the financial report except as detailed below:

Inter-entity Sales

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

Corporate charges

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

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

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

- Finance costs
- Corporate overhead & administration expenses
- Technical expenses
- Share-based payments
- Foreign exchange gain/ (loss)
- Deferred tax assets and liabilities\

The following table presents revenue and profit information for the reportable segments:

	Engineering		Offshore Services		Total	
	September 2016	September 2015	September 2016	September 2015	September 2016	September 2015
	$000	$000	$000	$000	$000	$000
Revenue						
Sales to external customers	11,937	16,080	27,693	47,890	39,630	63,970
Intersegment sales	2,835	6,469	9,003	10,935	11,839	17,404
Other revenue	3	4	59	36	61	40
Total revenue	14,775	22,553	36,755	58,861	51,530	81,414
Internal sales elimination					(11,839)	(17,404)
					39,691	64,010
Result						
Segment results before items below	311	526	(1,742)	3,237	(1,431)	3,763
Reconciliation of segment net profit before tax to net profit before tax						
Finance costs					(113)	(111)
Corporate overhead & administration expense					(1,278)	(2,235)
Technical expenses					(49)	(136)
Share-based payments					171	82
Foreign exchange gain					151	(162)
Net profit/(loss) before tax per the income statement					(2,549)	1,201

3. Operating Segment Information (continued)

	Engineering		Offshore Services		Total	
	September 2016	March 2016	September 2016	March 2016	September 2016	March 2016
	$000	$000	$000	$000	$000	$000
Segment assets						
Operating assets	11,878	13,924	44,884	59,465	56,762	73,389
Goodwill	4,756	4,270	7,967	8,841	12,723	13,111
Segment assets	16,634	18,194	52,851	68,306	69,485	86,500
Reconciliation of segment assets to the statement of financial position						
Deferred tax assets					6,194	6,166
Total assets per the statement of financial position					75,679	92,666

4. Revenue and Other Income

	Consolidated Group	
	30 September 2016	30 September 2015
	$000	$000
a) Revenue		
— Rendering of services revenue from operating activities	39,630	63,970
— Interest received	61	40
Total Revenue	39,691	64,010
b) Other Income		
— Insurance proceeds	213	1,732
— Other income	211	188
Total Other Income	424	1,920

5. Expenses

	Consolidated Group	
	30 September 2016	30 September 2015
	$000	$000
a) Corporate, shared service and board expenses		
— Administrative costs	138	534
— Personnel expenses	804	1,331
— Depreciation expense	106	171
— Other	59	117
Total corporate, shared service and board expenses	1,107	2,153
b) Business operating expenses		
— Administrative costs	2,924	3,079
— Personnel expenses	6,074	7,928
— Depreciation expense	257	335
— Other	447	399
Total Business operating expenses	9,702	11,741
c) other expenses		
— Loss on disposal of property, plant and equipment	184	1,354
— Foreign exchange loss	(151)	162
Total other expenses	33	1,516

Loss on disposal of property, plant and equipment includes asset write offs subject to insurance claims.

5. Expenses (continued)

d)	Depreciation and amortisation:		
i)	Included in cost of sales		
—	Depreciation	1,453	3,013
	Total	1,453	3,013
ii)	Included in administrative expenses		
—	Depreciation	330	447
—	Amortisation	150	177
	Total	480	624
	Total depreciation and amortisation	1,933	3,637

6. Income Tax

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

	Consolidated Group	
	30 September 2016 $000	30 September 2015 $000
Income taxes		
Current income tax expense	137	49
Deferred income tax benefit related to origination and reversal of deferred taxes	(41)	(663)
Income tax expense	96	(614)
Income tax recognised in other comprehensive income	(134)	385
Total income taxes	(38)	(230)

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

7. Earnings per Share

		Consolidated Group	
		30 September 2016 $000	30 September 2015 $000
(a)	Earnings used in calculating earnings per share		
	For basic earnings per share		
	Net profit/(loss) attributable to ordinary equity holders of the parent	(2,645)	1,815
	Net profit attributable to ordinary equity holder of the parent	(2,645)	1,815
	For diluted earnings per share		
	Net profit/(loss) attributable to ordinary equity holders of the parent	(2,645)	1,815
	Net profit/(loss) attributable to ordinary equity holder of the parent	(2,645)	1,815
		No.	**No.**
(b)	Weighted average number of ordinary shares outstanding during the period used in calculating basic EPS	61,441	61,441
	Dilutive effect of rights	100	133
	Weighted average number of ordinary shares outstanding during the period used in calculating dilutive EPS	61,541	61,575

8. Cash and Cash Equivalents

	Consolidated Group	
	30 September 2016 $000	31 March 2016 $000
Cash at bank and in hand	16,690	12,471
Short term deposits	942	1,694
	17,632	14,165

9. Trade and Other Receivables

	Consolidated Group	
	30 September 2016	31 March 2016
CURRENT	$000	$000
Trade receivables	11,287	26,446
Allowance for impairment loss	(177)	(516)
	11,110	25,930
Other receivables	491	546
	11,601	26,476

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

NON-CURRENT		
Security Deposit	-	20
	-	20

10. Property, Plant and Equipment

	Office Furniture, Equipment & Software $000	Leasehold Improvements $000	Plant and Equipment $000	Leased Vehicle $000	ROV's & Vessels $000	Construction in Progress $000	Total $000
Consolidated Group:							
Balance at 31 March 2016							
Gross carrying amount	4,658	1,856	21,179	433	29,939	559	58,624
Accumulated depreciation and impairment	(2,629)	(250)	(11,749)	(190)	(23,734)	-	(38,552)
Net carrying amount	**2,029**	**1,606**	**9,430**	**243**	**6,205**	**559**	**20,072**
Balance at 1 April 2016	**2,029**	**1,606**	**9,430**	**243**	**6,205**	**559**	**20,072**
Gross carrying amount	4,646	1,868	22,188	422	27,671	542	57,337
Accumulated depreciation and impairment	(2,808)	(344)	(13,651)	(212)	(21,980)	-	(38,995)
Net carrying amount	**1,838**	**1,524**	**8,537**	**210**	**5,691**	**542**	**18,342**

11. Intangible Assets and Goodwill

	Consolidated Group	
	30 September 2016 $000	**31 March 2016 $000**
Goodwill		
Opening balance	13,111	13,255
Foreign exchange differences	(388)	(144)
Closing balance	12,723	13,111
Development costs		
Opening balance	1,137	1,492
Amortisation	(149)	(355)
Closing balance	988	1,137
Total Intangible Assets	**13,711**	**14,248**

Description of the Group's Intangible Assets and Goodwill

(i) Development costs

Development costs are carried at cost less accumulated amortisation and accumulated impairment losses. This intangible asset has been assessed as having a finite life and is amortised using the straight line method.

(ii) Goodwill

Goodwill is tested for impairment annually (as at 31 March) and when circumstances indicate the carrying value may be impaired. The Group's impairment test for goodwill and intangible assets with indefinite lives is based on value in use calculations.

The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. As at 30 September 2016, the market capitalisation of the Group was above the book value of its equity, however the overall decline in oil and gas development activities around the world, as well as ongoing economic uncertainty, have led to a decreased demand for oil and gas services. As a result, management performed an impairment calculation as at 30 September 2016 for cash generating units with goodwill.

Asset integrity, Engineering (UK) and Diving cash-generating units
The Group used the cash-generating unit's value in use to determine the recoverable amount, which exceeded the carrying value. The projected cash flows were updated to reflect recent business developments and a pre-tax discount rate of 15.50% for Australia and 14.64% for UK (31 March 2016: Australia 15.96%, UK 15.21%) was applied. Cash flows beyond the five-year period have been extrapolated using a 2.0% growth rate (31 March 2016: 2.3%). As a result of the updated analysis, management did not identify an impairment for the above cash generating units to which goodwill of $12.723m is allocated.

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

	Consolidated Group	
	30 September 2016 $000	**31 March 2016 $000**
Carrying amount of goodwill at CGU level		
Asset Integrity	3,000	3,000
Engineering UK	3,748	4,136
Diving - Australia	5,975	5,975
	12,723	13,111

Sensitivity to changes in assumptions
Management believe that no reasonably possible change in any of the below key assumptions would cause the carrying value of the CGUs to materially exceed their recoverable amount.

11. Intangible Assets and Goodwill (continued)

The key assumptions for the recoverable amount are discussed below:

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

Growth rate assumptions – Rates are based on published industry research, which have been updated for the current economic outlook. However, given the economic uncertainty, further reductions to growth estimates may be necessary in the future.

Discount rates – The discount rate has been adjusted to reflect the current market assessment of the risks specific to the oil and gas service companies. This rate was further adjusted to reflect the market assessment of risks specific to the oil and gas industry. Further changes to the discount rate may be necessary in the future to reflect changing risks for the industry.

All other assumptions remained consistent with those disclosed in the annual statements for the year ended 31 March 2016.

With regard to the assessment of value in use, there are no significant changes to sensitivity information disclosed in the annual consolidated financial statements for the year ended 31 March 2016.

12. Trade and Other Payables

	Consolidated Group	
	30 September 2016	**31 March 2016**
CURRENT	**$000**	**$000**
Unsecured liabilities		
Trade payables	2,958	5,719
Sundry payables and accrued expenses	5,686	8,405
Deferred Revenue	167	70
	8,811	14,194

	Consolidated Group	
	30 September 2016	**31 March 2016**
NON CURRENT	**$000**	**$000**
Unsecured liabilities		
Sundry payables and accrued expenses	35	67
Deferred Revenue	317	380
	352	447

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

13. Contributed Equity

	Consolidated Group	
	30 September 2016	**31 March 2016**
	$000	**$000**
61,441,291 (March 16: 61,441,291) fully paid ordinary shares	273,540	273,540
	273,540	273,540

13. Contributed Equity (continued)

Ordinary Shares	Consolidated Group	
	No.	$000
At 30 September 2015	61,441,291	273,540
Movements during the prior year	-	-
At 31 March 2016	61,441,291	273,540
Movements during the current period	-	-
At 30 September 2016	61,441,291	273,540

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.

14. Capital and Leasing Commitments

		Consolidated Group	
		30 September 2016 $000	31 March 2016 $000
(a)	**Finance Lease Commitments**		
	Payable — minimum lease payments;		
	— not later than 12 months	236	91
	— between 12 months and 5 years	357	0
	Minimum lease payments	593	91
	Less future finance charges	(17)	(6)
	Present value of minimum lease payments	576	85

		Consolidated Group	
(b)	**Operating Lease Commitments**	30 September 2016 $000	31 March 2016 $000
	Payable — minimum lease payments;		
	— not later than 12 months	2,102	2,521
	— between 12 months and 5 years	7,526	7,980
	— longer than 5 years	2,977	4,774
		12,605	15,275

(c) The Group had contractual obligations to purchase plant and equipment for $118,997 at balance date (March 2016: $87,744). Commitments are in relation to survey equipment and ROV system upgrades. This commitment is expected to be settled within 12 months of the balance sheet date.

15. Guarantees

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

		Consolidated Group	
		30 September 2016 $000	31 March 2016 $000
—	Guarantees related to leases	1,532	1,532
—	Performance guarantees	537	447
		2,069	1,979

16. Related Parties

Subsidiaries

The consolidated financial statements include the financial statements of Neptune Marine Services Limited and its controlled entities. Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Ultimate parent

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

Transactions with related parties

	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
	$000	$000	$000	$000
Entities with significant influence over the Group:				
Premier Estate Pte Ltd	-	9	-	19
Premier Sea & Land Pte Ltd	-	4	-	8
MTQ Corporation	-	47	-	210
MTQ Oilfield Services WLL	-	-	1	-
Total	-	60	1	237

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

17. Events after Balance Sheet Date

There have been no events after the balance sheet date that have a material impact on the financial report.

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To the members of Neptune Marine Services Limited

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Neptune Marine Services Limited, which comprises the consolidated statement of financial position as at 30 September 2016, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 September 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* . As the auditor of Neptune Marine Services Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Neptune Marine Services Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 30 September 2016 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young

T G Dachs
Partner
Perth
17 November 2016