

# **NEPTUNE MARINE SERVICES LIMITED AND CONTROLLED ENTITIES**

**ABN: 76 105 665 843**

**Financial Report  
For The Year Ended  
31 March 2017**

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**CORPORATE INFORMATION****Directors**

Mr Boon Wee Kuah  
*Chairman*

Mr Peter Wallace  
*Non-Executive Director*

Mr Dominic Siu  
*Non-Executive Director*

Mr Robin King  
*Executive Director*

**Company Secretary**

Mr Ian Hobson

**Registered Office**

Neptune Marine Services Limited  
404 Orrong Road  
Welshpool Western Australia 6106

**Principal Place of Business**

Neptune Marine Services Limited  
404 Orrong Road  
Welshpool Western Australia 6106

**Auditors**

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

**Share Registry**

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

**Stock Exchange**

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

**ASX Code**

NMS

## CHIEF EXECUTIVE OFFICER'S REPORT

This year has been characterised by continued challenging market conditions. As a group, we have achieved significant cost savings, however our financial results reflect the tough environment.

Achievements include:

- Achieved 4 years LTI free across the Neptune group worldwide.
- Neptune established a new presence in Houston and Bahrain to capture new markets.
- Stream-lined business functions across the group and significantly reduced our fixed cost base.
- Award of Chevron MSA for diving work in Australia.
- A further scope of work awarded and completed for Oil Search in PNG.
- Award and completion of various scopes for Subsea Stabilisation in Asia Pacific, Middle East and Australia.
- Awarded integrated scope for Sea Trucks Group in Argentina for ROV, Survey, Stabilisation and Asset Integrity service lines.
- Award of Cash Maple route investigation surveys by PTTEP to take place in FY 2018.

### KEY CLIENTS AND SUSTAINABILITY

During 2017, we continued to work closely with a number of our existing clients including Chevron, Quadrant Energy, Oil Search and PTTEP. In the UK our Engineering service line continued to work closely with BP under our framework agreement, the success of which led to Neptune's expansion into Houston, USA.

### HEALTH AND SAFETY

We maintained our consistent health and safety performance throughout 2017, with three of our businesses achieving seven years without a Lost Time Injury (LTI). Across the group we reached 1,585 days LTI free as at 31 March 2017 (end of the financial year). As always, health and safety remains a core focus.

### OUTLOOK

It has been a challenging year, however we have won key contracts and maintained our first class safety record and operational performance. We are preparing however for challenging conditions to continue next financial year.



Robin King

Chief Executive Officer

Dated this 30<sup>th</sup> day of June 2017

## DIRECTORS' REPORT

Your Directors present their report on the Company and its controlled entities (the Group) for the financial year ended 31 March 2017.

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

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

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

## INFORMATION ON DIRECTORS

<b>Mr Boon Wee Kuah</b>	<b>Chairman</b>
<i>Qualifications</i>	Mr Kuah has a Bachelor of Engineering (1st Class Honours) from Imperial College of Science and Technology, London. He is also a Fellow of the Institute of Chartered Accountants in England and Wales (ICAEW), having trained with KPMG in London.
<i>Experience</i>	Mr Kuah is the Group CEO of MTQ Corporation Limited; he joined the MTQ Board on 10 October 2006 and assumed his current role in July 2010. Prior to that, Mr Kuah has had a distinguished international career working in London, Hong Kong, Australia and Singapore. He had previously been a Senior Management Executive of PSA International Pte Ltd, a 100% subsidiary of Temasek Holdings which has extensive port interests around the world. He also served as CFO for Singapore Technologies Engineering, a major listed company on the Singapore Stock Exchange ("SGX"), also majority-owned by Temasek Holdings.
<b>Mr Peter Wallace</b>	<b>Non-Executive Director</b>
<i>Qualifications</i>	Mr Wallace is a Senior Fellow of the Financial Services Institute of Australia, a Fellow of the Australian Institute of Company Directors, and an Associate Fellow of the Australian Institute of Management.
<i>Experience</i>	Mr Wallace has spent some 45 years in the Financial Services industry with experience gained in all aspects of financing with particular involvement in corporate and international funding. Past Executive positions held include Chief Credit Officer and Chief Operating Officer roles in a major regional Bank and Head of Corporate WA for Bell Potter Securities Ltd, one of Australia's largest stockbroking houses. He has directed capital raising for several large publicly listed companies as well as provided a variety of corporate advisory services to a wide range of companies, both private and publicly owned. Mr Wallace has held a number of public and private company Board positions including past Directorships in Decmil Engineering Ltd, RuralAus Investments Ltd, Tethyan Copper Ltd and HBF Health Ltd and is a serving Non-Executive Director Katana Investments Ltd and Goldfields Money Ltd.
<b>Mr Dominic Siu</b>	<b>Non-Executive Director</b>
<i>Qualifications</i>	Mr Siu graduated with a Bachelor of Civil and Structural Engineering (Honours) degree and is a Chartered Accountant qualified in the UK.
<i>Experience</i>	Mr Siu is the Group CFO of MTQ Corporation Limited. He is an experienced senior finance manager and has held senior finance positions in Greater China and South East Asia regions.
<b>Mr Robin King</b>	<b>Executive Director</b>
<i>Qualifications</i>	Mr King holds a Masters of Business Administration and a Bachelor of Civil Engineering (First Class Honours).
<i>Experience</i>	Mr King has worked in the international oil and gas industry since 1982, focusing mainly in the offshore and subsea sectors. Prior to being appointed CEO at Neptune in 2010, Mr King was the CEO of Technip Subsea 7 Asia Pacific, responsible for operations throughout Oceania and South East Asia.

## Company Secretary

Mr Ian Hobson was appointed Company Secretary on 26 March 2015. Mr Hobson is a Fellow Chartered Accountant and Chartered Secretary with over 30 years' experience in various company secretary and finance roles. He is a member of the Institute of Chartered Accountants, the Governance Institute of Australia and the Australian Institute of Company Directors.

## DIRECTORS' INTERESTS

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

	Ordinary Shares	Options over Ordinary Shares
Mr Boon Wee Kuah (*)	-	-
Mr Dominic Siu (*)	-	-
Mr Peter Wallace	-	-
Mr Robin King	-	-

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

	Ordinary Shares	Options over Ordinary Shares
Mr Boon Wee Kuah (*)	4,522,322	-
Mr Dominic Siu (*)	387,144	-
Mr Robin King	167,527	-

(\*) Mr Boon Wee Kuah is associated with Blossomvale Investments Pte Ltd, which is the controlling entity of Neptune.

(\*) Mr Dominic Siu is associated with Blossomvale Investments Pte Ltd, which is the controlling entity of Neptune.

## DIVIDENDS PAID OR PROPOSED

Dividends paid in the year:	Cents	\$000
Interim for the year on ordinary shares	8	4,915
Final for the year on ordinary shares	Nil	-

## PRINCIPAL ACTIVITIES

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

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

## OPERATING AND FINANCIAL REVIEW

### REVIEW OF OPERATIONS

Neptune reported a net loss after tax of \$8.230 million for the financial year ending 31 March 2017. Annual revenue of \$81.891 million was down compared to the previous year, significantly contributed to by the challenging industry conditions.

The Group recorded a positive operating cash flow during the year of \$4.940 million, ending with \$12.603 million in cash and minimal interest bearing debt of \$0.774 million at year end.

Neptune also had various one off items during the period, including of note:

- Provision for possible non-recoverable debt;
- One off costs associated with headcount reduction; and
- Various items of equipment being subject to insurance claims, resulting in asset write offs

### OFFSHORE SERVICES

The Offshore Services division reported revenues totalling \$65.805 million for the twelve month period ended 31 March 2017.

After a slower first half, the Survey service line has been exceedingly busy since December 2016. This has been primarily made up of longer term projects off Broome, Bass Strait and Argentina. A significant Geophysical and Geotechnical project for PTTEP was also awarded, and is being performed in Q1 on board the Offshore Guardian. The Singapore based Survey office has won several projects including being instrumental in the award of the STG PIAM integrated project in Argentina involving Survey, ROV and Rope Access.

The Diving Service line has successfully completed a campaign of SAT diving (supporting NepSys® proprietary technology) in Malaysia during 1Q. The Oil Search 5 year IMR contract in PNG entered into its third year and included the successful completion of a 3 month offshore campaign on board the DSV Crest Odyssey 2. Chevron Barrow Island diving IMR is also continuing and entered its sixth year while a Chevron diving MSA was awarded to Neptune as sole provider of air diving services for Chevron in Australia. The Diving service line's newly opened base in Melbourne has become fully operational, attracting the first projects and some significant prospects.

A widened product and service portfolio and geographical expansion enabled the stabilisation service line to maintain a healthy order book, however results were negatively impacted by bad debt provisions for two major clients. Works also continued for the Inpex operated Ichthys oil and gas field.

The ROV service line in South East Asia continued to feel the global down turn in the Oil and Gas industry with lower than expected utilisation of the ROV fleet, with the final quarter hardest hit. On a positive note the company continued to upgrade the ROV fleet adding another three workclass TMRV ROV's.

The Asset Integrity service line has enjoyed project success internationally for Oil Search in PNG, and for STG on the PIAM project in Argentina. Locally, Asset Integrity service line has secured work for the first time with Quadrant Energy and we now have inspection teams on regular rotation on Varanus Island and other offshore facilities. Work has been ongoing on the Montara facility for PTTEP AA under the new 3-year MSA for inspection services.

Other operational highlights included:

- Quadrant & Inpex continued rig move scopes.
- McDermott – manufacture of 350 high density walking mitigation mats.
- Darwin – successful award and performance of key diving projects.

## ENGINEERING SERVICES

The Engineering Services division reported revenues of \$16.086 million for the period ended 31 March 2017.

In the UK, the Engineering service line has been awarded an extension to its current framework agreement with the BP Wells Group. This will be the fifth year of the Framework Agreement, which highlights the strong relationship built between BP and Neptune over the years. Most recently, we have won a highly important project which involves the engineering design and build of an innovative 'riser hang off clamp' for one of UK's largest producing gas riser systems. The Neptune solution will enhance system integrity, avoid costly shutdowns and enable continuing gas production.

The Engineering Service Line is continuing its strategic geographical expansion into Gulf of Mexico. With the recent opening of Neptune Houston office in 2016, the team is discussing the first scopes of work with new clients in the region and the first MSA is close to being executed.

Manufacturing, Assembly and Testing service line (MAT) and Engineering UK secured a five year MSA with ConocoPhillips and a 3 year contract plus 3 x 1 year options for MAT and Engineering services for Premier Oil. Neptune's MAT also received its first significant award and breakthrough in the steel industry.

The Australian Engineering service line continued to provide engineering services directly to Australian clients, as well as technical support to the Australian based business. Key projects included the Oil Search IMR campaign engineering preparation and Malaysia NEPSYS® projects.

## OPERATING RESULTS

The consolidated net loss after tax for the Group for the year ended 31 March 2017 was \$8.230 million (year ended 31 March 2016: \$7.092 million loss).

## FINANCIAL POSITION

The net assets of the consolidated Group have decreased by \$15.148 million to \$57,651 million at 31 March 2017 (\$72.799 million as at 31 March 2016). Included within net assets is an amount of \$12.558 million (2016: \$13.111 million) relating to goodwill. Net tangible assets were \$44.242 million compared to \$58.551 million at 31 March 2016.

### Debt Position

As at 31 March 2017, the Company had interest bearing debts of \$0.774 million (2016: \$0.115 million) which consists of equipment leasing and other finance leases. Interest-bearing debt as a percentage of equity was 1.34% (2016: 0.12%).

### Cash and Liquidity

As at 31 March 2017, cash and cash equivalents was \$12,603million (2016: \$14.165 million). At 31 March 2017, the working capital position was \$22.751 million (31 March 2016: \$33.648 million). This equates to a current ratio (current assets / current liabilities) of 2.4 (2016: 2.8).

### Goodwill Impairment

No impairment was recognised during the year ended 31 March 2017.

### Significant Changes in State of Affairs

There were no significant changes in state affairs during the year.

### Events After the Reporting Period

There have been no events after the reporting period that have a material impact on the annual report for FY17.

### Future Development, Prospects and Business Strategy

Neptune will focus on maximising revenue, managing its cost base, targeting new areas for growth and working to identify complementary partners as the challenging climate of the global oil and gas industry continues into FY 2018.

### Environmental Requirements and Performance

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



## REMUNERATION REPORT (AUDITED)

This Remuneration Report for the year ended 31 March 2017 outlines the remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 (The Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

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

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

### Governance

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

### Diversity at Neptune Marine Services

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

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

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

### Remuneration Philosophy and Policy

#### (i) *Non-Executive Director remuneration*

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

The amount of aggregate remuneration sought to be approved by shareholders and the fee structure is reviewed regularly against fees paid to Non-Executive Directors (NEDs) of comparable companies. The Board considers advice from external consultants when undertaking the review process. Neptune did not engage any external consultants during the period.

The Company's constitution and the ASX listing rules specify that the NED fee pool shall be determined from time to time by a general meeting. The latest determination was at the 2007 Annual General Meeting (AGM) held on 19 November 2007 when shareholders approved an aggregate fee pool of \$600,000, such fees to be allocated to the Directors as the Board of Directors may determine. Total fees paid out of this pool for period to 31 March 2017, including superannuation and committee fees, was \$272,805 (2016: \$303,075).

#### (ii) *Executive remuneration*

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

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

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

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

Key Management Personnel are also remunerated based on achievement of short and long term objectives considered important to the success of the Company. All remuneration paid to key Executives is valued at the cost to the Company and is expensed.

## Remuneration Structure

### (i) Non-Executive Directors

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

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

### (ii) Executive

Neptune is committed to ensuring its remuneration structures are appropriately aligned with shareholder value creation over the short and long term and focuses on motivating, rewarding and retaining key Executives. Our structures aim to link performance and reward while taking into account challenges and market forces that companies such as Neptune are confronted with when faced with cyclical and economic forces.

The key initiatives under this review were:

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

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

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

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

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

The CEO's remuneration mix comprises:

#### Fixed Element

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

#### At Risk Element

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

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

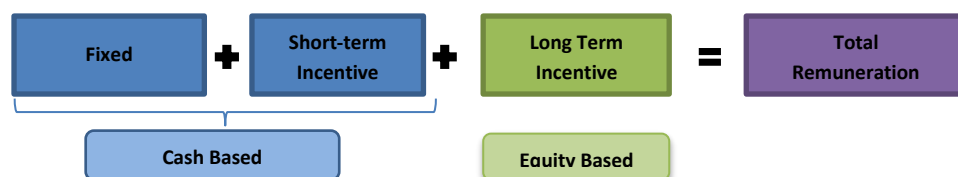
The employment conditions of the Chief Executive Officer, Robin King and other key Executives are formalised in contracts of employment. The contracts for service between the Company and Executives are on a continuing, permanent basis. Upon retirement, Executives are paid employee benefit entitlements accrued to the date of retirement. Subject to the terms and conditions of the employment contracts, any performance right or option that has not vested or been exercised before or on the date of termination will subsequently lapse.

Directors, Executives and employees receive superannuation contributions. The contribution currently stands at 9.5% however some individuals choose to sacrifice a portion of their salary in order to increase contributions towards superannuation.

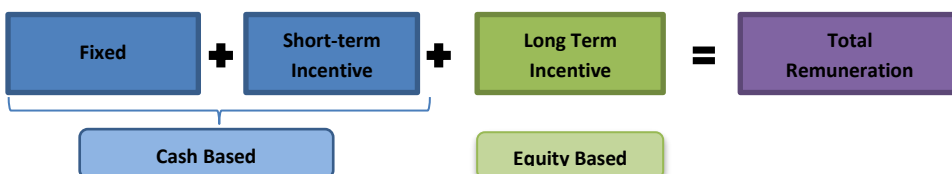
### Total Remuneration Components

For FY 17 the total annual remuneration structure for Segment 1 and 2 employees was as per the below table

#### Segment 1 – CEO, COO & CFO



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



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

**Fixed Remuneration:** An employee's fixed remuneration is based on market benchmarking to ensure the pay is commensurate with the market in which the Group operates. The market benchmarking uses data obtained from similar sized ASX listed companies which operate in the mining/resources services sector and international listed companies with which Neptune competes for projects. In setting remuneration, consideration is given to the experience, skills and knowledge of role incumbents. Fixed remuneration is comprised of base salary, superannuation, other benefits and the cost of Fringe Benefits Tax, and is designed to reward "come-to-work" behaviours, values and activities required to fulfil individuals' job description. In FY 17 as a result of the cost challenges facing Neptune, a temporary reduction was applied to the fixed remuneration component of executive salaries.

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

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

**Long-term Incentive (LTI):** Long Term Incentives are now offered as a share plan for executives and some key employees. Segment 1 employees are offered a higher percentage of shares.

#### MTQ Share Plan

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

Neptune's Segment 1 employees (CEO, COO and CFO) are participants in the scheme. Other employees are also included in the scheme. Under the scheme the participants attract an award based on a percentage of annual base salary.

For the 2014 and 2015 MTQ share plan that has been awarded, the monetary value has been determined by the Remuneration Committee after assessing whether the performance targets have been satisfied. For the 2016 MTQ share plan, no shares were awarded as targets set out in the MTQ Share Plan were not met

Issuance of shares to Neptune executives under the MTQ Share Plan will reflect the performance of Neptune as part of the MTQ Group. Performance exceeding the set targets shall attract an increase of the award size. Performance short of the set targets shall attract a decrease. At the end of the Performance Year, each target is evaluated by the Remuneration Committee. Remuneration Committee then determines if performance targets have been satisfied and if so the extent to which they have been satisfied. The monetary value to be awarded are determined and converted to a number of MTQ ordinary shares based on the ruling market price which is defined as the closing market price after the financial year announcement. The number of shares as determined is the number of shares awarded for the Performance Year. The amount of MTQ Shares awarded shall be delivered in three equal tranches after the end of the Performance Year, year 1,

year 2 and year 3 on 1 September. The vesting date for the first instalment of the shares awarded for Performance Year 2014/2015 is August 2015. The employees must still be employed by the company at these dates to receive the shares.

#### Chief Executive Officer Service Agreement – Mr Robin King

Under his contract, the CEO is entitled to the following conditions: if the Company terminates the agreement for any reason other than pursuant to specified circumstances, including offences involving fraud or dishonesty or committal of a serious or persistent breach of the agreement which was incapable of satisfactory remedy, the Company is required to pay to the CEO all remuneration accrued up to and including the date of termination, payment in lieu of annual leave and long service leave to which he is entitled at the date of termination, and an amount equal to 12 months base salary plus any accrued performance entitlements.

The CEO's current cash salary at the date of this report is \$506,137 per annum with an additional \$36,016 per annum car allowance. The Remuneration Committee determines the proportion of fixed and variable compensation for each Key Management Personnel.

#### Employment Contracts

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

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

#### Company Performance and the Link to Remuneration

##### (i) Short Term Incentive (STI)

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

##### (ii) Long Term Incentive (LTI)

As previously described, Neptune offers a share plan as a Long Term Incentive to executives and employees.

*Remuneration Outcomes*

The remuneration received by KMP and NEDS during the 2017 financial period is summarised in the below table.

2017	Short-Term Benefits			Post-Employment Benefits	Share-Based Payment	Total	Proportion of Remuneration Based on Performance %
	Cash, Salary & Fees \$	Bonus <sup>1</sup> \$	Other <sup>2</sup> \$	Superannuation \$	LTI Plan <sup>3</sup> \$	\$	
<b>Directors</b>							
Mr Boon Wee Kuah	126,000 <sup>4</sup>	-	-	-	-	126,000	0%
Mr Dominic Siu	63,000 <sup>3</sup>	-	-	-	-	63,000	0%
Mr Peter Wallace	76,534	-	-	7,271	-	83,805	0%
Mr Robin King	506,137	-	36,016	51,504	(98,612)	495,045	(20%)
	771,671	-	36,016	58,775	(98,612)	767,850	
<b>Key Management Personnel (KMP)</b>							
Mr Vincent Allegre	373,011	-	27,012	38,002	(35,094)	402,931	(8%)
Mrs Ashley Muirhead <sup>5</sup>	48,546	-	6,326	5,213	(3,177)	56,908	(6%)
Mr Ashley Gilbert <sup>5</sup>	147,203	-	10,852	13,984	-	172,039	0%
Mr David Binns <sup>5</sup>	35,502	-	-	3,373	-	38,875	0%
	604,262	-	44,190	60,572	(38,271)	670,753	
	<b>1,375,933</b>	-	<b>80,206</b>	<b>119,347</b>	<b>(136,883)</b>	<b>1,438,603</b>	

<sup>1</sup> No bonus was paid in FY17 due to the financial results achieved in the current year

<sup>2</sup> Other includes vehicle allowances.

<sup>3</sup> Share based payments are negative in FY17 as the benefit is based on estimates which have been adjusted based on expected achievement of performance targets.

<sup>4</sup> Fees are paid to Blossomvale Investments Pte Ltd

<sup>5</sup> Mrs Ashley Muirhead was on Maternity Leave during the year. Mr Ashley Gilbert was contracted as Group CFO from May 2016 to January 2017. Mr David Binns, Group Financial Controller became acting Chief Financial Officer from January 2017 until 2<sup>nd</sup> June 2017. His remuneration for this period is included in the remuneration table.

2016	Short-Term Benefits				Post-Employment Benefits	Share-Based Payment	Total	Proportion of Remuneration Based on Performance %
	Cash, Salary & Fees \$	Cash Bonus \$	Non - Cash Benefit <sup>1</sup> \$	Other <sup>2</sup> \$	Superannuation \$	LTI Plan \$	\$	
<b>Directors</b>								
Mr Boon Wee Kuah	140,000 <sup>3</sup>	-	-	-	-	-	140,000	0%
Mr Dominic Siu	70,000 <sup>4</sup>	-	-	-	-	-	70,000	0%
Mr Peter Wallace	85,000	-	-	-	8,075	-	93,075	0%
Mr Robin King	552,879	29,529 <sup>4</sup>	1,097	40,000	77,689	19,988	721,182	7%
	847,879	29,529	1,097	40,000	85,764	19,988	1,024,257	
<b>Key Management Personnel (KMP)</b>								
Mr Vincent Allegre	407,460	10,226 <sup>4</sup>	1,097	30,000	49,378	7,383	505,544	4%
Mrs Ashley Muirhead	212,800	17,265 <sup>4</sup>	1,097	25,000	26,602	2,261	285,025	5%
	620,260	27,491	2,194	55,000	75,980	9,644	790,569	
	<b>1,468,139</b>	<b>57,020</b>	<b>3,291</b>	<b>95,000</b>	<b>161,744</b>	<b>29,632</b>	<b>1,814,826</b>	

<sup>1</sup> Car park benefits for the year ended 31 March 2016

<sup>2</sup> Other includes vehicle allowances

<sup>3</sup> Fees are paid to Blossomvale Investments Pte Ltd

<sup>4</sup> Represents a 12 month accrual based on full year entitlements. The accrued amounts are subject to final approval, with outcomes based on the success in meeting Key Performance Indicators (KPI's)

**Shareholdings of KMP**

The relevant interest of each KMP in the shares and options issued by the Company as at 31 March 2017 is as follows:

	Ordinary Shares	Options over Ordinary Shares
Mr Boon Wee Kuah	-	-
Mr Dominic Siu	-	-
Mr Peter Wallace	-	-
Mr Robin King	-	-
Mr Vincent Allegre	-	-
Mrs Ashley Muirhead	-	-
Mr Ashley Gilbert	-	-
Mr David Binns	-	-

**Options Granted as Part of Remuneration for the year Ended 31 March 2017**

In 2017, no options were granted. No shares were issued to KMPs from the exercise of options during the period.

**Loans to KMP and their related parties**

There were no loans issued to KMP and their related parties during the financial period ending 31 March 2017.

**Other transactions and balances with KMP and their related parties**

There were no other transactions with KMP and their related parties during the financial period ending 31 March 2017.

**END OF AUDITED REMUNERATION REPORT**

## MEETING OF DIRECTORS

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

Directors' Names	Directors' Meetings		Audit & Governance Committee Meetings	
	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended
Mr Boon Wee Kuah	6	6	-	-
Mr Peter Wallace	6	6	2	2
Mr Dominic Siu	6	6	2	2
Mr Robin King	6	6	-	-

No remuneration committee meetings were held during the year as no changes were made to remuneration.

**Indemnification and Insurance of Directors and Officers**

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

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

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

**Indemnification of auditors**

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

**Options**

At the date of this report, the unissued ordinary shares of the Company under option are as follows:

	Weighted average exercise price	Number under option
Unlisted	\$15	100,000

All options entitle the holder to one ordinary share.

**Proceedings on Behalf of Company**

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

The Company was not a party to any such proceedings during the period.



**Non-audit Services**

The following non-audit services were provided by the entity's auditor, Ernst & Young Australia. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young Australia received or are due to receive the following amounts for the provision of non-audit services:

	\$
Tax compliance services	50,036
Special audits as required by jurisdictional regulators	11,875
	<u>61,911</u>

**Auditor Independence Declaration**

The lead auditor's independence declaration for the year ended 31 March 2017 has been received and can be found on page 18 of the Directors' Report.

**Rounding of Amounts**

The Company is an entity to which ASIC Corporation (Rounding in Financial /Directors' Reports) Instrument 2016/191 applies. Accordingly, amounts in the financial statements and Directors' report have been rounded to the nearest thousand dollars.

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



**Boon Wee Kuah**  
Chairman

Dated this 30<sup>th</sup> day of June 2017

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**DIRECTORS' DECLARATION**

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

1 In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 March 2017 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*;
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(b);
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

2 This declaration has been made after receiving the declarations required to be made to the Directors from the Chief Executive Officer and Chief Financial Officer in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 31 March 2017.



**Boon Wee Kuah**  
Chairman

Dated this 30<sup>th</sup> day of June 2017

AUDITORS INDEPENDENCE DECLARATION



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

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ey.com/au

## Auditor's Independence Declaration to the Directors of Neptune Marine Services Limited

As lead auditor for the audit of Neptune Marine Services Limited for the financial year ended 31 March 2017, 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 audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

T G Dachs  
Partner  
Perth  
30 June 2017

**CONSOLIDATED INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 MARCH 2017**

		<b>Consolidated</b>	
		<b>2017</b>	<b>2016</b>
	Note	<b>\$000</b>	<b>\$000</b>
Revenue	6(a)	81,891	118,481
Other revenue	6(a)	80	123
Total revenue		81,971	118,604
Cost of sales and services rendered		(64,734)	(89,351)
<b>Gross profit</b>		<b>17,237</b>	<b>29,253</b>
Other income	6(b)	678	2,591
Marketing expenses		(110)	(475)
Occupancy expenses		(3,792)	(4,503)
Corporate, shared services and board expenses	7(d)	(2,396)	(3,878)
Business operating expenses	7(e)	(18,762)	(22,190)
Technical expenses		(288)	(266)
Finance costs	7(a)	(202)	(248)
Fixed Asset Impairment		-	(6,919)
Other expenses	7(f)	(286)	(1,798)
<b>Loss before income tax</b>		<b>(7,921)</b>	<b>(8,433)</b>
Income tax expense	8(a)	(309)	1,341
<b>Net loss for the year</b>		<b>(8,230)</b>	<b>(7,092)</b>
<b>Earnings per share</b>			
Basic loss per share	11	(0.134)	(0.115)
Diluted loss per share	11	(0.134)	(0.115)

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 MARCH 2017**

		<b>Consolidated</b>	
		<b>2017</b>	<b>2016</b>
		<b>\$000</b>	<b>\$000</b>
<b>Net loss for the year</b>		<u>(8,230)</u>	<u>(7,092)</u>
<b>Other comprehensive income</b>			
Items in other comprehensive income that may be recycled subsequently through profit or loss			
Foreign currency translation	24	(1,819)	(101)
Net (loss)/profit on cash flow hedges	24	<u>(184)</u>	<u>298</u>
		<b><u>(2,003)</u></b>	<b><u>197</u></b>
<b>Total comprehensive loss for the year attributable to members of the parent</b>		<b><u><u>(10,233)</u></u></b>	<b><u><u>(6,895)</u></u></b>

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**FOR THE YEAR ENDED 31 MARCH 2017**

		<b>Consolidated</b>	
		<b>31 March</b>	<b>31 March</b>
		<b>2017</b>	<b>2016</b>
	<b>Note</b>	<b>\$000</b>	<b>\$000</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	12	12,603	14,165
Trade and other receivables	13	16,556	26,476
Inventories	14	1,086	901
Other current assets	19	7,278	10,618
<b>TOTAL CURRENT ASSETS</b>		<b>37,523</b>	<b>52,160</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	15	-	20
Property, plant and equipment	17	17,320	20,072
Deferred tax assets	8	5,931	6,166
Intangible assets and goodwill	18	13,409	14,248
<b>TOTAL NON-CURRENT ASSETS</b>		<b>36,660</b>	<b>40,506</b>
<b>TOTAL ASSETS</b>		<b>74,183</b>	<b>92,666</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	20	13,162	14,194
Current tax liability	8	451	3,078
Interest bearing loans and borrowings	21	309	70
Provisions	22	850	1,170
<b>TOTAL CURRENT LIABILITIES</b>		<b>14,772</b>	<b>18,512</b>
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables	20	333	447
Interest bearing loans and borrowings	21	465	15
Deferred tax liabilities	8	191	224
Provisions	22	771	669
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,760</b>	<b>1,355</b>
<b>TOTAL LIABILITIES</b>		<b>16,532</b>	<b>19,867</b>
<b>NET ASSETS</b>		<b>57,651</b>	<b>72,799</b>
<b>EQUITY</b>			
Contributed equity	23	273,540	273,540
Reserves	24	(15,725)	(13,722)
Accumulated losses		(200,164)	(187,019)
<b>TOTAL EQUITY</b>		<b>57,651</b>	<b>72,799</b>

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 MARCH 2017**

	Ordinary Shares	Retained Earnings /(Accumulated Losses)	Foreign Currency Translation Reserve	Employee Equity Benefits Reserve	Hedge Reserve	Total
	\$000	\$000	\$000	\$000	\$000	\$000
<b>Consolidated</b>						
<b>Balance at 1 April 2015</b>	273,540	(175,012)	(20,143)	6,127	97	84,609
Loss for the year	-	(7,092)	-	-	-	(7,092)
Other comprehensive income	-	-	(101)	-	298	197
<b>Total comprehensive income for the year</b>	-	(7,092)	(101)	-	298	(6,895)
<b>Transactions with owners in their capacity as owners</b>						
Dividend paid	-	(4,915)	-	-	-	(4,915)
Sub-total	-	(12,007)	(101)	-	298	(11,810)
<b>Balance at 31 March 2016</b>	273,540	(187,019)	(20,244)	6,127	395	72,799
<b>Balance at 1 April 2016</b>	273,540	(187,019)	(20,244)	6,127	395	72,799
Loss for the year	-	(8,230)	-	-	-	(8,230)
Other comprehensive income	-	-	(1,819)	-	(184)	(2,003)
<b>Total comprehensive loss for the period</b>	-	(8,230)	(1,819)	-	(184)	(10,233)
<b>Transactions with owners in their capacity as owners</b>						
Dividend paid	-	(4,915)	-	-	-	(4,915)
Sub-total	-	(13,145)	(1,819)	-	(184)	(15,148)
<b>Balance at 31 March 2017</b>	273,540	(200,164)	(22,063)	6,127	211	57,651

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

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2017**

	Consolidated	
	31 March 2017	31 March 2016
Note	\$000	\$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	90,369	122,446
Interest received	80	123
Payments to suppliers and employees	(85,231)	(117,792)
Interest paid	(202)	(248)
Income tax paid	(76)	(741)
Net cash flows derived from operating activities	27(a) <u>4,940</u>	<u>3,788</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of property, plant and equipment	66	3,028
Purchase of property, plant and equipment	(903)	(4,985)
Purchase of intangible assets	(79)	-
Net cash flows used in investing activities	<u>(916)</u>	<u>(1,957)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends Paid	(4,915)	(4,915)
Repayment of borrowings	(240)	(240)
Receipt of deposits	30	126
Net cash flows used in financing activities	<u>(5,125)</u>	<u>(5,029)</u>
Net decrease in cash and cash equivalents held	(1,101)	(3,198)
Cash and cash equivalents at beginning of financial year	14,165	17,594
Net foreign exchange difference	(461)	(231)
<b>Cash and cash equivalents at end of financial year</b>	12 <u><u>12,603</u></u>	<u><u>14,165</u></u>

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



## NOTES TO THE FINANCIAL STATEMENTS

**Note 1 Corporate Information**

The financial report of the Neptune Marine Services Limited (the Group) for the year ended 31 March 2017 and was authorised for issue in accordance with a resolution of the Director's on 30 June 2017.

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

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

**Note 2 Summary of Significant Accounting Policies****(a) Basis of Preparation**

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

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

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

*Going Concern*

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

**(b) Compliance with International Financial Reporting Standards (IFRS)**

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

**(c) New Accounting Standards and Interpretations***(i) Changes in accounting policies, disclosures, standards and interpretations*

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

Reference	Title	Application date of standard	Application date for Group
AASB 2015-3	<i>Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality</i>  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	<i>Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent</i>  The amendment aligns the relief available in AASB 10 <i>Consolidated Financial Statements</i> and AASB 128 <i>Investments in Associates and Joint Ventures</i> in respect of the financial reporting requirements for Australian groups with a foreign parent.	1 July 2015	1 April 2016

**Note 2 Summary of Significant Accounting Policies (continued)****(c) New Accounting Standards and Interpretations (continued)**

Reference	Title	Application date of standard	Application date for Group
AASB 2014-4	<p><i>Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation</i></p> <p>The amendments clarify the principle in AASB 116 <i>Property, Plant and Equipment</i> and AASB 138 <i>Intangible Assets</i> that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.</p>	1 January 2016	1 April 2016
AASB 2014-9	<p><i>Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements</i></p> <p>The amendments to AASB 127 <i>Separate Financial Statements</i> allow an entity to use the equity method as described in AASB 128 to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements.</p>	1 January 2016	1 April 2016
AASB 2015-1	<p><i>Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle</i></p> <p>The amendments clarify certain requirements in:</p> <ul style="list-style-type: none"> <li>▶ AASB 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> – Changes in methods of disposal</li> <li>▶ AASB 7 <i>Financial Instruments: Disclosures</i> – servicing contracts; applicability of the amendments to AASB 7 to condensed interim financial statements</li> <li>▶ AASB 119 <i>Employee Benefits</i> – regional market issue regarding discount rate</li> <li>▶ AASB 134 <i>Interim Financial Reporting</i> – disclosure of information ‘elsewhere in the interim financial report’</li> </ul>	1 January 2016	1 April 2016
AASB 2015-2	<p><i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101</i></p> <p>This Standard amends AASB 101 <i>Presentation of Financial Statements</i> to clarify existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying the Standard in determining what information to disclose, where and in what order information is presented in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures.</p>	1 January 2016	1 April 2016

**Note 2 Summary of Significant Accounting Policies (continued)**

Furthermore, it has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business except for disclosure purposes and, therefore, no change is necessary to Group accounting policies.

*Standards early adopted*

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

*Standards issued but not yet effective*

Reference	Title	Summary	Application date of standard	Impact on Group Financial Report	Application date for Group
AASB 2016-1	<i>Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses</i>	This Standard makes amendments to AASB 112 <i>Income Taxes</i> to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.	1 January 2017	The Group has determined that the likely impact will not be material.	1 April 2017
AASB 2016-2	<i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107</i>	The amendments to AASB 107 <i>Statement of Cash Flows</i> are part of the IASB's Disclosure Initiative and help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).	1 January 2017	The Group has determined that the likely impact will not be material.	1 April 2017
AASB 2017-2	<i>Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle</i>	This Standard clarifies the scope of AASB 12 <i>Disclosure of Interests in Other Entities</i> by specifying that the disclosure requirements apply to an entity's interests in other entities that are classified as held for sale or discontinued operations in accordance with AASB 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> .	1 January 2017	The Group has determined that the likely impact will not be material.	1 April 2017

**Note 2 Summary of Significant Accounting Policies (continued)****(c) New Accounting Standards and Interpretations (continued)**

Reference	Title	Summary	Application date of standard	Impact on Group Financial Report	Application date for Group
AASB 9, and relevant amending standards	<i>Financial Instruments</i>	<p>AASB 9 replaces AASB 139 <i>Financial Instruments: Recognition and Measurement</i>.</p> <p>Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.</p> <p>Debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held.</p> <p>There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch.</p> <p>Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.</p> <p>For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss.</p> <p>All other AASB 139 classification and measurement requirements for financial liabilities have been carried forward into AASB 9, including the embedded derivative separation rules and the criteria for using the FVO.</p> <p>The incurred credit loss model in AASB 139 has been replaced with an expected credit loss model in AASB 9.</p> <p>The requirements for hedge accounting have been amended to more closely align hedge accounting with risk management, establish a more principle-based approach to hedge accounting and address inconsistencies in the hedge accounting model in AASB 139.</p>	1 January 2018	The Group is yet to assess the impact.	1 April 2018
AASB 15, and relevant amending standards	<i>Revenue from Contracts with Customers</i>	<p>AASB 15 replaces all existing revenue requirements in Australian Accounting Standards (AASB 111 <i>Construction Contracts</i>, AASB 118 <i>Revenue</i>, AASB Interpretation 13 <i>Customer Loyalty Programmes</i>, AASB Interpretation 15 <i>Agreements for the Construction of Real Estate</i>, AASB Interpretation 18 <i>Transfers of Assets from Customers</i> and AASB Interpretation 131 <i>Revenue – Barter Transactions Involving Advertising Services</i>) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as AASB 117 (or AASB 16 <i>Leases</i>, once applied).</p> <p>The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:</p> <ul style="list-style-type: none"> <li>▶ Step 1: Identify the contract(s) with a customer</li> <li>▶ Step 2: Identify the performance obligations in the contract</li> <li>▶ Step 3: Determine the transaction price</li> <li>▶ Step 4: Allocate the transaction price to the performance obligations in the contract</li> <li>▶ Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation</li> </ul>	1 January 2018	The Group has performed an initial assessment based on existing customer contracts and determined that the likely impact will not be material.	1 April 2018

**Note 2 Summary of Significant Accounting Policies (continued)****(c) New Accounting Standards and Interpretations (continued)**

Reference	Title	Summary	Application date of standard	Impact on Group Financial Report	Application date for Group
AASB 2014-10	<i>Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in AASB 3 <i>Business Combinations</i> . Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. AASB 2015-10 defers the mandatory effective date (application date) of AASB 2014-10 so that the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2016.	1 January 2018	The Group has determined that the likely impact will not be material.	1 April 2018
AASB 2016-5	<i>Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions</i>	This Standard amends AASB 2 <i>Share-based Payment</i> , clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: ► The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments ► Share-based payment transactions with a net settlement feature for withholding tax obligations ► A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.	1 January 2018	The Group is yet to assess the impact.	1 April 2018
AASB Interpretation 22	<i>Foreign Currency Transactions and Advance Consideration</i>	The Interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.	1 January 2018	The Group is yet to assess the impact.	1 April 2018
AASB 16	<i>Leases</i>	AASB 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 <i>Leases</i> . The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting is substantially unchanged from today's accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.	1 January 2019	The Group is yet to assess the impact.	1 April 2019

**Note 2 Summary of Significant Accounting Policies (continued)****(d) Basis of Consolidation**

The consolidated financial statements comprise the financial statements of the Group [as outlined in note 28(a)] for the financial year ended 31 March 2017 in the current year and prior year ended 31 March 2016.

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

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

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

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

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

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

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

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

If the Group loses control over a subsidiary, it:

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

**(e) Business Combinations**

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

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

**Note 2 Summary of Significant Accounting Policies (continued)****(e) Business Combinations (continued)**

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

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

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

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

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

**(f) Goodwill**

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

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

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

**(g) Foreign Currency Translation**

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

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

Australia	AUD
Asia and Middle East	USD
United Kingdom	GBP

**(i) Transactions and balances**

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

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

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

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

**Note 2 Summary of Significant Accounting Policies (continued)****(g) Foreign Currency Translation (continued)****(ii) Group companies**

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

**(h) Revenue Recognition**

Revenue is measured at fair value of the consideration received or receivable, net of returns, trade discounts or volume rebates. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

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

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

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

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

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

**(i) Operating Segments**

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

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

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

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

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

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

**(j) Government Grants**

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

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

**(k) Income Tax and Other Taxes**

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

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



**Note 2 Summary of Significant Accounting Policies (continued)****(k) Income Tax and Other Taxes (continued)**

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

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

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

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

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

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

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

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

*Tax consolidation legislation*

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

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

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

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

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

*Other taxes*

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

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

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

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

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

**(l) Property, Plant and Equipment**

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

**Note 2 Summary of Significant Accounting Policies (continued)****(l) Property, Plant and Equipment (continued)***Plant and equipment*

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

*Depreciation*

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

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

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
Office furniture, equipment and software	25% - 33%
Leasehold Improvements	20% - 33%
Plant and equipment	20% - 40%
Leased Vehicles	20%
Remotely Operated Vehicles (ROV's) and Vessels	5-10%

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

**(m) Leases**

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

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

*(i) Group as a lessee*

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

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

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

**(n) Intangible Assets***Research and development*

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

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

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

**Note 2 Summary of Significant Accounting Policies (continued)****(o) Financial Instruments – Initial Recognition and Subsequent Measurement****i) Financial assets***Initial recognition and Measurement*

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

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

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

*Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as described below:

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR (effective interest rate) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs for loans and in cost of sales or other operating expenses for receivables.

*Derecognition*

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

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

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

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

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

**ii) Impairment of financial assets**

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

*Financial assets carried at amortised cost*

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

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

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

**Note 2 Summary of Significant Accounting Policies (continued)****(o) Financial Instruments – Initial Recognition and Subsequent Measurement (continued)**

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

*iii) Financial liabilities**Initial Recognition and measurement*

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

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

*Subsequent measurement*

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

*Loans and borrowings*

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

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

*Derecognition*

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

**(p) Inventories**

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition is accounted for as follows:

*Raw materials:*

- Purchase cost on a first in, first out basis

*Finished goods and work in progress:*

- Cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs

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

**(q) Impairment of Non-Financial Assets**

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

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

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

**Note 2 Summary of Significant Accounting Policies (continued)****(r) Impairment of Non-Financial Assets (continued)**

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

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

The following assets have specific characteristics for impairment testing:

*Goodwill*

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

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

*Intangible assets*

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

**(s) Cash and Short-Term Deposits**

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

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

**(t) Provisions**

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

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

*Wages, salaries, annual leave and non-monetary benefits*

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

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

*Long service leave*

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

**(t) Share-Based Payment Transactions**

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

*Equity-settled transactions*

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

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

**Note 2 Summary of Significant Accounting Policies (continued)****(v) Share-Based Payment Transactions (continued)**

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

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

*Cash-settled transactions*

The monetary value to be awarded is determined and converted to number of MTQ ordinary shares based on ruling market price which is defined as the closing market price after the financial year announcement. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date based on the MTQ share price at each reporting date, with changes in fair value recognised in employee benefits expense.

**Note 3 Significant Accounting Judgements, Estimates and Assumptions**

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

**(i) Significant Accounting Judgements**

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

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

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 18.

*Taxation*

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

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

**(ii) Significant Accounting Estimates and Assumptions***Impairment of goodwill and intangibles with indefinite useful lives*

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units, using a value in use discounted cash flow methodology, to which the goodwill and intangibles with indefinite useful lives are allocated. No impairment loss was recognised in the current period in respect of goodwill (2016: \$nil). The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives including a sensitivity analysis are discussed in note 18.

*Share-based payment transactions*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined with the assistance of an external valuer using an option pricing model. The related assumptions are detailed in note 29. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

**Note 3 Significant Accounting Judgements, Estimates and Assumptions (continued)**

Cash-settled transactions with employees are measured by reference to the fair value of the performance entitlements at the date at which they are granted. The accounting estimates and assumptions relating to cash-settled share-based payments would have impact on the carrying amount of liability and related expense within the next annual reporting period.

*Estimation of useful lives of assets*

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

Depreciation charges are included in note 17.

**Note 4 Financial Risk Management**

The Group's principal financial liabilities, other than derivatives, comprise trade and other payables, finance facilities, finance leases and hire purchases. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group's principal financial assets include trade and other receivables, and cash and short-term deposits that derive directly from its operations.

**Risk Exposures and Responses**

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

At various times the Group entered into derivative transactions, principally forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance. Derivatives classified as held for trading relating to forward currency contracts provided economic hedges and were based on limits set by the Board. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate and foreign exchange. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

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

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

The Group holds the following financial instruments:

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$000</b>	<b>\$000</b>
<b>Financial Assets</b>		
Cash and cash equivalents	12,603	14,165
Trade and other receivables	16,556	26,212
Derivative financial instruments	-	283
<b>Total</b>	<b>29,159</b>	<b>40,660</b>
<b>Financial Liabilities</b>		
Trade and other payables	13,162	14,193
Interest bearing loans and borrowings	774	85
<b>Total</b>	<b>13,936</b>	<b>14,278</b>

**Risk Exposures and Responses****(i) Interest Rate Risk***Cash and cash equivalents*

The Group held its cash reserves on deposit and in cheque accounts during the period, which earned interest at rates ranging between 0% and 1.7% (2016: 0% and 3%) depending on account balances. Other than cash and other short term deposits, all the Group's financial assets are non-interest bearing.

*Interest bearing liabilities*

Interest bearing liabilities are comprised of hire purchase agreements of \$nil (2016: \$70,000) and other finance arrangements of \$774,000 (2016: \$85,000). Other than the hire purchase agreements and other finance arrangements, all the Group's financial liabilities are non-interest bearing.

**Note 4 Financial Risk Management (continued)**

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

	<b>Average Interest Rate</b>	<b>Consolidated 2017 \$000</b>
<b>Financial Assets</b>		
Cash and cash equivalents		12,603
<b>Financial liabilities</b>		
Other finance arrangements *	1.56%	(774)
		<u>11,829</u>
* Other finance arrangements include Microsoft Office and Telstra data storage financing		
	<b>Average Interest Rate</b>	<b>2016 \$000</b>
<b>Financial Assets</b>		
Cash and cash equivalents		14,165
<b>Financial Liabilities</b>		
Hire Purchase agreements	13.50%	(70)
Other finance arrangements	0.22%	(85)
		<u>14,010</u>
* Other finance arrangements include Microsoft Office funding.		

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

As at 31 March 2017, if interest rates had changed by +/- 100 basis points from the year end rates with all other variables held constant, post-tax profit/(loss) for the period would have been \$82,799 higher/lower (2016: \$152,696). This would be a result of higher/lower interest revenue on deposits and higher/lower interest expense on borrowings.

**(ii) Foreign Currency Risk**

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

The Group uses foreign currency denominated cash and foreign exchange forward contracts to manage some of its transaction exposures. The foreign exchange forward contracts are designated as cash flow hedges and are entered into for periods consistent with foreign exposure of the underlying transactions, generally from one to 24 months. With regard to other foreign currency transactions, generally there is no need to manage currencies as there is a corresponding asset or liability which will offset any foreign currency risk.

The financial instruments exposed to movements in the GBP are:

	<b>Consolidated</b>	
	<b>2017 \$000</b>	<b>2016 \$000</b>
Cash and cash equivalents	496	20
Trade and other payables	(289)	(165)
Net exposure	<u>207</u>	<u>(145)</u>

	<b>Consolidated</b>	
	<b>\$000</b>	<b>\$000</b>
The financial instruments exposed to movements in the USD are:		
Cash and cash equivalents	3,031	1,533
Trade and other receivables	3,418	2,505
Trade and other payables	(2,882)	(1,517)
Net exposure	<u>3,567</u>	<u>2,521</u>

As at 31 March 2017, the post-tax loss of the consolidated entity would change by the following amounts as a result of movements in different exchange rates:

- if the AUD had strengthened/weakened by 10% against the GBP, post-tax loss for the period would have been \$16,973 lower/higher.
- if the AUD had strengthened/weakened by 10% against the USD, post-tax loss for the period would have been \$239,271 lower/higher



**Note 4 Financial Risk Management (continued)**

As at 31 March 2017, the post-tax loss of the consolidated entity would change by the following amounts as a result of movements in different exchange rates:

- if the AUD had strengthened/weakened by 10% against the GBP, post-tax loss for the period would have been \$14,484 lower/higher.
- if the AUD had strengthened/weakened by 10% against the USD, post-tax loss for the period would have been \$197,264 lower/higher.

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

	Consolidated			Past due and impaired	Total
	Current	Past due but not impaired			
	\$000	\$000	\$000	\$000	\$000
Individual Currency	0 - 60 days	61 - 90 days	90 + days		
Australian Dollars	6,344	481	185	-	7,010
United States Dollars	3,373	331	1,361	154	5,219
Great British Pounds	828	77	295	-	1,200
Singapore Dollars	109	67	-	-	176
Indonesian Rupiah	5,920,386	-	-	-	5,920,386

	Consolidated			Past due and impaired	Total
	Current	Past due but not impaired			
	\$000	\$000	\$000	\$000	\$000
	Australian Dollar Equivalent	0 - 60 days	61 - 90 days	90 + days	
Australian Dollars	6,344	481	185	533	7,543
United States Dollars	4,404	432	1,777	202	6,815
Great British Pounds	1,347	125	480	-	1,952
Singapore Dollars	102	63	-	-	165
Indonesian Rupiah	582	-	-	-	582
	12,779	1,101	2,442	735	17,057

**(iii) Credit Risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. Certain businesses within the consolidated entity are largely reliant on a small number of customers which increases the concentration of credit risk. However, the consolidated entity's customers are weighted towards large reputable clients.

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

**(iv) Liquidity Risk**

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

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

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

**Financial Instruments**

The table below reflects the timing of repayments of recognised financial liabilities at 31 March 2017. As such, the amounts may not reconcile to the balance sheet.

	Within the Year		1 to 5 years		Total	
	\$000		\$000		\$000	
	2017	2016	2017	2016	2017	2016
<b>Financial Liabilities:</b>						
Trade and sundry payables	13,162	14,194	333	447	13,495	14,641
Lease liabilities and other	309	70	465	15	774	85
Financial guarantee contracts*	2,500	1,979			2,500	1,979
<b>Total Financial Liabilities</b>	<u>15,971</u>	<u>16,243</u>	<u>798</u>	<u>462</u>	<u>16,769</u>	<u>16,705</u>

\*Based on the maximum amount that can be called for under the financial guarantee contract

**Note 4 Financial Risk Management (continued)*****Fair value hierarchy***

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

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

The Group recognizes transfers between the levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no transfers between Level 1, Level 2 or Level 3 fair value measurements during the year ended 31 March 2017.

The carrying value of other financial measurements not measured at fair value approximates their fair values.

**Note 5 Operating Segments****Identification of Reportable Segments**

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

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

**Types of Products and Services**

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

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

***Offshore Services***

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

***Engineering Services***

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

**Accounting Policies and Inter-Segment Transactions**

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

***Inter-entity sales***

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

***Corporate charges***

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

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

***Unallocated items***

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

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

**Note 5 Operating Segments (continued)****Major Customers**

The Group has a number of customers to which it provides its services. Approximately 35% or \$28,640,839 (2016: 20% or \$24,877,274) arose from the sale to the Group's two largest customers. These revenues were included in the offshore division segment. No other single customer contributed 10% or more to the Group's revenue for both 2017 and 2016.

The following table presents revenue and profit/(loss) information for reportable segments for the year ended 31 March 2017 and 31 March 2016.

	Continuing Operations					
	Engineering		Offshore Services		Total	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000
<b>Revenue</b>						
Sales to external customers	16,086	26,501	65,805	91,980	81,891	118,481
Intersegment sales	6,348	11,248	29,787	24,630	36,135	35,878
Other revenue	3	8	77	115	80	123
Total sales revenue	22,437	37,757	95,669	116,725	118,106	154,482
Internal sales elimination					(36,135)	(35,878)
Total revenue per the income statement					81,971	118,604

**Result**

Segment result before impairments, asset write downs and items below:

	599	1,671	(1,852)	5,447	(1,253)	7,118
Fixed Asset Impairment	-	-	-	(6,919)	-	(6,919)
Segment results after impairment and before items below:	599	1,671	(1,852)	(1,472)	(1,253)	199

**Reconciliation of segment net loss before tax to net loss before tax**

Finance costs					(202)	(248)
Unallocated Corporate, shared services and Board expenses					(6,131)	(7,549)
Share-based payments					162	(46)
Technical expenses					(288)	(266)
Foreign exchange loss					(209)	(523)
Net loss from continuing operations before tax per the income statement					(7,921)	(8,433)

	Continuing Operations					
	Engineering		Offshore Services		Total	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000
<b>Segment assets</b>						
Segment operating assets	7,460	13,924	48,234	59,465	55,694	73,389
Goodwill	3,573	4,270	8,985	8,841	12,558	13,111
Segment assets	11,033	18,194	57,219	68,306	68,252	86,500

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

Deferred tax assets		5,931	6,166
Total assets from continuing operations per the statement of financial position		74,183	92,666

**Note 5 Operating Segments (continued)****Entity Wide Information**

Revenue from external customers by geographical locations is detailed below:

	Segment Revenues from External Customers		Carrying Amount of Total Assets	
	2017 \$000	2016 \$000	2017 \$000	2016 \$000
Australia - country of domicile	53,864	72,700	42,283	50,195
Asia and Middle East	14,756	18,587	12,035	12,574
United Kingdom	13,271	27,194	19,865	29,897
	<u>81,891</u>	<u>118,481</u>	<u>74,183</u>	<u>92,666</u>

**Note 6 Revenue & Other Income**

	Consolidated Group	
	2017 \$000	2016 \$000
a) Revenue		
— Rendering of services revenue from operating activities	81,891	118,481
— Other revenue - interest received	80	123
Total Revenue	<u>81,971</u>	<u>118,604</u>
b) Other Income		
— Insurance proceeds	121	2,510
— Other income	557	81
Total Other Income	<u>678</u>	<u>2,591</u>

During the period several assets were subject to insurance claims and in line with the relevant provisions of AASB 116, any associated loss or damage of the asset, compensation subsequently received and any subsequent replacement have been disclosed as separate events. Refer to note 2(a) for details on loss on disposal of property, plant and equipment.

**Note 7 Expenses**

	Consolidated Group	
	2017 \$000	2016 \$000
a) Finance costs:		
— Interest to unrelated parties	202	248
Total finance costs	<u>202</u>	<u>248</u>
b) Depreciation, impairment (excluding goodwill) and amortisation:		
(i) Included in cost of sales		
— Depreciation	2,923	5,853
(ii) Included in administrative expenses		
— Depreciation	691	892
— Amortisation	286	354
Total	<u>977</u>	<u>1,246</u>
Total depreciation and amortisation	3,900	7,099

**Note 7 Expenses (continued)**

## c) Employee benefit expenses:

## i) Included in Cost of Sales

— salaries and wages	21,172	33,286
— superannuation	1,460	2,187
— other	1,345	2,250

Total	23,977	37,723
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## ii) Included in Administrative Expenses

— salaries and wages	11,529	14,143
— superannuation	904	1,084
— employee entitlements	(183)	(259)
— share based payments	(162)	46
— other	1,741	2,549

Total	13,829	17,563
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Total Employee benefit expenses	37,806	55,286
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## d) Corporate, shared service and Board expenses

— Administrative costs	363	1,108
— Personnel expenses	1,842	2,483
— Depreciation expense	191	287

Total	2,396	3,878
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## e) Business operating expenses

— Administrative costs	5,362	5,512
— Personnel expenses	11,987	15,080
— Depreciation expense	551	723
— Other	862	875

	18,762	22,190
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## f) Other expenses

— Loss on sale of property, plant and equipment	70	1,273
— Other	216	525

	286	1,798
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## g) Other items included in the income statement

— Bad and doubtful debts	743	1,273
— Repairs and maintenance	120	523

	863	1,796
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**Note 8 Income Tax****Consolidated Group****(a) Income Tax Expense**

**2017**      **2016**  
**\$000**      **\$000**

The major components of income tax expense are:

*Current income tax*

Current income tax charge	220	573
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Adjustments in respect of current income tax or previous years	(111)	(16)
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*Deferred tax*

Relating to origination and reversal of temporary differences	200	(1,898)
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Income tax expense reported in the statement of comprehensive income	309	(1,341)
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**Note 8 Income Tax (continued)**

(b)	Amounts charged or credited directly to equity	2017 \$000	2016 \$000
	<i>Current income tax relating to items charged (credited) directly to equity</i>		
	Foreign exchange	(108)	(123)
	Income tax expense reported in equity	(108)	(123)
<b>(c) Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per statutory income tax rate</b>			
	Accounting loss before tax	(7,921)	(8,433)
	Total accounting loss before tax	(7,921)	(8,433)
	At Parent Entity's statutory income tax rate of 30% (2016: 30%)	(2,376)	(2,530)
	Adjustments in respect of prior years	(721)	(503)
	Foreign tax rate adjustment	77	157
	Deferred tax not recognised	3,712	1,245
	Withholding tax in non-Australian jurisdictions	18	101
	Share based payments	(73)	(13)
	Other	(328)	202
	Aggregate income tax expense	309	(1,341)

	2017 \$000	2017 \$000	2016 \$000	2016 \$000
	Current Tax	Deferred Tax	Current Tax	Deferred Tax
<b>(d) Recognised deferred tax assets and liabilities</b>				
Opening Balance	(3,078)	5,942	(3,396)	4,018
Charged to income statement	(110)	(203)	(557)	1,899
Charged to equity	108	-	123	-
Payments / receipts	76	-	741	-
Other Adjustment	2,553	(2)	11	25
<b>Closing balance</b>	<b>(451)</b>	<b>5,737</b>	<b>(3,078)</b>	<b>5,942</b>
Amounts recognised in the statement of financial position:				
Deferred tax asset		5,931		6,166
Deferred tax liability		(194)		(224)
		<b>(5,737)</b>		<b>5,942</b>

**Statement of financial position**

	2017 \$000	2016 \$000
Deferred tax at 31 March relates to the following:		
<i>(i) Deferred tax liabilities</i>		
Property, Plant and Equipment	1,168	1,019
Prepayments	2	3
Foreign Exchange	95	103
Other	349	342
Gross deferred tax liabilities	1,614	1,467
Set off of deferred tax assets	(1,423)	(1,243)
Net deferred tax liabilities	191	224

**Note 8 Income Tax (continued)***(ii) Deferred tax assets*

Provisions	679	546
Foreign Exchange	104	64
Accruals	222	368
Transaction costs on equity issue	2	54
Unused tax losses	6,322	6,355
Other	24	21
Gross deferred tax assets	7,353	7,408
Set off of deferred tax assets	(1,422)	(1,242)
Net deferred tax assets	5,931	6,166

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

**(e) Tax losses**

	2017	2016
	\$000	\$000
Gross unused tax losses for which no deferred tax asset has been recognised:		
Australia	77,943	78,894
United Kingdom	18,038	13,053
US	29,779	29,841
Singapore	16,856	18,516
Qatar	691	695
Malaysia	279	316
Total unused tax losses for which no deferred tax asset has been recognised	143,586	141,315

No deferred tax assets have been recognised in respect of these losses as there is no tax planning opportunities or other evidence of recoverability in the near future. If the Group were able to recognise all unrecognised deferred tax assets, the profit would increase by \$42,447 million.

**(f) Unrecognised temporary differences**

At 31 March 2017, there are no unrecognised temporary differences associated with the Group's investment in subsidiaries, as the Group has no liability for additional taxation should unremitted earnings be remitted (2016: \$Nil).

**(g) Tax consolidation***(i) Members of the tax Consolidated Group and the tax sharing arrangement*

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

*(ii) Tax effect account by members of the tax Consolidated Group**Measurement method adopted under AASB Interpretation 1052 Tax Consolidation Accounting*

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

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

*Nature of tax funding agreement*

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

**Note 8 Income Tax (continued)***Tax consolidation contributions / (distributions)*

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

	2017 \$000	2016 \$000
Total (decrease) to tax payable of Neptune Marine Services Limited	(1,579)	(532)
Total (decrease) to intercompany assets of Neptune Marine Services Limited	(1,579)	(532)

**(h) Taxation of financial arrangements (TOFA)**

Legislation is in place which changes the tax treatment of financial arrangements including the tax treatment of hedging transactions. No impact has been recognised and no adjustments have been made to the deferred tax and income tax balances at 31 March 2017 (2016: \$Nil).

**Note 9 Auditors' Remuneration**

	Consolidated Group 2017 \$	2016 \$
Amounts received or due and receivable by Ernst & Young Australia for:		
— An audit or review of the financial report of the entity and any other entity in the Consolidated Group	148,500	156,000
— Other services in relation to the entity and any other entity in the Consolidated Group		
— Tax compliance	50,036	40,000
— Special audits required by regulators	11,875	12,500
	<u>210,411</u>	<u>208,500</u>
Amounts received or due and receivable by related practices of Ernst & Young firm for:		
— Audit services provided by overseas Ernst & Young firm	181,313	211,261
— Tax services provided by overseas Ernst & Young firm	42,255	135,356
	<u>223,568</u>	<u>346,617</u>
	<u>433,979</u>	<u>555,117</u>
Amounts received or due and receivable by non-Ernst & Young audit firms for:		
— Taxation services	24,130	5,191
	<u>24,130</u>	<u>5,191</u>

**Note 10 Dividends**

	Consolidated Group 2017 \$000	2016 \$000
<b>Cash dividends on ordinary shares declared and paid</b>		
Interim dividend for 2017: 8 cents per share (2016: 8 cents per share)	4,915	4,915
	<u>4,915</u>	<u>4,915</u>
<b>Franking credit balance</b>		
The amount of franking credits available for subsequent financial year are:		
Franking account balance as at end of the financial year at 30%	5,144	7,250

**Note 11 Earnings Per Share**

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

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



**Note 11 Earnings Per Share (continued)**

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

		<b>Consolidated Group</b>	
		<b>2017</b>	<b>2016</b>
		<b>\$000</b>	<b>\$000</b>
(a)	Earnings used in calculating earnings per share		
	<b>For basic loss earnings per share</b>		
	Net loss attributable to ordinary equity holder of the parent	<u>(8,230)</u>	<u>(7,092)</u>
	<b>For diluted loss earnings per share</b>		
	Net loss attributable to ordinary equity holders of parent	<u>(8,230)</u>	<u>(7,092)</u>
		<b>No.</b>	<b>No.</b>
		<b>Thousands</b>	<b>Thousands</b>
(b)	Weighted average number of ordinary shares outstanding during the period used in calculating basic EPS	61,441	61,441
	Dilutive effect of options & retention rights	<u>100</u>	<u>100</u>
	Weighted average number of ordinary shares outstanding during the period used in calculating dilutive EPS	<u>61,541</u>	<u>61,541</u>

**Note 12 Cash and cash equivalents**

		<b>Consolidated Group</b>	
		<b>2017</b>	<b>2016</b>
		<b>\$000</b>	<b>\$000</b>
	Cash at bank and in hand	11,693	12,471
	Deposits	<u>910</u>	<u>1,694</u>
		<u>12,603</u>	<u>14,165</u>

**Note 13 Current Assets - Trade and Other Receivables**

		<b>Consolidated Group</b>	
		<b>2017</b>	<b>2016</b>
		<b>\$000</b>	<b>\$000</b>
	Trade receivables	17,057	26,446
	Allowance for impairment loss	<u>(734)</u>	<u>(516)</u>
		<u>16,323</u>	<u>25,930</u>
	Other receivables	<u>233</u>	<u>546</u>
		<u>16,556</u>	<u>26,476</u>

Refer to note 4 on credit risk of trade receivables, which discusses how the Group manages and measures credit quality of trade receivables that are neither past due or impaired.

**(a) Allowance for Impairment Loss**

Trade Receivables are non-interest bearing and are generally on 30-60 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired.

		<b>2017</b>	<b>2016</b>
		<b>\$000</b>	<b>\$000</b>
	Movements in the provision for impairment loss were as follows:		
	Opening balance	516	853
	Charge/(reversal) for the period	243	(235)
	Foreign exchange differences	<u>(25)</u>	<u>(102)</u>
	Closing balance	<u>734</u>	<u>516</u>

**Note 13 Current Assets - Trade and Other Receivables (continued)****(b) Ageing of Receivables as at 31 March 2017**

	Total	0-30 days	31-60 days	61-90 days	91+ days	91+ days CI*
	\$000	\$000	\$000	\$000	\$000	\$000
2017	17,057	7,351	5,426	1,102	2,444	734
2016	26,446	10,088	8,609	276	6,957	516

\* Considered impaired (CI)

**(c) Related Party Receivables**

There was \$4,010 owed by related parties to Neptune at 31 March 2017 (31 March 2016: nil). For further details in relation to related parties transactions, refer to note 28.

**(d) Fair Value**

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

**(e) Foreign Exchange Risk**

Details regarding foreign exchange exposure are disclosed in note 4.

**Note 14 Current Assets – Inventories**

	Consolidated Group	
	2017	2016
	\$000	\$000
Work in progress (at cost)	494	238
Finished goods (at cost)	592	663
Total inventories	1,086	901

Inventories recognised as an expense for the year ended 31 March 2017 totalled \$5,304,668 (2016:\$4,784,739) for the Group. This expense has been included in the cost of sales line item as a cost of inventories.

**Note 15 Non-Current Assets – Trade and Other Receivables**

	Consolidated Group	
	2017	2016
	\$000	\$000
Deposits for Security deposit (a)	-	20
	-	20

**(a) Deposits and Guarantees**

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

**(b) Related Party Receivables**

There are no non-current related party receivables.

**(c) Fair Values**

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

**(d) Interest Rate Risk**

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

**Note 16 Information relating to Neptune Marine Services Limited**

	<b>2017</b>	<b>2016</b>
	<b>\$000</b>	<b>\$000</b>
Current assets	70,443	60,730
Total assets	181,328	161,473
Current liabilities	(115,951)	(92,682)
Total liabilities	(139,996)	(119,180)
Issued capital	(273,540)	(273,540)
Accumulated losses	234,646	234,646
Profit appropriation reserve	(7,622)	(8,349)
Translation Reserve	11,521	11,472
Hedge Reserve	(210)	(395)
Employee Benefits Equity Reserve	(6,127)	(6,127)
	<u>(41,332)</u>	<u>(42,293)</u>
Profit for the parent entity after impairment	4,188	13,265
Total comprehensive income of the parent entity	4,188	13,265

**Finance Lease Commitments**

Payable — minimum lease payments		
— not later than 12 months	325	91
— between 12 months and 5 years	471	-
Minimum lease payments	796	91
Less future finance charges	(37)	(6)
Present value of minimum lease payments	<u>759</u>	<u>85</u>

**Operating Lease Commitments**

Payable — minimum lease payments		
— not later than 12 months	1,200	2,521
— between 12 months and 5 years	6,000	7,980
— more than 5 years	2,380	4,774
Minimum lease payments	<u>9,580</u>	<u>15,275</u>

**Financial Guarantees**

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

- Lease guarantees with ANZ for the leased properties of Neptune Marine Services (2017: \$1,532,300; 2016: \$1,532,300). This lease expires on 31 March 2025.
- Lease guarantee with ANZ Bank for the development of Neptune Marine Services Orrong road property (2017: \$1,532,300; 2016: \$1,532,300). This lease expires on 31 July 2025.
- No guarantees in relation to the contract performance are outstanding as at 31 March 2017 (2016: Nil).

**Contingent Liabilities**

The parent entity had no contingent liabilities at 31 March 2017 (2016: \$Nil).

**Tax Consolidated Group**

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

**Note 17 Property, Plant and Equipment**

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

	Office Furniture, Equipment & Software \$000	Leasehold Improvements \$000	Plant and Equipment \$000	Leased Vehicle \$000	ROV's & Vessels \$000	Construction in Progress \$000	Total \$000
<b>Consolidated Group:</b>							
<b>Balance at 1 April 2015</b>	<b>1,592</b>	<b>527</b>	<b>16,690</b>	<b>322</b>	<b>10,474</b>	<b>3,535</b>	<b>33,140</b>
Additions	105	-	423	12	207	4,237	4,984
Disposals	(192)	(443)	(2,855)	(14)	(679)	(137)	(4,320)
Transfers	1,093	1,769	(1,627)	-	5,763	(6,998)	-
Depreciation expense	(569)	(247)	(3,192)	(75)	(2,661)	-	(6,744)
Impairment expense*	-	-	-	-	(6,919)	-	(6,919)
Foreign exchange	-	-	(9)	(2)	20	(78)	(69)
<b>Balance at 31 March 2016</b>	<b>2,029</b>	<b>1,606</b>	<b>9,430</b>	<b>243</b>	<b>6,205</b>	<b>559</b>	<b>20,072</b>
Cost	4,658	1,856	21,179	433	29,939	559	58,624
Accumulated depreciation & impairment	(2,629)	(250)	(11,749)	(190)	(23,734)	-	(38,552)
<b>Net carrying amount</b>	<b>2,029</b>	<b>1,606</b>	<b>9,430</b>	<b>243</b>	<b>6,205</b>	<b>559</b>	<b>20,072</b>
<b>Balance at 1 April 2016</b>	<b>2,029</b>	<b>1,606</b>	<b>9,430</b>	<b>243</b>	<b>6,205</b>	<b>559</b>	<b>20,072</b>
Additions	241	-	36	-	-	1,076	1,353
Disposals	(10)	-	(89)	-	(33)	-	(132)
Transfers	310	17	793	-	182	(1,302)	-
Depreciation expense	(447)	(189)	(1,930)	(55)	(993)	-	(3,614)
Foreign exchange	(25)	-	(140)	(7)	(185)	(2)	(359)
<b>Balance at 31 March 2017</b>	<b>2,098</b>	<b>1,434</b>	<b>8,100</b>	<b>181</b>	<b>5,176</b>	<b>331</b>	<b>17,320</b>
Cost	5,071	1,872	21,563	424	26,270	331	55,531
Accumulated depreciation & impairment	(2,973)	(438)	(13,463)	(243)	(21,094)	-	(38,211)
<b>Net carrying amount</b>	<b>2,098</b>	<b>1,434</b>	<b>8,100</b>	<b>181</b>	<b>5,176</b>	<b>331</b>	<b>17,320</b>

\* In 2016, the impairment loss of \$6,919,000 represents the write down of the ROV fleet as a result of the current market conditions and outlook for the oil and gas sector, indicating that the carrying value of the ROV fleet was in excess of its recoverable amount. This was recognised in the statement of profit or loss. The recoverable amount of \$6,204,895 as at 31 March 2016 was based on the value in use and was determined at the level of the CGU. Impairment testing was performed at 31 March 2017 and no impairment has been recognised. The recoverable amount was based on value in use calculations.

**Note 18 Intangible Assets and Goodwill**

	<b>2017 \$000</b>	<b>2016 \$000</b>
<b>Goodwill</b>		
Opening balance	13,111	13,255
Foreign exchange differences	(553)	(144)
Closing balance	12,558	13,111
<b>Development costs</b>		
Opening balance	1,137	1,492
Additions	-	-
Amortisation	(286)	(355)
Closing balance	851	1,137
<b>Total Intangible Assets</b>	<b>13,409</b>	<b>14,248</b>

**Note 18 Intangible Assets and Goodwill (continued)****Description of the Group's Intangible Assets and Goodwill***(i) Development costs*

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

*(ii) Goodwill*

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

**Impairment Losses Recognised**

No impairment loss was recognised for the year ended 31 March 2017 (2016: nil). The recoverable amount was based on value in use calculation.

**Impairment Tests for Goodwill and Intangibles with Indefinite Useful Lives***(i) Description of the cash generating units and other relevant information*

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

The recoverable amount of all cash generating units is determined based on a value in use calculation using cash flow projections as at 31 March based on actual and forecasted financial results approved by management covering a one year period. Post this, the long term growth rate used to extrapolate the cash flows of Neptune beyond the one year period is an average of 2.3% (2016: 2.3%), this considers the industry outlook and market conditions.

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

	2017	2016
Asset Integrity	11.39%	15.96%*
Engineering - UK	10.97%	15.60%*
Diving - Australia	11.39%	15.58%*

\*The risk adjusted discount rates applied in FY16 were pre-tax

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

	Consolidated Group	
	2017	2016
	\$000	\$000
<b>Carrying amount of goodwill at CGU level</b>		
Asset Integrity	3,000	3,000
Engineering - UK	3,583	4,136
Diving - Australia	5,975	5,975
	<u>12,558</u>	<u>13,111</u>

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

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

- Earnings
- Discount rates
- Inflation rates
- Growth rates

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

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

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

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

**Note 18 Intangible Assets and Goodwill (continued)***(iv) Sensitivity to changes in assumptions*

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

- Assuming all other assumptions remain constant but the earnings is decreased by 10%, there would be no other impairment.
- However there would be impairment if earnings were to decrease by 73% in ROV, 34% Engineering, and 13% Diving.
- Assuming all other assumptions remain constant but the post-tax discount rate is increased by 0.5%, there would be no other impairment.
- However there would be impairment if the discount rate increased by 2% in ROV, 8% Engineering, 7% Asset Integrity, 2% Diving and 7% in Fabrication.
- Assuming all other assumptions remain constant but the growth rate drops by 1% per annum, there would be no other impairment.

**Note 19 Other Assets**

	Consolidated Group	
	2017	2016
	\$000	\$000
CURRENT		
Prepayments	1,055	1,375
Deposits	103	116
Accrued income	6,095	9,127
Other	25	-
	<u>7,278</u>	<u>10,618</u>

**Note 20 Trade and Other Payables**

	Consolidated Group	
	2017	2016
	\$000	\$000
CURRENT		
Unsecured liabilities		
Trade payables	5,579	5,719
Sundry payables and accrued expenses	7,452	8,405
Deferred Revenue	131	70
	<u>13,162</u>	<u>14,194</u>
NON CURRENT		
Sundry payables	44	67
Deferred Revenue	289	380
	<u>333</u>	<u>447</u>

*(a) Fair Value*

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

**Note 21 Interest-bearing Loans and Borrowings**

	Consolidated Group	
	2017	2016
	\$000	\$000
CURRENT		
Hire purchase liability	-	42
Microsoft and Telstra Financing	309	28
	<u>309</u>	<u>70</u>
NON-CURRENT		
Microsoft Financing and Telstra	450	-
Other	15	15
	<u>465</u>	<u>15</u>

*(a) Fair values*

The carrying amounts of the Group's current and non-current borrowings approximate their fair value. The fair values have been calculated by discounting the expected future cash. The fair values have been calculated by discounting the expected future cash flows at prevailing market interest rates average 4.12 % to 5.24% (2016: 0.22% to 13.5%) depending on the type of borrowing.

**Note 21 Interest-bearing Loans and Borrowings (continued)**

(b) Interest rate, foreign exchange and liquidity risk

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

(c) Bank facility

Neptune has an ANZ Interchangeable Facility with a limit of \$10 million. Facility may be allocated to the following Sub-Facilities: Standby Letter of Credit or Indemnity/Guarantee (Domestic) Facility and Cash Advance Facility.

**Note 22 Provisions**

	<b>Consolidated Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$000</b>	<b>\$000</b>
<b>CURRENT</b>		
Provision for employee entitlements - Annual leave	850	1,170
Total provisions	<u>850</u>	<u>1,170</u>
	<b>Consolidated Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$000</b>	<b>\$000</b>
<b>NON- CURRENT</b>		
Provision for employee entitlements - Long service leave	771	669
Total provisions	<u>771</u>	<u>669</u>

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

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

**Note 23 Contributed Equity**

	<b>Consolidated Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$000</b>	<b>\$000</b>
61,441,291 (2016: 61,441,291) fully paid ordinary shares	<u>273,540</u>	<u>273,540</u>
<b>(a) Ordinary Shares</b>	<b>Consolidated Group</b>	
	<b>No.</b>	<b>\$000</b>
At 1 April 2015	61,441,291	273,540
Movements during the current period	-	-
At 31 March 2016	<u>61,441,291</u>	<u>273,540</u>
At 1 April 2016	61,441,291	273,540
Movements during the current period	-	-
At 31 March 2017	<u>61,441,291</u>	<u>273,540</u>

**(b) Options**

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

**(c) Capital Management**

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

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

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

**Note 23 Contributed Equity****(c) Capital Management (continued)**

There are no externally imposed capital requirements.

There have been no changes in the strategy adopted by management to control the capital of the Group since the ratios for the year ended 31 March 2017 and 31 March 2016 are as follows:

		Consolidated Group	
		2017	2016
	Note	\$000	\$000
Total borrowings	21	774	411
Less cash and cash equivalents	12	(12,603)	(14,165)
Net (surplus)		(11,829)	(13,754)
Total equity		57,651	72,799
Total capital		45,822	59,045
Gearing ratio		-26%	-23%

**Note 24 Reserves**

		Consolidated Group	
		2017	2016
		\$000	\$000
<b>Reserves</b>			
Foreign currency translation reserve		(22,063)	(20,244)
Employee equity benefits reserve		6,127	6,127
Hedge reserve		211	395
		(15,275)	(13,722)
<b>Movements:</b>			
<i>Foreign currency translation reserve</i>			
Opening balance		(20,244)	(20,143)
Currency translation difference arising during the period		(1,819)	(101)
Balance at period end		(22,063)	(20,244)
<i>Employee equity benefits reserve</i>			
Opening balance		6,127	6,127
Balance at period end		6,127	6,127
<i>Hedge reserve</i>			
Opening balance		395	97
Net (loss)/gain on cash flow hedge		(184)	298
Balance at period end		211	395

*Foreign currency translation reserve*

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

*Employee equity benefits reserve*

The option reserve is used to record the value of share based payments provided to employees, including KMP, as part of their remuneration. Refer to note 29 for further details of these plans.

*Hedge reserve*

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



**Note 25**      **Commitments**

	<b>Consolidated Group</b>	
	<b>2017</b>	<b>2016</b>
<b>(a) Finance Lease Commitments</b>	<b>\$000</b>	<b>\$000</b>
Payable — minimum lease payments		
— not later than 12 months	340	91
— between 12 months and 5 years	471	-
Minimum lease payments	811	91
Less future finance charges	(37)	(6)
Present value of minimum lease payments	774	85

The finance leases relate to software and equipment financing. All finance leases will be settled within the next 5 years. The carrying value of finance leases and hire purchase contracts for various items of software licences, IT equipment, plant and machinery is \$694,919 (2016: \$227,118). There are no restrictions placed upon the lessee by entering into these leases.

	<b>Consolidated Group</b>	
	<b>2017</b>	<b>2016</b>
<b>(b) Operating Lease Commitments</b>	<b>\$000</b>	<b>\$000</b>
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable — minimum lease payments		
— not later than 12 months	2,268	2,391
— between 12 months and 5 years	7,279	7,980
— more than 5 years	2,380	4,774
Minimum lease payments	11,927	15,145

All operating leases of the Group relate to the leasing of premises. All leases are payable monthly. These leases have an average life of between one and ten years. There are no restrictions placed upon the lessee by entering into these leases. The amount recognised in the income statement for operating lease rentals in 2017 was \$2,524,967 (2016: \$3,537,839).

**(c) Capital Expenditure Commitments**

The Group had contractual obligations to purchase plant and equipment for \$484,766 at balance date (2016: \$87,744). Commitments are in relation to ROV equipment in the UK and Bulk Cement Silos in Asia. This commitment is expected to be settled within 12 months of the balance sheet date. The 2016 commitment was settled during 2016.

**Note 26**      **Contingencies****Financial Guarantees**

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

	<b>2017</b>	<b>2016</b>
	<b>\$000</b>	<b>\$000</b>
— Performance guarantees	968	447
— Guarantees related to leases	1,532	1,532
	2,500	1,979

## Note 27

## Cash Flow Information

	2017	2016
	\$000	\$000
(a) <b>Reconciliation of net loss after tax to net cash flows from operations</b>		
Loss after income tax	(8,230)	(7,092)
<b>Cash flows excluded from loss attributable to operating activities:</b>		
<b>Non-cash flows in loss</b>		
Depreciation/ amortisation	3,900	7,099
Fixed asset impairment	-	6,919
Loss on disposal of plant and equipment	70	1,273
Share based payment (benefit)/expense	(162)	46
Foreign exchange loss	216	523
Other non-cash movements	(85)	109
<b>Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries</b>		
Increase in trade and other receivables	8,836	(507)
Decrease in prepayments	959	1,226
Increase in inventories	(212)	(109)
Decrease/(Increase) in deferred tax assets and liabilities	311	(1,775)
Decrease in trade payables and accruals	(424)	(3,303)
Decrease in income taxes payable	(78)	(307)
Decrease in provisions	(161)	(314)
Cash flow from operations	<u>4,940</u>	<u>3,788</u>
 (b) <b>Bank Facilities</b>		
ANZ Banking Facility	10,000	10,000
Bank Guarantees on Issue	<u>(2,500)</u>	<u>(1,979)</u>
Unutilised Facility	<u>7,500</u>	<u>8,021</u>

**Note 28 Related Party Disclosures****(a) Subsidiaries**

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

	Country of	Percentage owned (%)*	
	Incorporation	2017	2016
Parent Entity:			
Neptune Marine Services Limited	Australia		
Subsidiaries of Neptune Marine Services Limited			
Neptune Diving Services Pty Ltd	Australia	100%	100%
Allied Diving Services Pty Ltd	Australia	100%	100%
Neptune Marine Services International Pty Ltd	Australia	100%	100%
Neptune Fabrication Services Pty Ltd	Australia	100%	100%
Neptune Subsea Engineering Pty Ltd	Australia	100%	100%
Neptune Asset Integrity Services Pty Ltd	Australia	100%	100%
Neptune Subsea Stabilisation Pty Ltd	Australia	100%	100%
Neptune Geomatics Pty Ltd	Australia	100%	100%
Neptune Offshore Services (PNG) Ltd	Papua New Guinea	100%	-
Neptune Underwater Services (USA) LLC	United States of America	100%	100%
Neptune Delaware Holdings Inc.	United States of America	100%	100%
Neptune Scotland Holdings Ltd	United Kingdom	100%	100%
Neptune Offshore Services Ltd	United Kingdom	100%	100%
Neptune Deeptech Symons Ltd	United Kingdom	100%	100%
Neptune Subsea Engineering Ltd	United Kingdom	100%	100%
Neptune ROV Services Holdings Ltd	United Kingdom	100%	100%
Neptune ROV Services Ltd	United Kingdom	100%	100%
Neptune Asia Holdings Pte Ltd	Singapore	100%	100%
Neptune Marine Pacific Pte Ltd	Singapore	100%	100%
Neptune Subsea Stabilisation Pte Ltd	Singapore	100%	100%
PT Neptune Subsea Stabilisation	Indonesia	100%	100%
Neptune Access IRM Pte Ltd	Singapore	100%	100%
Neptune Marine Offshore Pte Ltd	Singapore	100%	100%
Neptune Subsea Services Sdn Bhd	Malaysia	100%	100%
Neptune ROV Services Pte Ltd	Singapore	100%	100%
Submersible Technology Services Sdn Bhd	Malaysia	100%	100%
Submersible Technology Services (Middle East S.P.C)	Bahrain	100%	100%
Neptune Marine Subsea Services Sdn Bhd	Brunei	100%	100%

\* Percentage of voting power is in proportion to ownership

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.

**Note 28 Related Party Disclosures (continued)****(b) Transactions with related parties**

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

	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
	\$000	\$000	\$000	\$000
Entities with significant influence over the Group*:				
MTQ Corporation	-	366	-	44
Premier Estate Pte Ltd	-	103	-	9
Premier Sea & Land Pte Ltd	-	43	-	4
MTQ Oilfield Services WLL	7	12	4	-
MTQ Engineering Pte Ltd	-	-	-	-
Total	7	524	4	57

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

**(c) Ultimate parent**

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

**(d) Key management personnel**

During the year, there were no related party transactions between the Company and its Key Management Personnel.

Compensation of key management personnel of the Group

	2017	2016
	\$000	\$000
Short-term employee benefits	1,456	1,623
Post-employment benefits	119	162
Share-based payments	(137)	30
Total compensation paid to key management personnel	1,438	1,815

**(e) Terms and conditions of transactions with related parties**

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

**Note 29 Share-Based Payments**

The following share-based payment arrangements existed at 31 March 2017:

**Incentive Option Scheme**

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

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

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

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

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

**Note 29 Share-Based Payments (continued)**

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

**Consolidated Group\***

	<b>2017</b>			<b>2016</b>		
	Number of Options	Weighted Average	Exercise Price \$	Number of Options	Weighted Average	Exercise Price \$
Outstanding at the beginning of the period	100,000		15.00	133,334		14.25
Forfeited during the period	-		-	-		-
Exercised during the period	-		-	-		-
Expired during the period	-		-	(33,334)		12
Outstanding at the end of the period	100,000		15	100,000		15
Exercisable at the end of the period	100,000		15	100,000		15

No options were exercised during the period.

The options outstanding at 31 March 2017 had a weighted average exercise price of \$15 (2016: \$15) and a weighted average remaining contractual life of 0.16 years (2016: 1.16 years). Exercise prices is \$15 in respect of options outstanding at 31 March 2017 (2016: \$15). The options expired on 29 May 2017.

No options were granted during the period.

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

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

Historical volatility has been the basis for determining expected share price volatility as it assumed that this is indicative of future tender, which may not eventuate. The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

**a) MTQ Share Plan**

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

Neptune's Segment 1 employees (CEO, COO and CFO) are participants in the scheme. Other employees are also included in the scheme. Under the scheme, each participant has a maximum award size set as a percentage of the participant's annual base salary. Meeting all performance targets shall attract a payout of 60% of the maximum award size. Performance exceeding the set performance shall attract an increase of the award size. Performance short of the performance targets shall attract a decrease. At the end of the Performance Year, each target is evaluated by the Remuneration Committee. Remuneration Committee then determines if performance targets have been satisfied and if so the extent to which they have been satisfied.

The fair value of the shares to be granted is estimated at grant date to be a monetary value based on the estimated probability of employees' meeting performance targets, taking into account the terms and conditions upon which the shares are to be granted. Subsequently, the monetary value to be awarded is determined and converted to number of MTQ ordinary shares based on ruling market price which is defined as the closing market price after the financial year announcement. The amount of MTQ Shares awarded shall be delivered in three equal tranches at the end of the Performance Year. The vesting date for the first instalment of the shares awarded for a performance year is twelve month after the grant date. The employees must still be employed by the company at these dates to receive the shares.

For the 2014 and 2015 MTQ share plan that has been awarded, the monetary value has been determined by the Remuneration Committee after assessing whether the performance targets have been satisfied. For the 2016 MTQ share plan, no shares were awarded.

**Note 30 Corporate Governance**

Under ASX Listing Rule 4.10.3, the Company's Corporate Governance Statement can be located at the URL on the Company's website being [www.neptunems.com](http://www.neptunems.com)

**Note 31 Subsequent Events**

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

## AUDIT REPORT



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## Independent auditor's report to the members of Neptune Marine Services Limited

### Report on the audit of the Financial Report

#### Opinion

We have audited the financial report of Neptune Marine Services Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 March 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 March 2017 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.



## 1. Impairment of non-current assets

### Why significant

As disclosed in note 17 and 18 respectively, the Group had property, plant and equipment of \$17.3 million and definite life intangible assets of \$0.8 million and goodwill of \$12.6 million as at 31 March 2017.

Under Australian accounting standards, an entity is required to assess the recoverable amount of indefinite life intangible assets such as goodwill annually and all other non-current assets when there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. No impairment or reversal of impairment was recognised during the year.

The impairment testing process is complex and judgmental and is based on assumptions and estimates that are affected by expected future performance and market conditions. Key assumptions, judgements and estimates used in the formulation of the Group's impairment of non-current assets include future cash flow forecasts, discount rates, growth rates and inflation rates as disclosed in note 2(q).

### How our audit addressed the key audit matter

We evaluated the Group's future cash flow forecasts included in the value in use impairment model, the process by which they were prepared, and assessed the underlying assumptions, methodologies and conclusions used by the Group, in particular, those relating to the determination of CGUs, forecast cash flows and inputs used to formulate them. This included assessing, in conjunction with our valuation specialists, the discount rates, inflation rates and growth rates with reference to market prices (where available), market research, market practice, market indices, broker consensus and historical performance.

We also assessed the key assumptions and performed sensitivity analyses to ascertain the extent changes could lead to alternative conclusions.

We also focused on the adequacy of the financial report disclosures regarding those assumptions, to which the Group's assessment of impairment and reversal of impairment of non-current assets are most sensitive, being those that would have the most significant effect on the determination of the recoverable amount. This has been disclosed in Note 18.

We assessed the Board of Director's minutes and various operational reports and plans in order to understand the future plans of the Group and whether there was any potential contradictory information compared to the assumptions applied in the impairment model.

## 2. Recoverability of deferred tax assets

### Why significant

As disclosed in note 8, the Group had deferred tax assets of \$5.9 million as at 31 March 2017.

The determination of the quantum, likelihood and timing of the realisation of deferred tax assets is highly judgemental and assessed on a basis consistent with the impairment assumptions set out above.

### How our audit addressed the key audit matter

We obtained an understanding of the income taxes process. We performed substantive audit procedures on the recognition of deferred tax balances based on different local tax regulations with the input of tax specialists. We also examined the analysis of the recoverability of the deferred tax assets based on the expected future taxable income principally by performing sensitivity analyses and evaluating and testing the key assumptions used to determine the amounts recognized.





## Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2017 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.





- ▶ Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



## Report on the audit of the remuneration report

### Opinion on the remuneration report

We have audited the Remuneration Report included in pages 9 to 15 of the directors' report for the year ended 31 March 2017.

In our opinion, the Remuneration Report of Neptune Marine Services Limited for the year ended 31 March 2017, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

A handwritten signature in black ink, appearing to read 'T G Dachs'.

T G Dachs  
Partner  
Perth  
30 June 2017

## ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

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

### Shareholding

#### a) Distribution of shareholders category (size of holding)

Range	Total Holders	Shares	% of Issued Capital
1 - 1,000	830	289,166	0.47
1,001 - 5,000	313	733,677	1.19
5,001 -10,000	61	453,092	0.74
10,001 – 100,000	45	1,105,043	1.80
100,001 – 9,999,999,999	9	58,860,313	95.80
<b>Rounding</b>			
<b>Total</b>	1,258	61,441,291	100%

Unmarketable Parcels	Minimum Parcel Size	Holdings	Units
Minimum \$500.00 parcel at \$0.95 per unit	527	554	83,305

#### b) The name of the substantial shareholder listed in the holding Company's register as at 31 May 2017 is:

Shareholder	Number Ordinary
Blossomvale Investment Pte Ltd	53,525,826

#### c) Voting Rights

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

##### Ordinary Shares

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

##### Redeemable and Converting Share Preference

These shares have no voting rights.

## d) 20 Largest Shareholders – Ordinary Shares

As at 31 May 2017:

	Shareholder	No. Shares	% Held
1.	BLOSSOMVALE INVESTMENTS PTE LTD <BLOSSOMVALE NMS GO A/C>	53,525,826	87.11
2.	UBS NOMINEES PTY LTD <TP00014 15 A/C>	3,152,685	5.13
3.	BARRY ALBERT LILLY + BURNICE JUNE LILLY	1,300,000	2.12
4.	MR DAVID COLIN HUSBAND + MS NINA DONS LANDSNES	294,084	0.48
5.	NOEL KENNEDY SMITH	180,000	0.29
6.	MR GARY LESTER HANIKERI	148,334	0.24
7.	MERRILL LYNCH AUSTRALIA NOMINEES	133,334	0.22
8.	LYNETTE SUSAN PRESTON	126,050	0.21
9.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	78,813	0.13
10.	MRS LEANNE BLAKE + MR TREVOR ROY BLAKE <BLAKEFT SUPER FUND A/C>	69,497	0.11
11.	ALISTAIR STUART MCGREGOR + ALISON JUDITH MCGREGOR + STEPHEN PAUL LACE	65,000	0.11
12.	J MCCARTHY & CO PTY LTD	56,734	0.09
13.	BUZPASS PTY LTD	48,500	0.08
14.	MR CZESLAW CZAPLA + MR ZDZISLAW CZAPLA	40,000	0.07
15.	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	38,804	0.06
16.	MRS JENNIFER SUE KRUGER	36,800	0.06
17.	HARDRESS PTY LTD <THE HARDRESS SUPER FUND A/C>	33,834	0.06
18.	DAVID JOHN MICHAEL HART	33,334	0.05
19.	MONEX BOOM SECURITIES (HK) LTD <CLIENTS ACCOUNT>	30,627	0.05
20.	NORTH REDLANDS PTY LIMITED <STIELER FAMILY S/FUND A/C>	28,076	0.05
<b>Top 20 holders of ORDINARY FULLY PAID SHARES</b>		<b>59,420,332</b>	<b>96.72%</b>