NEPTUNE MARINE SERVICES LIMITED AND CONTROLLED ENTITIES

ABN: 76 105 665 843

Financial Report
For The Year Ended
31 March 2019

www.neptunems.com

Finding *Better* Ways

NEPTUNE MARINE SERVICES LIMITED AND CONTROLLED ENTITIES

31 March 2019

ABN: 76 105 665 843

CONTENTS

CORPORATE INFORMATION

Directors
Mr Boon Wee Kuah
Chairman

Mr Peter Wallace
Non-Executive Director

Mr Nicholas Cocks
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

Market conditions remained difficult as we entered this last financial year. However there were tangible signs that the market was showing signs of improvement. As predicted the second half of the year saw activity picking up significantly. Over 60% of the full year revenue was performed in the second six months and Neptune was profitable during this period. These stronger market conditions have continued into the start of the new financial year and activity remains strong. However despite improvement in revenue, the pressure on margins remains significant and it is expected that it will be sometime before improvements to margins are experienced.

Despite the challenges the Neptune team has had some notable achievements:

- Successful completion of the first NEPSYS dry underwater welding project in Brazil for FPSO repairs,
- Won the Woodside Browse pipeline route survey, which will be performed using a Hugin AUV under our existing Kongsberg agreement,
- Two month vessel campaign in Papua New Guinea supporting Oil Search under our existing long term agreement,
- Executed the Scarborough geophysical and geotechnical surveys for Woodside,
- Continued extensive diving support to Chevron for their Barrow Island facilities,
- Ongoing repair and maintenance work for South 32 at Groote Eylandt,
- Our integrated solutions offering in the UK had another very strong year,
- Rationalised our ROV fleet, selling/retiring some of the older vehicles,
- Supported the Australian and NZ navy with onsite diving repairs,
- Successful completion of non-intrusive inspection of pressure vessels as part of ENI major shutdown,
- Provision of structural engineering and offshore facility preparation in support of decommissioning works,
- Successful delivery of survey works offshore Taiwan in the renewable sector, with our local partner Global Aqua Survey,
- Completion of 18 months of survey support works for Reliance, offshore India, without incident.

KEY CLIENTS AND SUSTAINABILITY

Neptune's culture of open cooperation and collaboration continues to be valued by our Clients and Partners. During the year we have continued to work closely with a number of our key Clients, including BP, Chevron, ENI, Oil Search, South 32, CAPL and Santos, providing a wide variety of ongoing support to them on various project scopes in UK, Australia and PNG.

HEALTH AND SAFETY

Neptune has seen an improvement in HSE performance across the group this year. We have had no LTI's over the last year and a significant improvement has been achieved in our total recordable incident frequency rate which is approaching our set target.
Commitment to safety performance improvement and maintaining a strong HSE culture throughout all aspects of the business remain a key focus in the coming year.

OUTLOOK

The market is finally giving some signs of improvement. Tendering activity has remained high over the last year and the opportunities are firming up more strongly than in the previous two years, which is a positive. We continue to manage costs tightly, have tightened our geographic areas and are focussed on maintaining our excellent safety performance and the quality of our service delivery.

____
Robin King

Chief Executive Officer
Dated this 28th day of June 2019

DIRECTORS' REPORT

Your Directors present their report on the Company and its controlled entities (the Group) for the financial year ended 31 March 2019.

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 Nicholas Cocks
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

Mr Boon Wee Kuah	**Chairman**
Qualifications	Mr Kuah has a Bachelor of Engineering (1st Class Honours) from Imperial College of Science and Technology, London. He is also a Fellow of the Institute of Chartered Accountants in England and Wales (ICAEW), having trained with KPMG in London.
Experience	Mr Kuah is the Group CEO of MTQ Corporation Limited; he joined the MTQ Board on 10 October 2006 and assumed his current role in July 2010. Prior to that, Mr Kuah has had a distinguished international career working in London, Hong Kong, Australia and Singapore. He had previously been a Senior Management Executive of PSA International Pte Ltd, a 100% subsidiary of Temasek Holdings which has extensive port interests around the world. He also served as CFO for Singapore Technologies Engineering, a major listed company on the Singapore Stock Exchange ("SGX"), also majority-owned by Temasek Holdings.
Mr Peter Wallace	**Non-Executive Director**
Qualifications	Mr Wallace is a Senior Fellow of the Financial Services Institute of Australia, a Fellow of the Australian Institute of Company Directors, and an Associate Fellow of the Australian Institute of Management.
Experience	Mr Wallace has spent some 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.
Mr Nicholas Cocks	**Non-Executive Director**
Qualifications	Mr Cocks graduated from Australian National University, Canberra with a Bachelor of Commerce degree.
Experience	Mr Cocks is the Chief Executive Officer of Readymix Holdings International Pte Ltd, a privately held company manufacturing concrete and cement in South East Asia. In addition to his role at Readymix, Mr Cocks serves as a Non-Executive Director of MTQ Corporation Ltd, Forest Adventure Pte Ltd, Qourier Pte Ltd, OxfordCaps Pte Ltd and ReadyVentures, a venture capital fund focusing on early stage companies.
Mr Robin King	**Executive Director**
Qualifications	Mr King holds a Masters of Business Administration and a Bachelor of Civil Engineering (First Class Honours).
Experience	Mr King has worked in the international oil and gas industry since 1982, focusing mainly in the offshore and subsea sectors. Prior to being appointed CEO at Neptune in 2010, Mr King was the CEO of Technip Subsea 7 Asia Pacific, responsible for operations throughout Oceania and South East Asia.

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 Nicholas Cocks (*)	-	-
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 (*)	7,669,539	786,804
Mr Nicolas Cocks (*)	637,659	101,714
Mr Peter Wallace	-	-
Mr Robin King	204,207	-

(*) Mr Boon Wee Kuah and Mr Nicholas Cocks are 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	Nil	-
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 $3.104 million (2018: $29.989 million) for the financial year ending 31 March 2019. Annual revenue of $84.449 million (2018: $67.689 million) was up significantly compared to the previous year, mainly due to improving industry conditions.

The Group continues to have a strong working capital position, ending with $12.830 million in cash (2018: $6.134 million) and minimal interest bearing debt of $2.353 million at year end (2018: $0.235 million). During 2019, Neptune generated cash inflows from operations of $5.380 million (2018: cash outflows from operations of $4.196 million), which was a significant improvement from the prior year.

OFFSHORE SERVICES

The Offshore Services division reported revenues totalling $67.282 million for the twelve month period ended 31 March 2019 (2018: $55.223 million).

The Diving service line continued to perform strongly. Key works included undertaking a two month vessel campaign in Papua New Guinea supporting Oil Search under our existing long term agreement, successfully completing the first NEPSYS dry underwater welding project in Brazil for FPSO repairs, continued extensive diving support to Chevron for their Barrow Island facilities and ongoing repair and maintenance works for South32 at Groote Eylandt.

The Survey service line has seen an increase in activity which includes undertaking the Scarborough geophysical and geotechnical surveys for Woodside, successful delivery of survey works offshore Taiwan in the renewable sector and completion of 18 months of survey support works for Reliance, offshore India. It has also been awarded the Woodside Browse pipeline route survey, which will be performed using a Hugin AUV under our existing Kongsberg agreement.

The Asset Integrity service line has successfully completed non-intrusive inspection of pressure vessels as part of ENI Australia major shutdown program. Further ongoing work with ENI Australia continues. The Stabilisation service line continued to provide stabilisation services in Saudi Arabia on the Hasbah Redevelopment Project. In addition, Stabilisation undertook concrete mattress production and installation work for Dof Subsea in New Zealand and McDermott in India.

ENGINEERING SERVICES

The Engineering Services division reported revenues of $17.167 million for the period ended 31 March 2019 (2018: $12.466 million).

The Engineering service line continued to support key clients such as BP in the UK. In Australia, the team saw success in providing structural engineering and offshore facility preparation in support of decommissioning works and were heavily involved in the Diving Papua New Guinea vessel campaign with Oil Search and the NEPSYS dry underwater welding project in Brazil for FPSO repairs.

MAT and the UK Engineering service line continued to perform strongly offering an integrated solution to our clients. MAT also completed a number of key scopes fabrication scopes for GE.

OPERATING RESULTS

The consolidated net loss after tax for the Group for the year ended 31 March 2019 was $3.104 million (2018: $29.989 million loss).

FINANCIAL POSITION

The net assets of the consolidated Group have decreased by $2.395 million to $26.163 million at 31 March 2019 (2018: $28.558 million). Net tangible assets were $25.821 million (2018: $27.979 million).

Debt Position
As at 31 March 2019, the Company had interest bearing debts of $2.353 million (2018: $0.235 million) which consists of a loan from MTQ Corporation Ltd, equipment leasing and other finance leases. Interest-bearing debt as a percentage of equity was 8.99% (2018: 0.82%).

Cash and Liquidity
As at 31 March 2019, cash and cash equivalents was $12.830 million (2018: $6.134 million). At 31 March 2019, the working capital position was $11.668 million (2018: $12.256 million). This equates to a current ratio (current assets / current liabilities) of 1.45 (2018: 2.00).

Goodwill Impairment
No goodwill remains on the balance sheet as it was fully written off last year.

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 FY19.

Future Development, Prospects and Business Strategy
Neptune will focus on maximising revenue, managing its cost base, maintaining its safety performance, targeting new areas of growth and working to identify complementary partners to help continue the improvement shown in the FY19 results.

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 2019 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.

Workplace Gender Equality Act
In accordance with the requirements of the Workplace Gender Equality Act 2012, the Group has lodged its annual report with the Workplace Gender Equality Agency. If you would like to access the 2018/2019 public report, please contact the Group's Human Resource team.

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 2019 including superannuation and committee fees, was $263,768 (2018: $262,693).

(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 $120,000. 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.

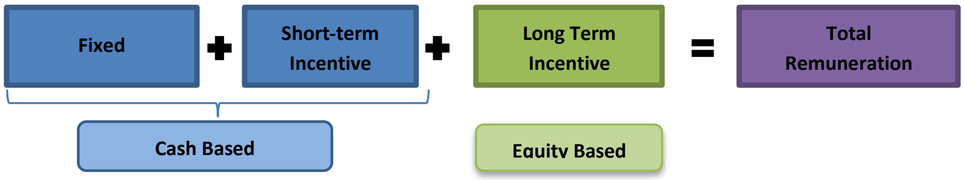
The employment conditions of the Chief Executive Officer, Robin King and other key Executives are formalised in contracts of employment. The contracts for service between the Company and Executives are on a continuing, permanent basis. Upon retirement, Executives are paid employee benefit entitlements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

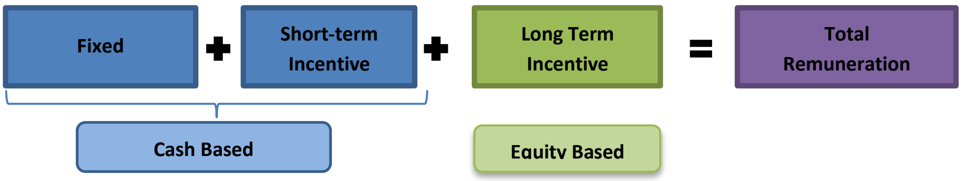
Total Remuneration Components

For FY19, 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 FY17 as a result of the cost challenges facing Neptune, a temporary reduction was applied to the fixed remuneration component of executive salaries. This reduction was still in place in FY19.

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 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.

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.

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, 2017 and 2018 MTQ share plan, no shares were awarded as targets set out in the MTQ Share Plan were not met.

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 $477,913 per annum with an additional $34,000 per annum car allowance. The Remuneration Committee determines the proportion of fixed and variable compensation for each Key Management Personnel.

Employment Contracts

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

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

***** Mrs Ashley Muirhead was on maternity leave from January 2019 to March 2019. Mr David Binns (Group Financial Controller) became acting Chief Financial Officer during this period.

Company Performance and the Link to Remuneration

(i) Short Term Incentive (STI)

For the CEO 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 2019 financial period is summarised in the below table.

2019	Short-Term Benefits				Post-Employment Benefits	Share-Based Payment	Total	Proportion of Remuneration Based on Performance %
	Cash, Salary & Fees $	Bonus[1] $	Termination payout $	Other[2] $	Superannuation $	LTI Plan $	$	
Directors								
Mr Boon Wee Kuah	120,000[3]	-	-	-	-	-	120,000	0%
Mr Nicholas Cocks	60,000[3]	-	-	-	-	-	60,000	0%
Mr Peter Wallace	76,500	-	-	-	7,268	-	83,768	0%
Mr Robin King	477,913	-	-	34,000	48,632	-	560,545	0%
	734,413	-		34,000	55,900	-	824,313	
Key Management Personnel (KMP)								
Mr Vincent Allegre[4]	22,312	-	145,668	1,615	2,273	-	171,868	0%
Mrs Ashley Muirhead[5]	97,534	-	-	12,712	10,473	-	120,719	0%
Mr David Binns[5]	41,475	-	-	-	3,940	-	45,415	0%
	161,321	-	145,668	14,327	16,686	-	338,002	
	895,734	**-**	**145,668**	**48,327**	**72,586**	**-**	**1,162,315**	

[1] No bonus was paid in FY19 due to the financial results achieved in the current year

[2] Other includes vehicle allowances.

[3] Fees are paid to Blossomvale Investments Pte Ltd.

[4] Mr Vincent Allegre left Neptune on 12 April 2018. The termination letter was agreed during October 2017 with the final termination payout paid during April 2018.

[5] Mrs Ashley Muirhead was on maternity leave from January 2019 to March 2019. Mr David Binns (Group Financial Controller) became acting Chief Financial Officer during this period.

Remuneration Outcomes

The remuneration received by KMP and NEDS during the 2018 financial period is summarised in the below table.

	Short-Term Benefits				Post-Employment Benefits	Share-Based Payment	Total	Proportion of Remuneration Based on Performance %
2018	**Cash, Salary & Fees $**	**Bonus[1] $**	**Termination payout $**	**Other[2] $**	**Superannuation $**	**LTI Plan[3] $**	**$**	
Directors								
Mr Boon Wee Kuah	120,000[4]	-	-	-	-	-	120,000	0%
Mr Dominic Siu[6]	45,000[4]	-	-	-	-	-	45,000	0%
Mr Nicholas Cocks[7]	15,000[4]	-	-	-	-	-	15,000	0%
Mr Peter Wallace	75,519	-	-	-	7,174	-	82,693	0%
Mr Robin King	471,785	-	-	33,564	48,008	(8,901)	544,456	(2%)
	727,304	-	-	33,564	55,182	(8,901)	807,149	
Key Management Personnel (KMP)								
Mr Vincent Allegre[5]	375,655	-	-	28,004	38,349	(3,191)	438,817	(0%)
Mrs Ashley Muirhead[8]	101,519	-	-	13,251	10,903	(673)	125,000	(1%)
Mr David Binns[5]	33,148	-	-	-	3,149	-	36,297	0%
	510,322	-	-	41,255	52,401	(3,864)	600,114	
	1,237,626	**-**	**-**	**74,819**	**107,583**	**(12,765)**	**1,407,263**	

[1] No bonus was paid in FY18 due to the financial results achieved in the current year.

[2] Other includes vehicle allowances.

[3] Share based payments are negative in FY18 as the benefit is based on estimates which have been adjusted based on expected achievement of performance targets.

[4] Fees are paid to Blossomvale Investments Pte Ltd.

[5] Mr Vincent Allegre left Neptune on 12 April 2018. The termination letter was agreed during October 2017 with the final termination payout paid during April 2018.

[6] Mr Dominic Siu resigned on 31 December 2017.

[7] Mr Nicholas Cocks was appointed on 01 January 2018.

[8] Mrs Ashley Muirhead was on Maternity Leave from May 2016 to June 2017. Mr Ashley Gilbert was contracted as Group CFO from May 2016 to January 2017 whilst Mr David Binns (Group Financial Controller) became acting Chief Financial Officer from January 2017 until June 2017.

Shareholdings of KMP

The relevant interest of each KMP in the shares and options issued by the Company as at 31 March 2019 is as follows:

	Ordinary Shares	Options over Ordinary Shares
Mr Boon Wee Kuah	-	-
Mr Nicolas Cocks	-	-
Mr Peter Wallace	-	-
Mr Robin King	-	-
Mrs Ashley Muirhead	-	-
Mr David Binns	-	-

Options Granted as Part of Remuneration for the year Ended 31 March 2019
In 2019, 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 2019.

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 2019.

END OF AUDITED REMUNERATION REPORT

MEETING OF DIRECTORS

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

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

No remuneration committee meetings were held during the year.

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, there were no unissued ordinary shares of the Company under option.

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	53,198
Special audits as required by jurisdictional regulators	-
	53,198

Auditor Independence Declaration

The lead auditor's independence declaration for the year ended 31 March 2019 has been received and can be found on page 18 of the Annual 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 28th day of June 2019

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 2019 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 2019.

____

Boon Wee Kuah
Chairman

Dated this 28th day of June 2019

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

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

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

As lead auditor for the audit of the financial report of Neptune Marine Services Limited for the financial year ended 31 March 2019, 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
28 June 2019

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2019

		Consolidated	
		2019	**2018**
	Note	**$000**	**$000**
Revenue from contracts with customers	6	84,449	67,689
Cost of sales and services rendered		(67,725)	(57,534)
Gross profit		**16,724**	**10,155**
Other income	7	987	1,414
Corporate, shared services and board expenses	8(d)	(2,085)	(2,762)
Business operating expenses	8(e)	(18,156)	(18,510)
Allowance for impairment of trade receivables and contract assets	14(a)	(27)	(1,488)
Goodwill impairment		-	(13,010)
Other expenses	8(f)	(23)	(9)
Operating loss		**(2,580)**	**(24,210)**
Finance income		9	33
Finance costs	8(a)	(248)	(160)
Loss before income tax		**(2,819)**	**(24,337)**
Income tax expense	9(a)	(285)	(5,652)
Net loss for the year		**(3,104)**	**(29,989)**
Earnings per share			
Basic loss per share	12	(0.051)	(0.488)
Diluted loss per share	12	(0.051)	(0.488)

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 2019

		Consolidated	
		2019	**2018**
		\$000	**\$000**
Net loss for the year		(3,104)	(29,989)
Other comprehensive income			
Items that may be reclassified subsequently to income statement:			
Exchange differences on translation of foreign operations	25	771	956
Net loss on cash flow hedges	25	(62)	(60)
Other comprehensive income for the year, net of tax		**709**	**896**
Total comprehensive loss for the year attributable to members of the parent		**(2,395)**	**(29,093)**

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 2019

		Consolidated	
		2019	**2018**
	Note	**$000**	**$000**
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	13	12,830	6,134
Trade and other receivables	14	16,575	11,616
Contract assets	6	6,095	4,226
Inventories	15	1,059	1,523
Derivative financial instruments		89	-
Other current assets	20	978	933
TOTAL CURRENT ASSETS		37,626	24,432
NON-CURRENT ASSETS			
Property, plant and equipment	17	14,690	16,167
Intangible assets and goodwill	18	342	579
TOTAL NON-CURRENT ASSETS		15,032	16,746
TOTAL ASSETS		52,658	41,178
CURRENT LIABILITIES			
Trade and other payables	21	21,771	10,125
Current tax liabilities	9	663	420
Interest bearing loans and borrowings	22	2,173	203
Provision for employee benefits	23	1,351	1,428
TOTAL CURRENT LIABILITIES		25,958	12,176
NON-CURRENT LIABILITIES			
Trade and other payables	21	207	248
Interest bearing loans and borrowings	22	180	32
Deferred tax liabilities	9	4	79
Provision for employee benefits	23	146	85
TOTAL NON-CURRENT LIABILITIES		537	444
TOTAL LIABILITIES		26,495	12,620
NET ASSETS		26,163	28,558
EQUITY			
Contributed equity	24	273,540	273,540
Reserves	25	(14,120)	(14,829)
Accumulated losses		(233,257)	(230,153)
TOTAL EQUITY		26,163	28,558

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 2019

Consolidated	Ordinary Shares	Accumulated Losses	Foreign Currency Translation Reserve	Employee Equity Benefits Reserve	Hedge Reserve	Total
	$000	$000	$000	$000	$000	$000
Balance at 1 April 2017	273,540	(200,164)	(22,063)	6,127	211	57,651
Loss for the year	-	(29,989)	-	-	-	(29,989)
Other comprehensive income / (loss)	-	-	956	-	(60)	896
Total comprehensive loss for the period	-	(29,989)	956	-	(60)	(29,093)
Transactions with owners in their capacity as owners						
Dividend paid	-	-	-	-	-	-
Sub-total	-	(29,989)	956	-	(60)	(29,093)
Balance at 31 March 2018	273,540	(230,153)	(21,107)	6,127	151	28,558
Balance at 1 April 2018	273,540	(230,153)	(21,107)	6,127	151	28,558
Loss for the year	-	(3,104)	-	-	-	(3,104)
Other comprehensive income / (loss)	-	-	771	-	(62)	709
Total comprehensive loss for the period	-	(3,104)	771	-	(62)	(2,395)
Transactions with owners in their capacity as owners						
Dividend paid	-	-	-	-	-	-
Sub-total	-	(3,104)	771	-	(62)	(2,395)
Balance at 31 March 2019	273,540	(233,257)	(20,336)	6,127	89	26,163

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 2019

	Note	Consolidated 2019 $000	2018 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		80,411	75,797
Interest received		9	33
Payments to suppliers and employees		(74,694)	(79,975)
Interest paid		(211)	(160)
Income tax (paid) / refunded		(135)	109
Net cash flows from / (used in) operating activities	28(a)	5,380	(4,196)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		2	113
Purchase of property, plant and equipment		(416)	(1,723)
Purchase of intangible assets		(23)	-
Net cash flows used in investing activities		(437)	(1,610)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loan from controlling entity	22	2,000	-
Payments of loan to controlling entity		-	(48)
Payments of finance lease liabilities	22	(168)	(539)
Bank Guarantee		-	(27)
Net cash flows from / (used in) financing activities		1,832	(614)
Net increase / (decrease) in cash and cash equivalents held		6,775	(6,420)
Cash and cash equivalents at beginning of financial year		6,134	12,603
Net foreign exchange difference		(79)	(49)
Cash and cash equivalents at end of financial year	13	12,830	6,134

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 Neptune Marine Services Limited (the Group) for the year ended 31 March 2019 was authorised for issue in accordance with a resolution of the Director's on 28 June 2019.

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 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.

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.

As at 31 March 2019 the consolidated entity had net current assets of $11.668 million (2018: $13.048 million). At that date the consolidated entity had cash and cash equivalents of $12.830 million (2018: $6.134 million). For the year ended 31 March 2019 the consolidated entity has made a loss before tax of $2.819 million (2018: $24.337 million) and had positive operating cash flows of $5.380 million (2018: $4.196 million, negative operating cash flows) .

During the year, the ANZ multi option facility was renegotiated with an annual review date of 31 October with the next review date being 31 October 2019. The facility has a debt covenant that requires a net tangible worth of $22 million to be held at all times. This covenant is calculated based on the exclusion of intangible assets being goodwill, prepayments, deferred tax assets and intangible assets. At 31 March 2019, Neptune's net tangible worth was $25.821 million. At the date of signing these financial statements, management confirm that Neptune has not breached this net tangible worth covenant.

The ANZ multi option facility has an interchangeable limit of $3.075 million between the following sub facilities: standby letter of credit or guarantee facility of $3 million and a credit card facility of $0.075 million. A term deposit of $2.210 million was held as security for the facility.

The Directors have reviewed the business outlook, the positive forecast cash flows and operating results for the 2019 financial year and the assets and liabilities of the Group. On this basis, it is the opinion of the Board of Directors that the consolidated entity will be able to continue as a going concern and that therefore, the basis of preparation is appropriate.

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

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

Note 2 Summary of Significant Accounting Policies (continued)

(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 9, and relevant amending standards	*Financial Instruments* AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement*. (a) Classification and measurement AASB 9 requires debt instruments to be measured either at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVPL"). Classification of debt instruments, depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is measured at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are measured at FVOCI. Financial assets are measured at FVPL if they do not meet the criterial of FVOCI or amortised cost. The assessment of the business model and whether the financial assets meet the SPPI requirements was made as of 1 April 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 April 2018. The classification and measurement requirements of AASB 9 did not have a significant impact on the Group. The Group continued measuring at fair value all financial assets previously held at fair value under AASB 139. Trade and other receivables previously classified as Loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as Debt instruments at amortised cost. The Group's debt instruments that were measured at amortised cost previously are held to collect contractual cash flows, and accordingly continue to be measured at amortised cost. The initial application of AASB 9 does not result in any remeasurement to the Group's and the Company's financial instruments. (b) Impairment AASB 9 requires the Group to record expected credit losses ("ECL") on all of its financial assets measured at amortised cost or FVOCI and financial guarantees. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that financial asset is impaired. The ECL approach sets out a new impairment model incorporated with forward-looking factors. The Group applies the AASB 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables and contract assets. Refer to Note 2(o) for details of the new methodology. Upon adoption of AASB 9, no additional impairment was recognised.	1 January 2018	1 April 2018

Note 2 Summary of Significant Accounting Policies (continued)

(c) New Accounting Standards and Interpretations (continued)

(i) Changes in accounting policies, disclosures, standards and interpretations (continued)

Reference	Title	Application date of standard	Application date for Group
AASB 9, and relevant amending standards	(c) Hedge accounting The Group applied hedge accounting prospectively. At the date of initial application, all of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships. Upon adoption of AASB 9, the Group continues to designate the change in fair value of the entire forward contracts in its cash flow hedge relationships. Under AASB 9, all gains and losses arising from the Group's cash flow hedging relationships were eligible to be subsequently reclassified to income statement. However, gains and losses arising on cash flow hedges of forecast purchases of non-financial assets need to be incorporated into the initial carrying amounts of the non-financial assets. This change only applies prospectively from the date of initial application of AASB 9 and has no impact on the presentation of comparative figures.	1 January 2018	1 April 2018
AASB 15, and relevant amending standards	*Revenue from Contracts with Customers* The Group adopted AASB 15 which is effective for annual periods beginning on or after 1 January 2018. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers, and introduces new contract cost guidance. Under AASB 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. Refer to Note 2(h) for the new accounting policy on revenue recognition. The Group has elected the following practical expedients upon adoption of AASB 15: ► Completed contracts that begin and end within the same annual reporting period or completed at the beginning of the comparative period were not restated. ► For completed contracts that have variable consideration, the Group used the transaction price at the completion date of the contract rather than estimating variable consideration amounts in the comparative period. ► For contracts that were modified before the comparative period, the Group did not retrospectively restate the contract for those modifications. ► For the comparative period, the Group did not disclose the amount of the transaction price allocated to the remaining performance obligations and any explanation of when the Group expects to recognise that amount as revenue. The Group adopted AASB 15 using the full retrospective method of adoption. There is no material impact on the financial statements in the year of initial application. The comparative figures are not required to be restated. However, accrued revenue previously disclosed under AASB 118 has been reclassified as contract assets under AASB 15.	1 January 2018	1 April 2018

(ii) 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.

Note 2 Summary of Significant Accounting Policies (continued)

(c) New Accounting Standards and Interpretations (continued)

(iii) Standards issued but not yet effective

Reference	Title	Summary	Application date of standard	Impact on Group Financial Report	Application date for Group
AASB 16	*Leases*	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 *Leases*. 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	Refer below.	1 April 2019
AASB 2018-1	*Annual Improvements to IFRS Standards 2015-2017 Cycle*	The amendments clarify certain requirements in: ► AASB 3 Business Combinations and AASB 11 Joint Arrangements - previously held interest in a joint operation ► AASB 112 Income Taxes - income tax consequences of payments on financial instruments classified as equity ► AASB 123 Borrowing Costs - borrowing costs eligible for capitalisation.	1 January 2019	The Group is yet to assess the impact.	1 April 2019
AASB Interpretation 23, and relevant amending standards	*Uncertainty over Income Tax Treatments*	The Interpretation clarifies the application of the recognition and measurement criteria in AASB 112 Income Taxes when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following: ► Whether an entity considers uncertain tax treatments separately ► The assumptions an entity makes about the examination of tax treatments by taxation authorities ► How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates ► How an entity considers changes in facts and circumstances.	1 January 2019	The Group is yet to assess the impact.	1 April 2019

AASB 16 Leases

The Group plans to adopt AASB 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to equity at the date of initial application, 1 April 2019.
On the adoption of AASB 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at the date of initial application at an amount equal to the lease liability, discounted using the Group's incremental borrowing rate as of the date of initial application. This approach will not result in any adjustment to be made to equity at 1 April 2019.
In addition, the Group plans to elect the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply AASB 16 to all contracts that were previously identified as leases;
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of the date of initial application.

The Group has performed preliminary impact assessment based on currently available information, and is in the process in determining the full impact.

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 29(a)] for the financial year ended 31 March 2019 in the current year and prior year ended 31 March 2018.

Subsidiaries are all those entities over which the Group has control. An investor controls and investee when it has a) power over the investee such that the Group is able to direct the relevant activities, b) has exposure or rights to variable returns from its involvements with the investee and c) 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.

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 income statement
- Reclassifies the parent's share of components previously recognised in other comprehensive income to the income statement, or retained earnings, as appropriate.

(e) Business Combinations

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

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

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

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in income statement on the acquisition date.

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

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

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

Note 2 Summary of Significant Accounting Policies (continued)

(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 income statement.

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 measured at fair value 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 income statement is also recognised in other comprehensive income or income statement, respectively).

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

(h) Revenue Recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised service to the customer, which is when the customer obtains control of the service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

The Group provide engineering and offshore services that are either sold separately or collectively. Contracts for integrated engineering and offshore services are comprised of 2 or more performance obligations because the promises to provide engineering and offshore services are capable of being distinct and separately identifiable. Accordingly, the Group allocates transaction price based on relative stand-alone selling prices of the engineering and offshore services.

Note 2 Summary of Significant Accounting Policies (continued)

(h) Revenue Recognition (continued)

Revenue from rendering of service is recognised over time using the input method by reference to the ratio of labour hours and costs incurred to-date to the estimated total labour hours and costs for each contract, with due consideration given to the inclusion of only those costs that reflect work performed. The estimated costs are based on contracted amounts and, in respect of amounts not contracted for, management relies on past experience and knowledge of the project engineers to make estimates of the amounts to be incurred.

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Rental income from rental services is recognised on a straight-line basis over the lease term.

Interest income is recognised using the effective interest method.

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.

Note 2 Summary of Significant Accounting Policies (continued)

(k) Income Tax and Other Taxes

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

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

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

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

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

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

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

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

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

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

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.

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.

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 9.

Note 2 Summary of Significant Accounting Policies (continued)

(k) Income Tax and Other Taxes (continued)

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

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

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

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

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

(l) Property, Plant and Equipment

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

Plant and equipment
Plant and equipment (including construction in progress) is measured on at cost, net of any accumulated impairment losses. The carrying amount of plant and equipment is reviewed annually and when there is an indication that an asset may be impaired 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/or the assets fair value less cost of disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

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

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

Class of Fixed Asset	**Depreciation Rate**
Office furniture, Equipment and Software	10% - 40%
Leasehold Improvements	10% - 22%
Plant and Equipment	20% - 40%
Leased Vehicles	20% - 37%
Remotely Operated Vehicles (ROV's) and Vessels	5% - 10%

Construction in progress included in plant and equipment are not depreciated as these assets are not yet available for use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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.

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.

Note 2 Summary of Significant Accounting Policies (continued)

(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.

Trademark and patent

Costs relating to trademark and patent applications and registrations are capitalised and amortised on a straight-line basis over its estimated finite useful life of 1 to 10 years.

(o) Financial Instruments – Initial Recognition and Subsequent Measurement

i) Financial assets

Initial recognition and Measurement

Financial assets are recognised when, and only when the Group becomes party to the contractual provisions of the instruments.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. At initial recognition, with the exception of trade receivables, the Group 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 that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expenses in income statement.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset.

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit and loss when the assets are de-recognised or impaired, and through amortisation process.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired or the Group transfers the financial asset and the transfer qualifies for derecognition under AASB 9. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in income statement.

Note 2 Summary of Significant Accounting Policies (continued)

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

ii) Impairment of financial assets
The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale or collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing the default (a lifetime ECL).

For trade and other receivables and contract assets that do not contain a significant financing component, the Group applies a simplified approach in calculating ECLs. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward- looking factors specific to the debtors and the economic environment where appropriate.

The Group considers a financial asset in default when contractual payments are more than 90-120 days past due, having considered other qualitative indicators where appropriate. Exception shall apply to financial assets that relate to entities under common controls or covered by letter of credit or credit insurance. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

iii) Financial liabilities
Initial Recognition and measurement
Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. 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 financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement
After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in income statement when the liabilities are derecognised, and through the amortisation process.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in 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.

Note 2 Summary of Significant Accounting Policies (continued)

(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.

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 March either individually or at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

(r) Cash and Short-Term Deposits

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

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

(s) Provisions

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

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

Wages, salaries, annual leave and non-monetary benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance sheet 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.

Note 2 Summary of Significant Accounting Policies (continued)

(s) Provisions (continued)

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 8(c)).

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

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

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

Cash-settled transactions

The monetary value to be awarded is determined and converted to a 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 19.

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

(i) Significant Accounting Judgements (continued)

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 (2018: $13.010 million). 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 30. 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.

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.

Provision for ECLs of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision matrix is initially based on the Group’s historical observed default rates. The Group calibrates the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of customer’s actual default in the future. The information about the ECLs on the Group’s trade receivables is disclosed in Note 14. The carrying amount of trade receivables as at 31 March 2019 is $16.374 million (2018: $11.273 million).

Note 4 Financial Risk Management

The Group's principal financial liabilities, other than derivatives, comprise trade and other payables, finance facilities and finance leases. 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:

	Consolidated	
	2019	**2018**
	$000	**$000**
Financial Assets		
Cash and cash equivalents	12,830	6,134
Trade and other receivables	16,575	11,616
Derivative financial instruments	89	-
Total	29,494	17,750
Financial Liabilities		
Trade and other payables	19,575	9,702
Interest bearing loans and borrowings	2,353	235
Total	21,928	9,937

(i) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's loan from MTQ Corporation Limited with floating interest rates. The Group's policy is a portfolio of floating and fixed interest rates taking the market outlook into consideration. The ratio between fixed interest rate versus floating interest rate liability is continuously evaluated.

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 2.2% (2018: 0% and 2.2%) 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 relate to borrowing from MTQ Corporation Limited, Microsoft and Telstra finance arrangements and Equipment financing of $2.353 million (2018: $0.235 million). Other than these finance arrangements, all the Group's financial liabilities are non-interest bearing.

Note 4 Financial Risk Management (continued)

(i) Interest Rate Risk (continued)

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

	Average Interest Rate	Consolidated 2019 $000
Financial Assets		
Cash and cash equivalents	1.20%	12,830
Financial liabilities		
Other finance arrangements *	7.24%	(2,353)
		10,477

	Average Interest Rate	2018 $000
Financial Assets		
Cash and cash equivalents	1.20%	6,134
Financial Liabilities		
Other finance arrangements *	1.75%	(235)
		5,899

* Other finance arrangements include Loan from MTQ Corporation, Microsoft Office and Telstra data storage financing.

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

As at 31 March 2019, 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 $80,508 lower/higher (2018: $41,291 higher/lower). This would be a result of lower/higher interest revenue on deposits and lower/higher 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 1 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 effects of the foreign currency related hedging instruments on the Group's financial position and performance are as follows:

Foreign currency forwards	**Consolidated**	
	2019	**2018**
	$000	**$000**
Carrying amount (asset)	89	-
Notional amount	2,898	-
Maturity date	7 May 2019	-
Hedge ratio	1:1	-
Change in discounted spot value of outstanding hedging instruments since 1 April	120	-
Change in value of hedged item used to determine hedge effectiveness	(120)	-
Weighted average hedged rate for the year (including forward points)	US$0.7315:A$1	-

Note 4 Financial Risk Management (continued)

(ii) Foreign Currency Risk (continued)

	Consolidated 2019 $000	2018 $000
The financial assets and liabilities exposed to movements in the GBP are:		
Cash and cash equivalents	4	164
Trade and other payables	(63)	(22)
Net exposure	(59)	142
The financial assets and liabilities exposed to movements in the USD are:		
Cash and cash equivalents	2,106	363
Trade and other receivables	1,645	809
Trade and other payables	(3,763)	(1,435)
Net exposure	(12)	(263)

As at 31 March 2019, 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 $421 lower/higher (2018: $10,547).
- if the AUD had strengthened/weakened by 10% against the USD, post-tax loss for the period would have been $1,323 lower/higher (2018: $18,156).

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

	Consolidated				
	Current	Past due but not impaired		Past due and impaired	Total
	$000	$000	$000	$000	$000
Individual Currency	**0 - 60 days**	**61 - 90 days**	**90 + days**		
Australian Dollars	10,194	89	215	369	10,867
United States Dollars	1,933	72	332	1,196	3,533
Great British Pounds	1,312	71	8	-	1,391
Singapore Dollars	-	-	-	184	184
Malaysian Ringgit	-	-	76	-	76

	Consolidated				
	Current	Past due but not impaired		Past due and impaired	Total
	$000	$000	$000	$000	$000
Australian Dollar Equivalent	**0 - 60 days**	**61 - 90 days**	**90 + days**		
Australian Dollars	10,195	89	215	369	10,868
United States Dollars	2,726	101	468	1,687	4,982
Great British Pounds	2,409	131	14	-	2,554
Singapore Dollars	-	-	-	190	190
Malaysian Ringgit	-	-	26	-	26
	15,330	321	723	2,246	18,620

Note 4 Financial Risk Management (continued)

(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 with high credit rating.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. It is the Group's policy to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk. The Group ensures that sales of services are made to customers with appropriate credit history and has internal mechanisms to monitor the granting of credit and management of credit exposures. The Group has made allowances, where necessary, for potential losses on credit extended.

Generally, the Group considers a financial asset in default when contractual payments are past due for more than 90-120 days, having considered other qualitative indicators when appropriate. However, in certain cases, the Group may also consider a financial asset to be in default when internal and external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:

- Profile of the debtors such as financial strength and size of the debtors' company
- Historical trading relationships
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- Actual or expected significant changes in the operating results of the debtor
- Significant increases in credit risk on other financial instruments of the same debtor
- Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors in the group and changes in the operating results of the debtor

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments and there is no reasonable expectation of recovery, such as a trade debtor failing to engage in a repayment plan with the Group or entering into bankruptcy. Where loans and receivables have been written-off, the Group continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in income statement.

Trade and other receivables

Lifetime expected credit losses are calculated using simplified approach. The allowance rates are determined based on the Group's historical default rates analysed by percentage of allowance for doubtful debts to the total credit sales for the past five years, adjusted for current and forward-looking information (where appropriate). In addition, the Group makes debtor-specific assessment for credit-impaired debtors to determine if further allowance is required.

Information regarding loss allowance movement of trade receivables are disclosed in Note 14.

Exposure to credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheets.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the geographical profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables after impairment at the end of the reporting period is as follows:

By geographical location	2019 $000	2019 % of total	2018 $000	2018 % of total
Australia - country of domicile	11,152	68	5,184	46
Asia and Middle East	2,696	16	3,275	29
United Kingdom	2,526	16	2,814	25
	16,374	100	11,273	100

(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.

Note 4 Financial Risk Management (continued)

(iv) Liquidity Risk (continued)

Financial Liabilities

The table below reflects the timing of gross repayments of recognised financial liabilities at 31 March 2019 on an undiscounted basis. As such, the amounts may not reconcile to the balance sheet.

	Within the Year		1 to 5 years		Total	
	$000		$000		$000	
	2019	2018	2019	2018	2019	2018
Financial Liabilities:						
Trade and sundry payables	21,771	10,125	207	248	21,978	10,373
Interest bearing loans and borrowings	2,173	203	180	32	2,353	235
Total Financial Liabilities	23,944	10,328	387	280	24,331	10,608

Fair value hierarchy

All financial instruments for which fair value is recognized or disclosed are categorised 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 for identical assets or liabilities (Level 1);

(b) Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable (Level 2); and

(c) Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable (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 2019. 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 operating segments: 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 and in the prior period, except as detailed below:

Inter-segment sales

Inter-segment 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.

Note 5 Operating Segments (continued)

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

Unallocated items

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

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

Major Customers

The Group has a number of customers to which it provides its services. Approximately 43% (2018: 43%) arose from sales to the Group's five largest customers. These revenues were included in both the offshore and engineering services segments. No other single customer contributed 5% or more to the Group's revenue for both 2019 and 2018.

The following table presents revenue and loss information for reportable segments for the year ended 31 March 2019 and 31 March 2018.

	Continuing Operations					
	Engineering		Offshore Services		Total	
	2019	2018	2019	2018	2019	2018
	$000	$000	$000	$000	$000	$000
Revenue						
Sales to external customers	17,167	12,466	67,282	55,223	84,449	67,689
Inter-segment sales	5,994	5,899	31,080	13,633	37,074	19,532
Other revenue	1	-	8	33	9	33
Total sales revenue	23,162	18,365	98,370	68,889	121,532	87,254
Inter-segment sales elimination					(37,074)	(19,532)
Total revenue per the income statement					84,458	67,722
Result						
Segment result before impairments, asset write downs and items below:	566	4,150	(971)	(9,797)	(405)	(5,647)
Goodwill Impairment	-	(4,025)	-	(8,985)	-	(13,010)
Segment results after impairment and before items below:	566	125	(971)	(18,782)	(405)	(18,657)

Reconciliation of segment net loss before tax to net loss before tax		
Finance costs	(248)	(160)
Unallocated Corporate, shared services and Board expenses	(1,943)	(5,300)
Share-based payments	-	19
Technical expenses	(275)	(276)
Foreign exchange gain	52	37
Net loss from continuing operations before tax per the income statement	(2,819)	(24,337)

Note 5 Operating Segments (continued)

	Continuing Operations					
	Engineering		Offshore Services		Total	
	2019	2018	2019	2018	2019	2018
Segment assets	$000	$000	$000	$000	$000	$000
Segment operating assets	9,162	8,417	43,407	32,761	52,569	41,178
Reconciliation of segment assets to the statement of financial position						
Derivative financial instruments					89	-
Total assets from continuing operations per the statement of financial position					52,658	41,178

Geographical segments

	Segment Revenues from External Customers		Carrying Amount of Non-current Assets	
	2019 $000	2018 $000	2019 $000	2018 $000
Australia - country of domicile	56,988	38,845	8,526	9,603
Asia and Middle East	12,220	16,603	5,732	5,743
United Kingdom	15,241	12,241	774	1,401
	84,449	67,689	15,032	16,746

The Group's non-current assets and sales to external customers disclosed in geographical segments are based on the entities' country of domicile.

Note 6 Revenue from contracts with customers

Disaggregated revenue information

	Engineering		Offshore services		Total	
Type of service	2019 $000	2018 $000	2019 $000	2018 $000	2019 $000	2018 $000
Engineering	17,167	12,466	-	-	17,167	12,466
Offshore services	-	-	67,282	55,223	67,282	55,223
	17,167	12,466	67,282	55,223	84,449	67,689
Timing of revenue recognition						
At a point in time	-	-	218	238	218	238
Over time	17,167	12,466	67,064	54,985	84,231	67,451
	17,167	12,466	67,282	55,223	84,449	67,689

Contract balances

	Consolidated Group	
	2019	2018
	$000	$000
Trade receivables (Note 14)	16,374	11,273
Contract assets	6,095	4,226

Trade receivables are non-interest bearing and are generally on terms of 30 to 45 days. In 2019, $2.246 million (2018: $2.304 million) was recognised as provision for excepted credit losses on trade receivables.

Contract assets have increased as a result of the increase in ongoing engineering and offshore services at the end of the year. No provision for expected credit losses were recognised in 2019 (2018: $Nil).

Note 7 Other income

	Consolidated Group	
	2019	2018
	$000	$000
Insurance proceeds	227	256
Profit on sale of property, plant and equipment	-	67
Government Rebates	111	273
Rental income	506	487
Other income	143	331
Total Other Income	987	1,414

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 8(f) for details on loss on disposal of property, plant and equipment.

Note 8 Expenses

		Consolidated Group	
		2019	2018
a)	Finance costs:	$000	$000
	— Interest expense	248	160
	Total finance costs	248	160
b)	Depreciation and amortisation:		
	(i) Included in Cost of sales		
	— Depreciation	2,119	2,441
	(ii) Included in Corporate, shared service and Board expenses and Business operating expenses		
	— Depreciation	586	604
	— Amortisation	272	272
		858	876
	Total	2,977	3,317
c)	Employee benefit expenses:		
	i) Included in Cost of sales		
	— Salaries and wages	19,120	19,432
	— Superannuation	1,501	1,493
	— Other	1,388	1,311
		22,009	22,236
	ii) Included in Corporate, shared service and Board expenses and Business operating expenses		
	— Salaries and wages	8,267	9,895
	— Superannuation	643	779
	— Employee entitlements	(11)	54
	— Share based payments	-	(19)
	— Other	1,390	1,555
		10,290	12,264
	Total	32,299	34,500

Note 8 Expenses (continued)

	Consolidated Group	
	2019	**2018**
	$000	**$000**
d) Corporate, shared service and board expenses		
— Administrative costs	592	379
— Personnel expenses	1,412	2,298
— Depreciation & amortisation expense	81	85
Total	2,085	2,762
e) Business operating expenses		
— Administrative costs	4,586	4,102
— Personnel expenses	8,878	9,966
— Depreciation & amortisation expenses	542	556
— Marking expenses	62	88
— Occupancy expenses	3,813	3,522
— Technical expenses	275	276
Total	18,156	18,510
f) Other expenses		
— Loss on sale of property, plant and equipment	2	9
— Other	21	-
Total	23	9

Note 9 Income Tax

	Consolidated Group	
(a) Income Tax Expense	**2019**	**2018**
	$000	**$000**
The major components of income tax expense are:		
Current income tax		
Current income tax expense	341	240
Adjustments in respect of current income tax of previous years	15	(413)
Deferred tax		
Deferred income tax benefit relating to origination and reversal of temporary differences	(73)	(106)
Prior period deferred tax asset derecognised	2	5,931
Income tax expense	285	5,652

Note 9 Income Tax (continued)

(b) Amounts charged or credited directly to equity

	2019 $000	2018 $000
Current income tax relating to items (credited) / charged directly to equity		
Foreign exchange	(4)	154
Income tax (benefit) / expense reported in equity	(4)	154

(c) Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per statutory income tax rate

	2019	2018
Accounting loss before tax	(2,819)	(24,337)
At Parent Entity's statutory income tax rate of 30% (2018: 30%)	(846)	(7,301)
Adjustments in respect of prior years	17	(147)
Foreign tax rate adjustment	424	699
Deferred tax not recognised	2,227	7,557
Withholding tax in non-Australian jurisdictions	121	76
Share based payments	-	(13)
Goodwill Impairment	-	3,903
Foreign branch profits not taxable	(1,481)	-
Other	(177)	878
Aggregate income tax expense	285	5,652

(d) Recognised deferred tax (liabilities) / assets

	2019 $000 Current Tax	2019 $000 Deferred Tax	2018 $000 Current Tax	2018 $000 Deferred Tax
Opening Balance	(420)	(79)	(451)	5,739
Charged to income statement	(356)	71	173	(5,825)
Charged to equity	4	-	(154)	-
Payments / (receipts)	135	-	(109)	-
Other Adjustment	(26)	4	121	7
Closing balance	**(663)**	**(4)**	**(420)**	**(79)**
Amounts recognised in the statement of financial position:				
Deferred tax asset		-		-
Deferred tax liability		(4)		(79)
		(4)		**(79)**

Note 9 Income Tax (continued)

(d) Recognised deferred tax (liabilities) / assets (continued)

	2019 $000	2018 $000
Deferred tax at 31 March relates to the following:		
(i) Deferred tax liabilities		
Property, Plant and Equipment	1,008	969
Prepayments	-	1
Foreign Exchange	-	-
Other	223	349
Gross deferred tax liabilities	**1,231**	**1,319**
Set off of deferred tax assets	(1,227)	(1,240)
Net deferred tax liabilities	**4**	**79**
(ii) Deferred tax assets		
Provisions	635	702
Foreign Exchange	230	54
Accruals	196	247
Transaction costs on equity issue	-	1
Unused tax losses	156	209
Other	10	27
Gross deferred tax assets	**1,227**	**1,240**
Set off of deferred tax assets	(1,227)	(1,240)
Net deferred tax assets	**-**	**-**

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 which relate to income taxes levied by the same tax authority.

(e) Tax losses

	2019 $000	2018 $000
Gross unused tax losses for which no deferred tax asset has been recognised:		
Australia	114,604	109,560
United Kingdom	17,589	17,890
US	32,159	29,717
Singapore	28,894	23,577
Qatar	768	708
Malaysia	326	318
Indonesia	386	357
Brunei	20	19
Total unused tax losses for which no deferred tax asset has been recognised	194,746	182,146

No deferred tax assets have been recognised in respect of these losses. If the Group were able to recognise all unrecognised deferred tax assets, there would be an income tax benefit recognised of $54.101 million (2018:$50.741 million).

(f) Unrecognised temporary differences

At 31 March 2019, 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 (2018: $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.

Note 9 Income Tax (continued)

(g) Tax consolidation (continued)

(ii) Tax effect account by members of the tax Consolidated Group

Measurement method adopted under AASB Interpretation 1052 Tax Consolidation Accounting

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

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

Nature of tax funding agreement

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

Tax consolidation contributions / (distributions)

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

	2019	2018
	$000	$000
Total decrease to tax payable of Neptune Marine Services Limited	1,423	1,240
Total decrease to intercompany assets of Neptune Marine Services Limited	1,423	1,240

(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 2019 (2018: Nil).

Note 10 Auditors' Remuneration

	Consolidated Group	
	2019	2018
	$	$
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	120,500	148,500
— Other services in relation to the entity and any other entity in the Consolidated Group		
— Tax compliance	53,198	10,000
— Special audits required by regulators	-	10,000
	173,698	168,500
— Audit services provided by overseas Ernst & Young firm	184,946	171,307
— Tax services provided by overseas Ernst & Young firm	42,740	31,268
	227,686	202,575
	401,384	371,075
Amounts received or due and receivable by non-Ernst & Young audit firms for:		
— Taxation services	64,371	27,797
	64,371	27,797

Note 11 Dividends

No dividends on ordinary shares declared and paid in for the period ended 31 March 2019 (31 March 2018: $Nil)

Franking credit balance

The amount of franking credits available for subsequent financial year are:	2019	2018
	$000	$000
Franking account balance as at end of the financial year at 30%	5,144	5,144

Note 12 Loss Per Share

Basic loss 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 loss 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.

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

		Consolidated Group	
(a)	Loss used in calculating earnings per share	**2019**	**2018**
		$000	**$000**
For basic loss per share			
Net loss attributable to ordinary equity holder of the parent		(3,104)	(29,989)
For diluted loss per share			
Net loss attributable to ordinary equity holders of parent		(3,104)	(29,989)

		No. Thousands	No. Thousands
(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	-	-
	Weighted average number of ordinary shares outstanding during the period used in calculating dilutive EPS	61,441	61,541

Note 13 Cash and cash equivalents

	Consolidated Group	
	2019	**2018**
	$000	**$000**
Cash at bank and in hand	10,356	5,058
Deposits	2,474	1,076
	12,830	6,134

Deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Group, and earn interest at the respective deposit rates. At the end of the reporting period, fixed deposits of $2,210,000 (31 March 2018: $Nil) are pledged as security to secure bank facility and are therefore not available for general use by the Group.

Note 14 Trade and Other Receivables

	Consolidated Group	
	2019	**2018**
	$000	**$000**
Gross trade receivables	18,620	13,577
Allowance for expected credit losses	(2,246)	(2,304)
	16,374	11,273
Other receivables	201	343
	16,575	11,616

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.

Note 14 Trade and Other Receivables (continued)

(a) Allowance for Impairment Losses

Trade Receivables are non-interest bearing and are generally on 30-60 day terms.

Movements in the allowance for expected credit losses of trade receivables are as follows:	2019	2018
	$000	$000
Opening balance	2,304	817
Charge for the period	27	1,488
Foreign exchange differences	(85)	(1)
Closing balance	2,246	2,304

(b) Ageing of Receivables as at 31 March

	Total	0-30 days	31-60 days	61-90 days	91+ days	91+ days CI*
	$000	$000	$000	$000	$000	$000
2019	18,620	11,825	3,505	321	723	2,246
2018	13,577	6,544	1,935	247	2,547	2,304

* Considered impaired (CI)

(c) Related Party Receivables

There was $0.426 million owed by related parties to Neptune at 31 March 2019 (2018: $1.092 million). For further details in relation to related parties transactions, refer to Note 29.

(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 15 Inventories

	Consolidated Group	
	2019	2018
	$000	$000
Work in progress (at cost)	309	920
Finished goods (at cost)	750	603
Total inventories	1,059	1,523

Inventories recognised as an expense for the year ended 31 March 2019 totalled $5.263 million (2018:$5.100 million) for the Group. This expense has been included in the cost of sales line item as a cost of inventories.

Note 16 Information relating to Neptune Marine Services Limited

	2019	2018
	$000	**$000**
Current assets	77,404	60,172
Total assets	196,208	172,610
Current liabilities	(142,965)	(118,686)
Total liabilities	(170,348)	(144,083)
Issued capital	(273,540)	(273,540)
Accumulated losses	251,790	247,345
Profit appropriation reserve	(7,622)	(7,622)
Translation Reserve	9,727	11,568
Hedge Reserve	(89)	(151)
Employee Benefits Equity Reserve	(6,127)	(6,127)
	(25,861)	(28,527)
Profit / (loss) for the parent entity after impairment and tax	(4,445)	(12,699)
Total comprehensive income / (loss) of the parent entity	(4,445)	(12,699)

Finance Lease Commitments

Payable — minimum lease payments		
— not later than 12 months	65	215
— between 12 months and 5 years	33	32
Minimum lease payments	98	247
Less future finance charges	(12)	(12)
Present value of minimum lease payments	86	235

Operating Lease Commitments

Payable — minimum lease payments		
— not later than 12 months	1,367	1,265
— between 12 months and 5 years	5,507	4,787
— more than 5 years	1,438	2,298
Minimum lease payments	8,312	8,350

(a) Guarantees

The parent has issued the following guarantees:

- Lease guarantees with ANZ Bank for the leased property of 404 Orrong Road, Welshpool, WA, 6106 (2019:1,532,300; 2018: $1,532,300). This lease expires on 31 March 2025.
- No guarantees in relation to the contract performance are outstanding as at 31 March 2019 (2018: $Nil).
- See Note 22(c) for additional disclosure relating to bank facility.

(b) Contingent Liabilities

The parent entity had no contingent liabilities at 31 March 2019 (2018: $Nil).

(c) Tax Consolidated Group

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

Note 17 Property, Plant and Equipment

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

Consolidated Group:	Office Furniture, Equipment & Software $000	Leasehold Improvements $000	Plant and Equipment $000	Leased Vehicles $000	ROV's & Vessels $000	Construction in Progress $000	Total $000
Balance at 1 April 2017	**2,098**	**1,434**	**8,100**	**181**	**5,176**	**331**	**17,320**
Additions	-	-	4	-	(1)	1,720	1,723
Disposals	(6)	-	(54)	-	(5)	-	(65)
Transfers	161	4	666	-	683	(1,517)	(3)
Depreciation expense	(431)	(167)	(1,520)	(41)	(884)	-	(3,043)
Foreign Exchange	59	-	38	4	132	2	235
Balance at 31 March 2018	**1,881**	**1,271**	**7,234**	**144**	**5,101**	**536**	**16,167**
Cost	5,276	1,877	22,041	428	25,784	536	55,942
Accumulated depreciation & impairment	(3,395)	(606)	(14,807)	(284)	(20,683)	-	(39,775)
Net carrying amount	**1,881**	**1,271**	**7,234**	**144**	**5,101**	**536**	**16,167**
Balance at 1 April 2018	**1,881**	**1,271**	**7,234**	**144**	**5,101**	**536**	**16,167**
Additions	141	-	270	-	24	322	757
Disposals	-	-	(4)	-	-	(13)	(17)
Transfers	55	-	456	1	186	(698)	-
Depreciation expense	(406)	(147)	(1,267)	(32)	(852)	-	(2,704)
Foreign exchange	11	-	60	(7)	411	12	487
Balance at 31 March 2019	**1,682**	**1,124**	**6,749**	**106**	**4,870**	**159**	**14,690**
Cost	5,484	1,881	22,858	451	27,280	159	58,113
Accumulated depreciation & impairment	(3,802)	(757)	(16,109)	(345)	(22,410)	-	(43,423)
Net carrying amount	**1,682**	**1,124**	**6,749**	**106**	**4,870**	**159**	**14,690**

Impairment testing was performed at 31 March 2019 and no impairment has been recognised (2018: $Nil). Refer to Note 19 for further details on the impairment testing undertaken.

Note 18 Intangible Assets and Goodwill

	2019 $000	**2018 $000**
Goodwill		
Opening balance	-	12,558
Foreign exchange differences	-	452
Impairment	-	(13,010)
Closing balance	-	-
Development costs		
Opening balance	579	851
Additions	35	-
Amortisation	(272)	(272)
Closing balance	342	579
Total Intangible Assets	**342**	**579**

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 an eleven 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.

Note 19 Impairment Testing

(i) Description of the cash generating units and impairment methodology

Property, plant & equipment (PPE) and Goodwill has been allocated to and is tested at the level of the cash generating units ("CGU") to which it relates. The recoverable amount of CGUs has been determined using a value in use or fair value less costs of disposal methodology as follows:

CGU	2019 Methodology	2018 Methodology
Asset Integrity	Value in use	Value in use
Engineering	Value in use	Value in use
Diving	Value in use	Value in use
Stabilisation	Value in use	Value in use
Survey	Value in use	Value in use
ROV	Fair value less cost of disposal	Fair value less cost of disposal
MAT	Fair value less cost of disposal	Fair value less cost of disposal

(ii) Value in use methodology

The recoverable amount of the CGU has been determined using cash flow projections from the FY20 financial budget approved by the Board. Post FY20, the long term growth rate applicable to each CGU has been used to extrapolate the cash flows beyond the one year period. This long term growth rate is an average of 2.3% (2018: 2.1%) for the various jurisdiction and takes into consideration industry outlook and market conditions.

The post-tax, risk adjusted discount rates applied to CGU's specific cash flows in a value in use calculation are:

	2019	2018
Asset Integrity	10.53%	11.34%
Engineering	10.59%	11.15%
Diving	10.53%	11.34%
Stabilisation	11.45%	11.73%
Survey	10.65%	11.41%
ROV	NA	NA
MAT	NA	NA

The carrying amount of goodwill allocated to each CGU (prior to any impairment) was as per below:

	Consolidated Group	
Carrying amount of goodwill (pre impairment)	**2019 $000**	**2018 $000**
Asset Integrity	-	3,000
Engineering	-	4,035
Diving	-	5,975
	-	13,010

Note 19 Impairment Testing (continued)

Key assumptions used in value in use calculations for the cash generating units which are the most sensitive are detailed below:

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

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.

(iii) Fair value less cost of disposal methodology

For 2019, the ROV and MAT CGUs have been tested for impairment using the fair value less cost of disposal methodology.

To calculate the recoverable amount for each CGU, the fair value of the assets held by these CGUs was determined with reference to comparable recent sales data from reputable independent sources taking into account (amongst other things) the age, capabilities and condition of the assets. The fair value would be categorised as Level 2 of the fair value hierarchy. The key assumption which this valuations would be most sensitive to would be a change in market conditions within the Oil and Gas sector.

Based on the impairment testing undertaken using the fair value less cost of disposal, there was no impairment required for 31 March 2019 (2018: $Nil).

Note 20 Other Current Assets

	Consolidated Group	
	2019	**2018**
	$000	**$000**
Prepayments	838	801
Deposits	140	132
	978	933

Note 21 Trade and Other Payables

	Consolidated Group	
	2019	**2018**
CURRENT	**$000**	**$000**
Unsecured liabilities		
Trade payables	9,160	4,032
Sundry payables and accrued expenses	10,415	5,671
Deferred rent	86	81
Deferred revenue	2,110	341
	21,771	10,125
NON-CURRENT		
Deferred rent	207	248
	207	248

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 22 Interest-bearing Loans and Borrowings

	Consolidated Group	
	2019	2018
CURRENT	$000	$000
Loan from MTQ Corporation Limited	2,037	-
Microsoft and Telstra financing	58	203
Equipment financing	67	-
Other	11	-
	2,173	203
NON-CURRENT		
Microsoft and Telstra financing	32	32
Equipment financing	134	
Other	14	-
	180	32
Total	2,353	235

Loan from MTQ Corporation Limited is denominated in Australian Dollars and bears interest of 3.15% above the Singapore Interbank Offered Rate (SIBOR). The loan is unsecured and is due on 8 November 2019. However, it is not expected to be recalled within twelve months from the date of signing of the 2019 annual report.

A reconciliation of liabilities from financing activities is as follows:

	1 April 2018	Cash flows	New leases	Other changes	31 March 2019
	$000	$000	$000	$000	$000
Loan from MTQ Corporation Limited	-	2,000	-	37	2,037
Current obligation under finance leases	203	(168)	77	24	136
Non-current obligation under finance leases	32	-	149	(1)	180
Total liabilities from financing activities	**235**	**1,832**	**226**	**60**	**2,353**

	1 April 2017	Cash flows	New leases	Other changes	31 March 2018
	$000	$000	$000	$000	$000
Current obligation under finance leases	309	(309)	-	203	203
Non-current obligation under finance leases	465	(230)	-	(203)	32
Total liabilities from financing activities	**774**	**(539)**	**-**	**-**	**235**

Other changes include non-cash movements and interest payments which are presented as operating cash flows in the statement of cash flows.

(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 of 1.75% to 16.94% (2018: 1.75%) depending on the type of borrowing.

(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

During the year, the Group renewed its ANZ Banking Facility. The key terms of this facility are:

- Interchangeable Limit of $3 million between two Standby Letter of Credit or Guarantee Facilities - limit of $3 million applies of which $2.135 million is utilised at 31 March 2019 (2018: $2.269 million)
- Credit Card Facility of $0.075 million of which $0.034 million is utilised at 31 March 2019 (2018: $0.034 million)
- Annual review on 31 October of each year
- Term deposit of $2.210 million is held as security for the facility

Note 23 Provision for employee benefits

	Consolidated Group	
	2019	2018
CURRENT	$000	$000
Provision for Annual Leave	652	636
Provision for Long Service Leave	699	792
Total	1,351	1,428

	Consolidated Group	
	2019	2018
NON-CURRENT	$000	$000
Provision for Long Service Leave	146	85
Total	146	85

(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 24 Contributed Equity

	Consolidated Group	
	2019	2018
	$000	$000
61,441,291 (2018: 61,441,291) fully paid ordinary shares	273,540	273,540

(a) Ordinary Shares	Consolidated Group	
	No.	$000
At 1 April 2017	61,441,291	273,540
Movements during the current period	-	-
At 31 March 2018	61,441,291	273,540
At 1 April 2018	61,441,291	273,540
Movements during the current period	-	-
At 31 March 2019	61,441,291	273,540

(b) Options

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

(c) Capital Management

For the purpose of the Group's capital management, capital includes ordinary shares and all other equity reserves attributable to the equity holders of the parent.

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 24 Contributed Equity (continued)

(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 2019 and 31 March 2018 are as follows:

		Consolidated Group	
		2019	2018
	Note	$000	$000
Total borrowings	22	2,353	235
Less: cash and cash equivalents	13	(12,830)	(6,134)
Net surplus		(10,477)	(5,899)
Total equity		26,163	28,558
Total capital		15,686	22,659
Gearing ratio		(67)%	(26)%

Note 25 Reserves

	Consolidated Group	
	2019	2018
Reserves	$000	$000
Foreign currency translation reserve	(20,336)	(21,107)
Employee equity benefits reserve	6,127	6,127
Hedge reserve	89	151
	(14,120)	(14,829)
Movements:		
Foreign currency translation reserve		
Opening balance	(21,107)	(22,063)
Currency translation difference arising during the period	771	956
Balance at period end	(20,336)	(21,107)
Employee equity benefits reserve		
Opening balance	6,127	6,127
Balance at period end	6,127	6,127
Hedge reserve		
Opening balance	151	211
Reclassification to income statement	(151)	(60)
Currency forward contract	89	-
Balance at period end	89	151

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

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

Hedge reserve
The hedge reserve is used to record gains and losses on hedging of the Group's exposure to the risk associated with highly probable forecast transactions denominated in foreign currencies.

Note 26 Commitments

(a) Finance Lease Commitments	Consolidated Group 2019	2018
Payable — minimum lease payments	$000	$000
— not later than 12 months	149	215
— between 12 months and 5 years	194	32
Minimum lease payments	343	247
Less future finance charges	(30)	(12)
Present value of minimum lease payments	313	235

The finance leases relate to software and equipment financing and will be settled within 5 years. There are no restrictions placed upon the lessee by entering into these leases.

(b) Operating Lease Commitments	Consolidated Group 2019	2018
	$000	$000
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable — minimum lease payments		
— not later than 12 months	2,218	2,272
— between 12 months and 5 years	6,210	5,912
— more than 5 years	1,523	2,298
Minimum lease payments	9,951	10,482

All operating leases of the Group relate to the leasing of premises. All leases are payable monthly or quarterly. These leases have an average life of between one and six years. There are no restrictions placed upon the lessee by entering into these leases.

(c) Capital Expenditure Commitments

The Group had contractual obligations to purchase plant and equipment for $44,489 (2018: $176,025) at balance date. Commitments are in relation to Diving equipment in Australia. These commitments are expected to be settled within 12 months of balance sheet date.

Note 27 Contingencies

Guarantees

The Group has provided the following guarantees to clients, some of which are for satisfactory contract performance:

	2019	2018
	$000	$000
— Guarantees related to satisfactory contract performance	603	737
— Guarantees related to property leases	1,532	1,532
	2,135	2,269

Refer to Note 22(c) for further details on the key terms associated with Neptune's ANZ banking facilities.

Note 28 Cash Flow Information

		2019	2018
(a)	**Reconciliation of net loss after tax to net cash flows from operations**	**$000**	**$000**
	Loss after income tax	(3,104)	(29,989)
	Cash flows excluded from loss attributable to operating activities:		
	Non-cash flows in loss		
	Depreciation / amortisation	2,977	3,317
	Goodwill impairment	-	13,010
	Net loss / (profit) on disposal of plant and equipment	2	(58)
	Finance costs	37	-
	Share based payment expense	-	(19)
	Foreign exchange gain	(52)	(37)
	Other non-cash movements	(97)	(598)
	Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
	(Increase) / decrease in trade and other receivables	(6,454)	7,904
	(Increase) / decrease in other current assets	(8)	306
	Decrease / (increase) in inventories	538	(420)
	(Increase) / decrease in deferred tax assets and liabilities	(75)	5,817
	Increase / (decrease) in trade and other payables	9,691	(3,579)
	Increase / (decrease) in income taxes payable	260	(83)
	Increase in provisions	1,665	233
	Cash flow from / (used in) operations	5,380	(4,196)

(b)	**Bank Facilities**		
	ANZ Banking Facility	3,075	10,300
	Bank Guarantees on Issue	(2,135)	(2,269)
	Credit Card Facility	(34)	(34)
	Facility Available	906	7,997

Refer to Note 22(c) for further details on the key terms associated with Neptune's ANZ banking facilities.

Refer to Note 27 for further details on Bank Guarantees on issue.

Note 29 Related Party Disclosures

(a) Subsidiaries

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

	Country of Incorporation	Percentage owned (%)* 2019	2018
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%	100%
Neptune Underwater Services (USA) LLC	United States of America	100%	100%
Neptune Delaware Holdings Inc.	United States of America	100%	100%
Neptune Subsea Inc.	United States of America	100%	100%
Neptune Scotland Holdings Ltd	United Kingdom	100%	100%
Neptune Offshore Services 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 29 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 and the balances for the relevant financial year.

2019	Sales to related parties	Purchases from related parties	Interest on loan from related parties	Amounts owed by related parties	Amounts owed to related parties
	$000	$000	$000	$000	$000
Entities with significant influence over the Group*:					
MTQ Corporation	-	286	37	-	2,281
Binder Group Pty Ltd	590	-	-	398	-
Premier Estate Pte Ltd	-	228	-	-	220
Premier Sea & Land Pte Ltd	-	18	-	-	15
MTQ Oilfield Services WLL	50	121	-	28	22
MTQ Engineering Pte Ltd	23	-	-	-	-
Total	663	653	37	426	2,538

2018	Sales to related parties	Purchases from related parties	Interest on loan from related parties	Amounts owed by related parties	Amounts owed to related parties
	$000	$000	$000	$000	$000
Entities with significant influence over the Group*:					
MTQ Corporation	-	386	-	905	143
Binder Group Pty Ltd	850	10	-	138	-
Premier Estate Pte Ltd	-	98	-	-	18
Premier Sea & Land Pte Ltd	-	37	-	-	5
MTQ Oilfield Services WLL	83	286	-	49	291
MTQ Engineering Pte Ltd	9	247	-	-	262
Total	942	1,064	-	1,092	719

*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 (including Directors)

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

	2019	2018
	$000	$000
Short-term employee benefits	910	1,313
Post-employment benefits	73	108
Share-based payments	-	(13)
Total compensation paid to key management personnel	983	1,408

(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 30 Share-Based Payments

The following share-based payment arrangements existed at 31 March 2019:

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.

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

	Consolidated Group*			
	2019		2018	
	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
Forfeited during the period	-	-	-	-
Exercised during the period	-	-	-	-
Expired during the period	-	-	(100,000)	15.00
Outstanding at the end of the period	-	-	-	-
Exercisable at the end of the period	-	-	-	-

The options outstanding at 31 March 2017 expired on 29 May 2017. No options were granted during the current 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.

Note 30 Share-Based Payments (continued)

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 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, 2017 and 2018 MTQ share plan, no shares were awarded.

Note 31 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

Note 32 Subsequent Events

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

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

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

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 2019, the consolidated income statement, 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 2019 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.

Building a better working world

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.

Impairment of non-current assets

Why significant	How our audit addressed the key audit matter
As disclosed in Notes 17 to the financial statements, the Group had property, plant and equipment of $14.7 million at 31 March 2019. The impairment of non-current assets was considered a key audit matter as 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 19.	Our audit procedures included the following: ▸ We evaluated the Group's future cash flow forecasts included in the impairment model and assessed the underlying assumptions, methodologies and conclusions reached by the Group, in particular, those relating to the determination of cash generating units ("CGUs"), forecast cash flows and inputs used to formulate them. ▸ We involved our valuation specialists in assessing the discount rates and growth rates with reference to market data (where available), external research, and historical performance. ▸ We considered the Board of Directors meeting 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. ▸ We performed sensitivity analyses to ascertain the extent changes in key assumptions could lead to alternative conclusions. ▸ We tested the mathematical accuracy of the impairment models. ▸ We assessed the adequacy of the related disclosures in the notes to the financial report.

Building a better working world

Recoverability of trade and other receivables

Why significant	How our audit addressed the key audit matter
As disclosed in Note 14 to the financial statements, the Group had $16.6 million trade and other receivables as at 31 March 2019, against which a $2.3 million allowance for expected credit losses has been recognised. This was considered a key audit matter as the assessment of likelihood of recoverability of trade and other receivables and the related allowance for expected credit losses is judgmental.	Our audit procedures included the following: ▸ For a sample of trade receivables we obtained external confirmation of the balance owed or examined supporting documents that evidenced collection of the receivable after the year end. ▸ We evaluated management's assessment of the recoverability of trade and other receivables. ▸ We evaluated the allowance for expected credit losses and whether aged amounts that are past due have been appropriately provided for. ▸ The adequacy of the related disclosures in the notes to the financial report was also assessed.

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 2019 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, with the exception of the Remuneration Report and our related assurance opinion.

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 8 to 14 of the directors' report for the year ended 31 March 2019.

In our opinion, the Remuneration Report of Neptune Marine Services Limited for the year ended 31 March 2019, 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

T G Dachs
Partner
Perth
28 June 2019

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	768	249,383	0.41
1,001 - 5,000	273	644,469	1.05
5,001 -10,000	50	368,462	0.60
10,001 – 100,000	41	1,118,791	1.82
100,001 – 9,999,999,999	10	59,060,186	96.12
Rounding			
Total	1,142	61,441,291	100

Unmarketable Parcels	Minimum Parcel Size	Holders	Units
Minimum $500.00 parcel at $0.25 per unit	**2000**	**902**	**442,682**

b) The name of the substantial shareholder listed in the holding Company's register as at 24 June 2019 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 24 June 2019:

	Shareholder	No. Shares	% Held
1.	BLOSSOMVALE INVESTMENTS PTE LTD <BLOSSOMVALE NMS GO A/C>	53,525,826	87.12
2.	CITICORP NOMINEES PTY LIMITED	4,373,693	7.12
3.	MR DAVID COLIN HUSBAND + MS NINA DONS LANDSNES	239,567	0.39
4.	NOEL KENNEDY SMITH	180,000	0.29
5.	MR BERNARD MELVILLE KENT <EST JEAN MOIRA KENT A/C>	172,687	0.28
6.	ROSS LANGDON DIVETT + LINDA ALISON DIVETT	160,695	0.26
7.	MR GARY LESTER HANIKERI	148,334	0.24
8.	MERRILL LYNCH AUSTRALIA NOMINEES	133,334	0.22
9.	LYNETTE SUSAN PRESTON	126,050	0.21
10.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	71,562	0.12
11.	BUZPASS PTY LTD	70,000	0.11
12.	MRS LEANNE BLAKE + MR TREVOR ROY BLAKE <BLAKEFT SUPER FUND A/C>	69,497	0.11
13.	MRS ALISON JUDITH MCGREGOR + MR STEPHEN PAUL LACE	65,000	0.11
14.	J MCCARTHY & CO PTY LTD	56,734	0.09
15.	BNP PARIBAS NOMS PTY LTD <UOB KAY HIAN PRIV LTD DRP>	54,078	0.09
16.	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	41,895	0.07
17.	MR CZESLAW CZAPLA + MR ZDZISLAW CZAPLA	40,000	0.07
18.	HARDRESS PTY LTD <THE HARDRESS SUPER FUND A/C>	40,000	0.07
19.	MRS JENNIFER SUE KRUGER	36,800	0.06
20.	DAVID JOHN MICHAEL HART	33,334	0.05
Top 20 holders of ORDINARY FULLY PAID SHARES		**59,639,086**	**97.07**