NEPTUNE MARINE SERVICES LIMITED AND CONTROLLED ENTITIES

ABN: 76 105 665 843

Financial Report
For The Year Ended
31 March 2016

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31 March 2016

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CORPORATE INFORMATION

Directors
Mr Boon Wee Kuah
Chairman

Mr Peter Wallace
Non-Executive Director

Mr Dominic Siu
Non-Executive Director

Mr Robin King
Executive Director

Company Secretary
Mr Ian Hobson

Registered Office
Neptune Marine Services Limited
404 Orrong Road
Welshpool Western Australia 6106

Principal Place of Business
Neptune Marine Services Limited
404 Orrong Road
Welshpool Western Australia 6106

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

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

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

ASX Code
NMS

CHIEF EXECUTIVE OFFICER'S REPORT

This year has been largely characterised by the challenging market conditions and our financial results are a reflection of this tough environment. Despite this, I am pleased to report we finished the year in a solid financial position and operational activity was steady across our service lines.

Achievements include:

- The award and commencement of a five year inspection, maintenance and repair (IMR) contract for Oil Search Limited, covering their assets within Papua New Guinea.
- Commencement of operations at our new facility in Western Australia, which houses all Perth based service lines.
- The permanent placement of one of our remotely operated vehicles (ROVs) on-board Gardline's MV Kommander vessel.
- The award of a repair project utilising our dry underwater welding technology (NEPSYS®) for a new client in South East Asia.
- The award of a Master Services Agreement (MSA) by Chevron Australia for facilities maintenance on Barrow Island.
- Ongoing works with McDermott on the Inpex operated Ichthys field, for a number of service lines.

Subsequent to year end, we signed a 12 month charter for the *Offshore Guardian*, a 34 metre DP1 survey, diving and ROV shallow water vessel which will provide our clients with a fully integrated Neptune vessel and IMR solution. In addition to this charter, we will also continue to work closely with our other vessel partners where larger or alternative vessels are required to provide integrated solutions.

KEY CLIENTS AND SUSTAINABILITY

During 2016, we continued to work closely with a number of our existing clients including Quadrant Energy, McDermott and Inpex. In addition to this, we also secured new contracts with some other major oil and gas operators including, Oil Search Chevron and Esso. In the UK, our Engineering service line was awarded an extension of an existing framework agreement with BP. The success of this relationship and the demand for our proven technical engineering capabilities is driving the expansion of this service line into new geographical areas in 2017.

A key focus for the year was maintaining sustainable revenue streams and establishing solid foundations for future growth. We achieved this through a continued focus on our established core capabilities, an expansion of our regional footprint and the development of our products and services.

HEALTH AND SAFETY

We maintained our consistent health and safety performance throughout 2016, with three of our businesses achieving six years without a Lost Time Injury (LTI). Across the group we celebrated 1310 days LTI free at the date of this report. As always, health and safety will remain a core focus in 2017. We will continue the rollout of our Behavioural Based Safety (BBS) system globally during the year, along with other programs aimed at maintaining and improving our safety performance.

OUTLOOK

The conditions of the global oil and gas industry look set to continue to provide challenges to both operators and service providers in 2017 and beyond. Regardless of this, we will continue to seek out opportunities to expand our global footprint, develop our service capability and pursue appropriate strategic partners to work with. There still remains significant opportunities available in the market and we will continue pursuing such work aggressively, whilst always taking a balanced view with regards to risk.

I do however, remain cautious of the year ahead and will continue working closely with our global leadership team to focus on coordinated business development and customer management, key strategic opportunities for growth, cost efficiencies and the continued overall financial strength of the Group.

In closing, I would like to personally thank the entire Neptune team for their continued support and ongoing commitment to Neptune in what are very difficult market conditions.

Robin King

Chief Executive Officer
Dated this 29 day of June 2016

DIRECTORS' REPORT

Your Directors present their report on the Company and its controlled entities (the Group) for the financial year ended 31 March 2016.

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

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

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

INFORMATION ON DIRECTORS

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 Dominic Siu	**Non-Executive Director**
Qualifications	Mr Siu graduated with a Bachelor of Civil and Structural Engineering (Honours) degree and is a Chartered Accountant qualified in the UK.
Experience	Mr Siu is the Group CFO of MTQ Corporation Limited. He is an experienced senior finance manager and has held senior finance positions in Greater China and South East Asia regions.
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 Dominic Siu (*)	-	-
Mr Peter Wallace	-	-
Mr Robin King	-	-

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

	Ordinary Shares	Options over Ordinary Shares
Mr Boon Wee Kuah (*)	4,522,322	-
Mr Dominic Siu (*)	346,821	-
Robin King	82,398	-

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

DIVIDENDS PAID OR PROPOSED

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

PRINCIPAL ACTIVITIES

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

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

OPERATING AND FINANCIAL REVIEW

REVIEW OF OPERATIONS

Neptune reported a net loss after tax of $7.092 million for the financial year ending 31 March 2016, this included an after tax $6.620 million ($6.919 million before tax) write down of the Group ROV assets. Annual revenue of $118.604 million was down compare to the previous year, due to challenging market conditions which impacted Neptune's second half performance.

The Group recorded a positive operating cash flow during the year of $3.788 million, ending with $14.165 million in cash and minimal interest bearing debt of $0.085 million at year end.

The challenging market conditions which continued in the global oil and gas industry had a significant impact on the Company's financial results, with delays to non-essential projects and client reductions on capital expenditure common across each of the Company's operating regions.

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

- Write down of the Group's Remoted Operated Vehicles (ROV) assets as mentioned above;
- Relocation expenses and asset write offs associated with the relocation into the combined facility in Western Australia;
- Costs associated with headcount reduction; and
- Various items of equipment being subject to insurance claims, resulting in asset write offs and the subsequent receipt of insurance proceeds.

OFFSHORE SERVICES

The Offshore Services division reported revenues totalling $91.980 million for the twelve month period ended 31 March 2016.

The Offshore Services division was awarded a five year offshore diving and subsea inspection contract by Oil Search in Papua New Guinea. The contract commenced in April 2015 and works are expected to provide ongoing revenue into the coming financial period and beyond. To date, the Company's Diving, Survey, Engineering and Asset Integrity service lines have all been involved.

The Survey service line was awarded and subsequently successfully completed its first Autonomous Underwater Vehicle (AUV) contract for Woodside on the North West Shelf. As a new capability for Neptune, the delivery of AUV services will be a key target moving forward. In addition to this, the service line continued operations on two long term contracts awarded in 2015.

The Diving service line was awarded a Master Services Agreement (MSA) from Chevron Australia for facilities maintenance on Barrow Island. Two initial scopes of work commenced under the contract and this marked Neptune's fifth continuous year of work on the island.

The Stabilisation service line delivered an upbeat performance in both Australia and South East Asia, highlighted by continued works on the Inpex operated Ichthys oil and gas field, numerous contracts in South East Asia and an increase in work in the Middle East.

The ROV service line in South East Asia had moderate improvements in the utilisation of ROVs across their fleet, however, globally utilisation rates were slightly down on the previous period and the final quarter was the hardest hit. In the UK, the service line formalised an agreement with Gardline Marine Sciences for the permanent installation of one of Neptune's ROV's on-board the Gardline vessel, MV Kommander.

The Asset Integrity service line was awarded a three year MSA for the provision of ongoing maintenance and repair services for a key client, operating within the Joint Development Petroleum Area (JDPA). The business had previously held a similar contract with the client.

Other operational highlights included:

- The award of a geophysical and light geotechnical survey contract by Shell Australia for works on the Crux oil field;
- The completion of a saturation diving manning contract for Technip Australia to assist with spool installation;
- Continued works with Quadrant Energy including air diving services, grouting and freespan correction; and
- Further awarded works for Asset Integrity in Darwin on the Ichthys construction site.

ENGINEERING SERVICES

The Engineering Services division reported revenues of $26.501 million for the period ended 31 March 2016.

In the UK, the Engineering service line was awarded an extension to an ongoing engineering framework agreement with BP. This followed the delivery of further wellhead bracing systems to BP during the period and an order for an eighth unit. Furthermore, the success with which the Engineering and Manufacturing, Assembly and Testing (MAT) businesses have continued to deliver their bespoke technical solutions is driving a proposed expansion of the Engineering service line into new geographical areas.

The NEPSYS® team undertook preparatory works for two international projects. One of which entered the offshore phase at year end with works continuing into the new financial year.

The Manufacturing, Testing and Assembly business was awarded a contract for 22 subsea tree frames by a UK client for a major project in Australia.

The Australian Engineering service line continued to provide engineering and technical support to the Australian based businesses including the extensive support of all NEPSYS® activities.

Other operational highlights included:

- The performance of NDT services internally in MAT rather than outsourcing to external third parties, as a part of a cost saving initiative; and
- Further design, manufacturing, testing and assembly works on BP's Quad 204 project in the North Sea.

OPERATING RESULTS

The consolidated net loss after tax for the Group for the year ended 31 March 2016 was $7.092 million (year ended 31 March 2015: $2.820 million profit).

FINANCIAL POSITION

The net assets of the consolidated Group have decreased by $11.810 million to $72.799 million at 31 March 2016 ($84.609 million as at 31 March 2015). Included within net assets is an amount of $13.111 million (2015: $13.255 million) relating to goodwill. Net tangible assets were $58.551 million compared to $69.862 million at 31 March 2015.

Debt Position

As at 31 March 2016, the Company had interest bearing debts of $0.115 million (2015: $0.326 million) which consists of equipment leasing, hire purchase commitments and other finance leases. Interest-bearing debt as a percentage of equity was 0.12% (2015: 0.38%).

Cash and Liquidity

As at 31 March 2016, cash and cash equivalents was $14.165 million (2015: $17.594 million). At 31 March 2016, the working capital position was $33.648 million (31 March 2015: $33.137 million). This equates to a current ratio (current assets / current liabilities) of 2.8 (2015: 2.4).

Goodwill Impairment

No impairment was recognised during the year ended 31 March 2016.

Significant Changes in State of Affairs

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

Events After the Reporting Period

Subsequent to year end, Neptune signed a 12-month vessel charter for the *MV Offshore Guardian*. Neptune expects to take delivery of the vessel in late July 2016 and the agreement includes various extension options.

Future Development, Prospects and Business Strategy

Neptune will focus on key areas of business improvement, managing its cost base and targeting new areas for growth as the challenging climate of the global oil and gas industry continues into FY 2017. Key strategies for achieving this include:

- Greater coordination of integrated business development and improved key customer management;
- Continued focus on cost management and cost efficiencies;
- Key focus on geographical expansion within identified growth regions;
- Continue with partnering approach for key opportunities;
- Emphasis on marketing technical capabilities and niche services; and
- Continued development of Behavioural Based Safety through the group to enhance health and safety performance.

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 2016 outlines the remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 (The Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

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

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

Governance

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

Diversity at Neptune Marine Services

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

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

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

Remuneration Philosophy and Policy

(i) Non-Executive Director remuneration

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

The amount of aggregate remuneration sought to be approved by shareholders and the fee structure is reviewed regularly against fees paid to Non-Executive Directors (NEDs) of comparable companies. The Board considers advice from external consultants when undertaking the review process. As there was no increase in fees in 2016, 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 2016, including superannuation and committee fees, was $303,075.

(ii) Executive remuneration

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

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

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

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

Key Management Personnel are also remunerated based on achievement of short and long term objectives considered important to the success of the Company. All remuneration paid to key Executives is valued at the cost to the Company and is expensed. Where relevant, shares allocated to key Executives are valued as the difference between the market price of those shares and the amount paid by the Executives.

Remuneration Structure

(i) Non-Executive Directors

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

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

(ii) Executive

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

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:

<u>*Fixed Element*</u>

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

<u>*At Risk Element*</u>

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

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

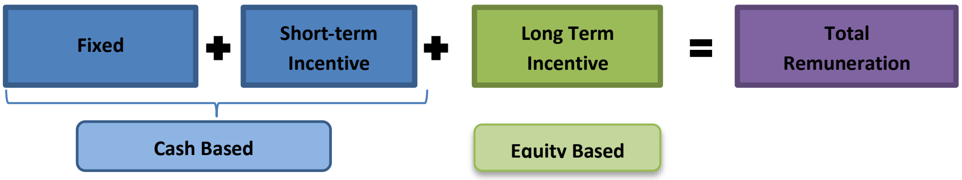
The employment conditions of the Chief Executive Officer, Robin King and other key Executives are formalised in contracts of employment. The contracts for service between the Company and Executives are on a continuing, permanent basis. Upon retirement, Executives are paid employee benefit entitlements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

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

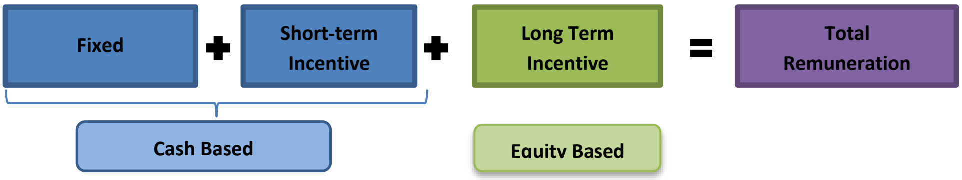
Total Remuneration Components

For FY 16 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.

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

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

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

MTQ Share Plan

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

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

For the 2014 and 2015 MTQ share plan that has been awarded, the monetary value has been determined by the Remuneration Committee after assessing whether the performance targets have been satisfied. For the 2016 MTQ share plan value that has been yet to be awarded, the monetary value has been estimated based on 60% of the maximum award size

The targets set for the Performance Year 2015/2016 (from 1 April 2015 to 31 March 2016) are:

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

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

Chief Executive Officer Service Agreement – Mr Robin King

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

The CEO's current cash salary at the date of this report is $552,879 per annum with an additional $40,000 per annum car allowance. The Remuneration Committee determines the proportion of fixed and variable compensation for each Key Management Personnel.

Employment Contracts

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

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

Company Performance and the Link to Remuneration

(i) Short Term Incentive (STI)

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

(ii) Long Term Incentive (LTI)

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

Remuneration Outcomes

The remuneration received by KMP and NEDS during the 2016 financial period is summarised in the below table.

	Short-Term Benefits				Post-Employment Benefits	Share-Based Payment	Total	Proportion of Remuneration Based on Performance %
2016	**Cash, Salary & Fees $**	**Bonus $**	**Non - Cash Benefit[1] $**	**Other[2] $**	**Superannuation $**	**LTI Plan $**	**$**	
Directors								
Mr Boon Wee Kuah	140,000[3]	-	-	-	-	-	140,000	0%
Mr Dominic Siu	70,000[3]	-	-	-	-	-	70,000	0%
Mr Peter Wallace	85,000	-	-	-	8,075	-	93,075	0%
Mr Robin King	552,879	29,529[4]	1,097	40,000	77,689	19,988	721,182	7%
	847,879	29,529	1,097	40,000	85,764	19,988	1,024,257	
Key Management Personnel (KMP)								
Mr Vincent Allegre	407,460	10,226[4]	1,097	30,000	49,378	7,383	505,594	4%
Mrs Ashley Muirhead	212,800	17,265[4]	1,097	25,000	26,602	2,261	285,025	5%
	620,260	27,491	2,194	55,000	75,980	9,644	790,619	
	1,468,139	**57,020**	**3,291**	**95,000**	**161,744**	**29,632**	**1,814,876**	

1 Car park benefits for the year ended 31 March 2016.

2 Other includes vehicle allowances.

3 Fees are paid to Blossomvale Investments Pte Ltd

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

	Short-Term Benefits				Post-Employment Benefits	Share-Based Payment	Total	Proportion of Remuneration Based on Performance %
2015	**Cash, Salary & Fees $**	**Cash Bonus $**	**Non - Cash Benefit[5] $**	**Other[6] $**	**Superannuation $**	**LTI Plan $**	**$**	
Directors								
Mr Boon Wee Kuah	140,000[7]	-	-	-	-	-	140,000	0%
Mr Dominic Siu	70,000[7]	-	-	-	-	-	70,000	0%
Mr Peter Wallace	85,000	-	-	-	8,022	-	93,022	0%
Mr Robin King	562,250	230,281[8]	11,203	40,000	93,893	389,138	1,326,765	47%
	857,250	230,281	11,203	40,000	101,915	389,138	1,629,787	
Key Management Personnel (KMP)								
Mr Vincent Allegre	411,752	84,856[8]	11,203	30,000	54,965	89,586	682,362	26%
Mrs Ashley Muirhead[9]	201,152	31,516[8]	10,391	25,000	24,645	4,984	297,688	12%
	612,904	116,372	21,594	55,000	79,610	94,570	980,050	
	1,470,154	**346,653**	**32,797**	**95,000**	**181,525**	**483,708**	**2,609,837**	

5 Car park benefits for the year ended 31 March 2015
6 Other includes vehicle allowances.
7 Fees are paid to Blossomvale Investments Pte Ltd
8 Represents a 12 month accrual based on full year entitlements. The accrued amounts are subject to final approval, with outcomes based on the success in meeting Key Performance Indicators (KPI's).
9 There has been no change in the Company's CFO position between the periods.

Shareholdings of KMP

The relevant interest of each KMP in the shares and options issued by the Company as at 31 March 2016 is as follows:

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

Options Granted as Part of Remuneration for the year Ended 31 March 2016

In 2016, 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 2016.

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 2016.

END OF AUDITED REMUNERATION REPORT

MEETING OF DIRECTORS

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

	Directors' Meetings		Audit & Governance Committee Meetings	
	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended
Directors' Names				
Mr Boon Wee Kuah	5	5	-	-
Mr Peter Wallace	5	5	2	2
Mr Dominic Siu	5	5	2	2
Mr Robin King	5	5	-	-

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

Indemnification and Insurance of Directors and Officers

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

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

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

Indemnification of auditors

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

Options

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

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

All options entitle the holder to one ordinary share.

Proceedings on Behalf of Company

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

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

Employee Details

Details of the number of employees in the Consolidated Group as at 31 March 2016 are set out below:

	2016 No.	2015 No.
Number of employees[10]	429	425

[10] Full time employees account for 221 (2015: 294), with the balance made up of part time and casual employees.

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	40,000
Special audits as required by jurisdictional regulators	12,500
	52,500

Auditor Independence Declaration

The lead auditor's independence declaration for the year ended 31 March 2016 has been received and can be found on page 18 of the Directors' Report.

Rounding of Amounts

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

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

Boon Wee Kuah
Chairman

Dated this 29 day of June 2016

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 2016 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 2016.

Boon Wee Kuah
Chairman

Dated this 29 day of June 2016

AUDITORS INDEPENDENCE DECLARATION

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 Neptune Marine Services Limited for the financial year ended 31 March 2016, I declare to the best of my knowledge and belief, there have been:

a. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the 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

Ernst & Young

T G Dachs
Partner
29 June 2016

TD:VH:NEPTUNE:024 N

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2016

	Note	Consolidated 2016 $000	Consolidated 2015 $000
Revenue	6(a)	118,481	135,415
Other revenue	6(a)	123	112
Total revenue		118,604	135,527
Cost of sales and services rendered		(89,351)	(95,314)
Gross profit		**29,253**	**40,213**
Other income	6(b)	2,591	13
Marketing expenses		(475)	(456)
Occupancy expenses		(4,503)	(4,697)
Corporate, shared services and board expenses	7(d)	(3,878)	(4,898)
Business operating expenses	7(e)	(22,190)	(24,823)
Technical expenses		(266)	(255)
Finance costs	7(a)	(248)	(253)
Fixed Asset Impairment		(6,919)	-
Other expenses	7(f)	(1,798)	(671)
Profit or (loss) from continuing operations before income tax		**(8,433)**	**4,173**
Income tax expense	8(a)	1,341	(1,353)
Net profit or (loss) for the period		**(7,092)**	**2,820**
Earnings per share			
Basic earnings (loss) per share	11	(0.115)	0.046
Diluted earnings (loss) per share	11	(0.115)	0.045

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 2016

		Consolidated	
		2016	**2015**
		$000	**$000**
Net (loss)/profit for the period		(7,092)	2,820
Other comprehensive income			
Items in other comprehensive income that may be recycled subsequently through profit and loss			
Foreign currency translation	24	(101)	4,097
Net loss on cash flow hedge	24	298	(73)
		197	**4,024**
Total comprehensive (loss)/profit for the period attributable to members of the parent		**(6,895)**	**6,844**

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 2016

		Consolidated	
		31 March 2016	31 March 2015
	Note	$000	$000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	12	14,165	17,594
Trade and other receivables	13	26,476	26,081
Inventories	14	901	802
Other current assets	19	10,618	11,670
TOTAL CURRENT ASSETS		52,160	56,147
NON-CURRENT ASSETS			
Trade and other receivables	15	20	374
Property, plant and equipment	17	20,072	33,140
Deferred tax assets	8	6,166	4,836
Intangible assets and goodwill	18	14,248	14,747
TOTAL NON-CURRENT ASSETS		40,506	53,097
TOTAL ASSETS		92,666	109,244
CURRENT LIABILITIES			
Trade and other payables	20	14,194	17,582
Current tax liability	8	3,078	3,396
Interest bearing loans and borrowings	21	70	239
Derivative financial instruments		-	115
Provisions	22	1,170	1,678
TOTAL CURRENT LIABILITIES		18,512	23,010
NON-CURRENT LIABILITIES			
Trade and other payables	20	447	135
Interest bearing loans and borrowings	21	15	87
Deferred tax liabilities	8	224	818
Provisions	22	669	585
TOTAL NON-CURRENT LIABILITIES		1,355	1,625
TOTAL LIABILITIES		19,867	24,635
NET ASSETS		72,799	84,609
EQUITY			
Contributed equity	23	273,540	273,540
Reserves	24	(13,722)	(13,919)
Accumulated losses		(187,019)	(175,012)
TOTAL EQUITY		72,799	84,609

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 2016

Consolidated	Ordinary Shares	Retained Earnings /(Accumulated Losses)	Foreign Currency Translation Reserve	Employee Equity Benefits Reserve	Hedge Reserve	Total
	$000	$000	$000	$000	$000	$000
Balance at 1 April 2014	273,804	(177,832)	(24,240)	6,560	170	78,462
Profit for the period	-	2,820	-	-	-	2,820
Other comprehensive income	-	-	4,097	-	(73)	4,024
Total comprehensive income for the period	-	2,820	4,097	-	(73)	6,844
Transactions with owners in their capacity as owners						
Share buyback during the period	(264)	-	-	-	-	(264)
Cost of share based payments	-	-	-	86	-	86
Cash settlement of retention rights	-	-	-	(519)	-	(519)
Sub-total	(264)	2,820	4,097	(433)	(73)	6,147
Balance at 31 March 2015	273,540	(175,012)	(20,143)	6,127	97	84,609
Balance at 1 April 2015	273,540	(175,012)	(20,143)	6,127	97	84,609
Profit (loss) for the period	-	(7,092)	-	-	-	(7,092)
Other comprehensive income	-	-	(101)	-	298	197
Total comprehensive income /(loss) for the period	-	(7,092)	(101)	-	298	(6,895)
Transactions with owners in their capacity as owners						
Dividend paid	-	(4,915)	-	-	-	(4,915)
Sub-total	-	(12,007)	(101)	-	298	(11,810)
Balance at 31 March 2016	273,540	(187,019)	(20,244)	6,127	395	72,799

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 2016

		Consolidated	
		31 March 2016	**31 March 2015**
	Note	**$000**	**$000**
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		122,446	135,181
Interest received		123	112
Payments to suppliers and employees		(117,792)	(121,209)
Interest paid		(248)	(253)
Income tax paid		(741)	(1,510)
Net cash flows derived from operating activities	27(a)	3,788	12,321
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		3,028	-
Purchase of property, plant and equipment		(4,985)	(9,092)
Purchase of intangible assets		-	(99)
Net cash flows used in investing activities		(1,957)	(9,191)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends Paid		(4,915)	-
Repayment of borrowings		(240)	(248)
Payment for cancelled retention/performance rights		-	(562)
Share buyback		-	(264)
Receipt/(payment) of deposits		126	2,247
Net cash flows derived from/ (used in) financing activities		(5,029)	1,173
Net increase in cash and cash equivalents held		(3,198)	4,303
Cash and cash equivalents at beginning of financial period		17,594	11,955
Net foreign exchange difference		(231)	1,336
Cash and cash equivalents at end of financial period	12	14,165	17,594

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

NOTES TO THE FINANCIAL STATEMENTS

Note 1 Corporate Information

The financial report of the Neptune Marine Services Limited (the Group) for the year ended 31 March 2016 and was authorised for issue in accordance with a resolution of the Director's on 29 June 2016.

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

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

Note 2 Summary of Significant Accounting Policies

(a) Basis of Preparation

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

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

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

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

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

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

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

Reference	Title	Application date of standard	Application date for Group
AASB 2013-9	*Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments* The Standard contains three main parts and makes amendments to a number of Standards and Interpretations. Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1. Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards. Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 *Hedge Accounting* into AASB 9 *Financial Instruments*.	1 January 2015	1 April 2015

Note 2 Summary of Significant Accounting Policies (continued)

(c) New Accounting Standards and Interpretations (continued)

Reference	Title	Application date of standard	Application date for Group
AASB 2014-1 Part A -Annual Improvements 2010–2012 Cycle	AASB 2014-1 Part A: This standard sets out amendments to Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards (IFRSs) *Annual Improvements to IFRSs 2010–2012 Cycle* and *Annual Improvements to IFRSs 2011–2013 Cycle.* Annual Improvements to IFRSs 2010–2012 Cycle addresses the following items: ► AASB 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'. ► AASB 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to AASB 137. ► AASB 8 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segment assets to the entity's total assets. ► AASB 116 & AASB 138 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts. ► AASB 124 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of AASB 124 *Related Party Disclosures* for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.	1 July 2014	1 April 2015
AASB 2014-1 Part A -Annual Improvements 2011–2013 Cycle	Annual Improvements to IFRSs 2011–2013 Cycle addresses the following items: ► AASB 13 - Clarifies that the portfolio exception in paragraph 52 of AASB 13 applies to all contracts within the scope of AASB 139 or AASB 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132. ► AASB 140 - Clarifies that judgment is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of AASB 3 that includes an investment property. That judgment is based on guidance in AASB 3.	1 July 2014	1 April 2015
Amendments to AASB 1053 – Transition to and between Tiers, and related Tier 2 Disclosure Requirements [AASB 1053]	The Standard makes amendments to AASB 1053 Application of Tiers of Australian Accounting Standards to: • Clarify that AASB 1053 relates only to general purpose financial statements. • Make AASB 1053 consistent with the availability of the AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* option in AASB 1 *First-time Adoption of Australian Accounting Standards*. • Clarify certain circumstances in which an entity applying Tier 2 reporting requirements can apply the AASB 108 option in AASB 1; permit an entity applying Tier 2 reporting requirements for the first time to do so directly using the requirements in AASB 108 (rather that applying AASB 1) when, and only when, the entity had not applied, or only selectively applied, applicable recognition and measurement requirements in its most recent previous annual special purpose financial statements. Specify certain disclosure requirements when an entity resumes the application of Tier 2 reporting requirements.	1 July 2014	1 April 2015

Note 2 Summary of Significant Accounting Policies (continued)

(c) New Accounting Standards and Interpretations (continued)

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

Standards early adopted

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

Standards issued but not yet effective

Reference	Title	Summary	Application date of standard	Impact on Group Financial Report	Application date for Group
AASB 9	*Financial Instruments*	AASB 9 (December 2014) is a new standard which replaces AASB 139. This new version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early adoption. The own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments. Classification and measurement AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. There are also some changes made in relation to financial liabilities. The main changes are described below. ***Financial assets*** a. Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. ***Financial liabilities*** Changes introduced by AASB 9 in respect of financial liabilities are limited to the measurement of liabilities designated at fair value through profit or loss (FVPL) using the fair value option. Where the fair value option is used for financial liabilities, the change in fair value is to be accounted for as follows: d. The change attributable to changes in credit risk are presented in other comprehensive income (OCI) e. The remaining change is presented in profit or loss f. AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains or losses attributable to changes in the entity's own credit risk would be recognised in OCI. These amounts recognised in OCI are not recycled to profit or loss if the liability is ever purchased at a discount.	1 January 2018	The Group is yet to assess the impact.	1 April 2018

Note 2 Summary of Significant Accounting Policies (continued)

(c) New Accounting Standards and Interpretations (continued)

Reference	Title	Summary	Application date of standard	Impact on the Group Financial Report	Application date for Group
		Impairment The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. **Hedge accounting** Amendments to AASB 9 (December 2009 & 2010 editions and AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E. AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in Dec 2014. AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015 and applies to annual reporting periods beginning on after 1 January 2015.			
AASB 2014-3	Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]	AASB 2014-3 amends AASB 11 *Joint Arrangements* to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The amendments require: (a) the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in AASB 3 *Business Combinations*, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11 (b) the acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations This Standard also makes an editorial correction to AASB 11.	1 January 2016	The Group has determined the likely impact on the Groups financial statements will be immaterial.	1 April 2016
AASB 2014-4	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)	AASB 116 *Property Plant and Equipment* and AASB 138 *Intangible Assets* both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.	1 January 2016	The Group has determined the likely impact on the Groups financial statements will be immaterial.	1 April 2016

Note 2 Summary of Significant Accounting Policies (continued)

(c) New Accounting Standards and Interpretations (continued)

Reference	Title	Summary	Application date of standard	Impact on the Group Financial Report	Application date for Group
AASB 15	Revenue from Contracts with Customers	AASB 15 *Revenue from Contracts with Customers* replaces the existing revenue recognition standards AASB 111 *Construction Contracts*, AASB 118 *Revenue* and related Interpretations (Interpretation *13 Customer Loyalty Programmes*, Interpretation 15 *Agreements for the Construction of Real Estate,* Interpretation 18 *Transfers of Assets from Customers*, Interpretation 131 *Revenue—Barter Transactions Involving Advertising Services* and Interpretation 1042 *Subscriber Acquisition Costs in the Telecommunications Industry*). AASB 15 incorporates the requirements of IFRS 15 *Revenue from Contracts with Customers* issued by the International Accounting Standards Board (IASB) and developed jointly with the US Financial Accounting Standards Board (FASB). AASB 15 specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting standards such as leases or financial instruments).The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps: (a) Step 1: Identify the contract(s) with a customer (b) Step 2: Identify the performance obligations in the contract (c) Step 3: Determine the transaction price (d) Step 4: Allocate the transaction price to the performance obligations in the contract (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation AASB 2015-8 amended the AASB 15 effective date so it is now effective for annual reporting periods commencing on or after 1 January 2018. Early application is permitted. AASB 2014-5 incorporates the consequential amendments to a number Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15.	1 January 2018	The Group is yet to assess the impact.	1 April 2018
AASB 1057	Application of Australian Accounting Standards	This Standard lists the application paragraphs for each other Standard (and Interpretation), grouped where they are the same. Accordingly, paragraphs 5 and 22 respectively specify the application paragraphs for Standards and Interpretations in general. Differing application paragraphs are set out for individual Standards and Interpretations or grouped where possible. The application paragraphs do not affect requirements in other Standards that specify that certain paragraphs apply only to certain types of entities.	1 January 2016	The Group has determined the likely impact on the Groups financial statements will be immaterial.	1 April 2016

Note 2 Summary of Significant Accounting Policies (continued)

(c) New Accounting Standards and Interpretations (continued)

Reference	Title	Summary	Application date of standard	Impact on the Group Financial Report	Application date for Group
AASB 2014-9	Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements	AASB 2014-9 amends AASB 127 *Separate Financial Statements*, and consequentially amends AASB 1 *First-time Adoption of Australian Accounting Standards* and AASB 128 *Investments in Associates and Joint Ventures*, to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements. AASB 2014-9 also makes editorial corrections to AASB 127. AASB 2014-9 applies to annual reporting periods beginning on or after 1 January 2016. Early adoption permitted.	1 January 2016	The Group has determined the likely impact on the Groups financial statements will be immaterial.	1 April 2016
AASB 2014-10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	AASB 2014-10 amends AASB 10 C*onsolidated Financial Statements* and AASB 128 to address an inconsistency between the requirements in AASB 10 and those in AASB 128 (August 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require: (a) a full gain or loss to be recognised when a transaction involves a business (whether it is housed in a subsidiary or not) (b) a partial gain or loss to be recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. AASB 2014-10 also makes an editorial correction to AASB 10. AASB 2015-10 defers the mandatory effective date (application date) of AASB 2014-10 so that the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2016.	1 January 2018	The Group has determined the likely impact on the Groups financial statements will be immaterial.	1 April 2018
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle	The subjects of the principal amendments to the Standards are set out below: AASB 5 *Non-current Assets Held for Sale and Discontinued Operations:* • Changes in methods of disposal – where an entity reclassifies an asset (or disposal group) directly from being held for distribution to being held for sale (or visa versa), an entity shall not follow the guidance in paragraphs 27–29 to account for this change. AASB 7 *Financial Instruments: Disclosures:* • Servicing contracts - clarifies how an entity should apply the guidance in paragraph 42C of AASB 7 to a servicing contract to decide whether a servicing contract is 'continuing involvement' for the purposes of applying the disclosure requirements in paragraphs 42E–42H of AASB 7. • Applicability of the amendments to AASB 7 to condensed interim financial statements - clarify that the additional disclosure required by the • amendments to AASB 7 *Disclosure–Offsetting Financial Assets and Financial Liabilities* is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with AASB 134 *Interim Financial Reporting* when its inclusion would be required by the requirements of AASB 134.	1 January 2016	The Group has determined the likely impact on the Groups financial statements will be immaterial.	1 April 2016

Note 2 Summary of Significant Accounting Policies (continued)

(c) New Accounting Standards and Interpretations (continued)

Reference	Title	Summary	Application date of standard	Impact on the Group Financial Report	Application date for Group
		AASB 119 *Employee Benefits*: • Discount rate: regional market issue - clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. Further it clarifies that the depth of the market for high quality corporate bonds should be assessed at the currency level. AASB 134 *Interim Financial Reporting:* Disclosure of information 'elsewhere in the interim financial report' - amends AASB 134 to clarify the meaning of disclosure of information 'elsewhere in the interim financial report' and to require the inclusion of a cross-reference from the interim financial statements to the location of this information.			
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	The Standard makes amendments to AASB 101 *Presentation of Financial Statements* arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.	1 January 2016	The Group has determined the likely impact on the Groups financial statements will be immaterial.	1 April 2016
AASB 2015-3	Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 *Materiality*	The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.	1 July 2015	The Group has determined the likely impact on the Groups financial statements will be immaterial.	1 April 2016
AASB 2015-4	Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent	The amendment aligns the relief available in AASB 10 *Consolidated Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* in respect of the financial reporting requirements for Australian groups with a foreign parent.	1 July 2015	The Group has determined the likely impact on the Groups financial statements will be immaterial.	1 April 2016
AASB 2015-5	Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception	This makes amendments to AASB 10, AASB 12 *Disclosure of Interests in Other Entities* and AASB 128 arising from the IASB's narrow scope amendments associated with Investment Entities.	1 January 2016	The Group has determined the likely impact on the Groups financial statements will be immaterial.	1 April 2016
AASB 2015-9	Amendments to Australian Accounting Standards – Scope and Application Paragraphs [AASB 8, AASB 133 & AASB 1057]	This Standard inserts scope paragraphs into AASB 8 and AASB 133 in place of application paragraph text in AASB 1057. This is to correct inadvertent removal of these paragraphs during editorial changes made in August 2015. There is no change to the requirements or the applicability of AASB 8 and AASB 133.	1 January 2016	The Group has determined the likely impact on the Groups financial statements will be immaterial.	1 April 2016

Note 2 Summary of Significant Accounting Policies (continued)

(c) New Accounting Standards and Interpretations (continued)

Reference	**Title**	**Summary**	**Application date of standard**	**Impact on the Group Financial Report**	**Application date for Group**
AASB 16	Leases	The key features of AASB 16 are as follows: **Lessor accounting** • AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. • AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk. AASB 16 supersedes: (a) AASB 117 Leases; (b) Interpretation 4 Determining whether an Arrangement contains a Lease; (c) SIC-15 Operating Leases—Incentives; and (d) SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, AASB 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as AASB 16.	1 January 2019	The Group is yet to assess the impact.	1 April 2019
2016-1	Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]	This Standard amends AASB 112 *Income Taxes* (July 2004) and AASB 112 *Income Taxes* (August 2015) to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.	1 January 2017	The Group has determined the likely impact on the Groups financial statements will be immaterial.	1 April 2017
2016-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	This Standard amends AASB 107 *Statement of Cash Flows* (August 2015) to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.	1 January 2017	The Group has determined the likely impact on the Groups financial statements will be immaterial.	1 April 2017

Note 2 Summary of Significant Accounting Policies (continued)

(d) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group [as outlined in note 28(a)] for the financial year ended 31 March 2016 in the current year and prior year ended 31 March 2015.

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

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

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

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

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

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

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

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

If the Group loses control over a subsidiary, it:

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

(e) Business Combinations

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

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

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

Note 2 Summary of Significant Accounting Policies (continued)

(e) Business Combinations (continued)

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

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

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

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

(f) Goodwill

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

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

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

(g) Foreign Currency Translation

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

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

Australia	AUD
Asia and Middle East	USD
United Kingdom	GBP

(i) *Transactions and balances*

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

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

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

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

(ii) *Group companies*

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

Note 2 Summary of Significant Accounting Policies (continued)

(h) Revenue Recognition

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

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

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

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

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

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

(i) Operating Segments

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

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

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

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

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

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

(j) Government Grants

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

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

(k) Income Tax and Other Taxes

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

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

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.

Note 2 Summary of Significant Accounting Policies (continued)

(k) Income Tax and Other Taxes (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 2 Summary of Significant Accounting Policies (continued)

(l) Property, Plant and Equipment

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

Plant and equipment

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

Depreciation

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

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

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

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

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

(m) Changes in Estimates

During the financial year, the Group conducted an operational efficiency review on its fleet of remotely operated underwater vehicles (ROV). The Group revised the estimated depreciation rate of the ROVs by applying an estimated useful life of 6 years (previously 6-10 years) and revising the residual values of the ROV fleet. The revision in estimate was applied on a prospective basis from 1 July 2015. The effect of the above revision on depreciation charge in current period to 2018 is as shown below. The effect beyond 2018 is insignificant.

	2016	2017	2018
Increase in depreciation expense	455,875	14,955	7,897

(n) Leases

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

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

(i) Group as a lessee

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

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

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

(o) 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

Note 2 Summary of Significant Accounting Policies (continued)

(o) Intangible Assets (continued)

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.

(p) Financial Instruments – Initial Recognition and Subsequent Measurement

i) Financial assets

Initial recognition and Measurement

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

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

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

Subsequent measurement

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

Loans and receivables

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

Derecognition

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

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

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

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

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

ii) Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

Note 2 Summary of Significant Accounting Policies (continued)

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

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

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

iii) Financial liabilities

Initial Recognition and measurement

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

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

Subsequent measurement

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

Loans and borrowings

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

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

Derecognition

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

(q) 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.

(r) Impairment of Non-Financial Assets

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

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

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

Note 2 Summary of Significant Accounting Policies (continued)

(s) Impairment of Non-Financial Assets (continued)

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

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

The following assets have specific characteristics for impairment testing:

Goodwill

Goodwill is tested for impairment annually (as at 31 March) and when circumstances indicate that the carrying value may be impaired.
Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets

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

(t) 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.

(u) Provisions

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

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

Wages, salaries, annual leave and non-monetary benefits

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

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

Long service leave

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

(v) Share-Based Payment Transactions

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

Equity-settled transactions

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

Note 2 Summary of Significant Accounting Policies (continued)

(v) Share-Based Payment Transactions (continued)

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 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 17.

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 (2015: $nil). The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives including a sensitivity analysis are discussed in note 18.

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

Share-based payment transactions

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

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 related assumptions are detailed in note 29. The accounting estimates and assumptions relating to cash-settled share-based payments would have impact on the carrying amount of liability and related expense within the next annual reporting period.

Estimation of useful lives of assets

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

Depreciation charges are included in note 17.

Note 4 Financial Risk Management

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

Risk Exposures and Responses

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

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

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

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

The Group holds the following financial instruments:	Consolidated	
	2016	2015
	$000	$000
Financial Assets		
Cash and cash equivalents	14,165	17,594
Trade and other receivables	26,212	26,455
Derivative financial instruments	283	-
Total	40,660	44,049
Financial Liabilities		
Trade and other payables	14,193	17,717
Derivative financial instruments	-	115
Interest bearing loans and borrowings	85	326
Total	14,278	18,158

Note 4 Financial Risk Management (continued)

Risk Exposures and Responses (continued)

(i) Interest Rate Risk

Cash and cash equivalents

The Group held its cash reserves on deposit and in cheque accounts during the period, which earned interest at rates ranging between 0% and 3% (2014: 0% and 3%) depending on account balances. Other than cash and other short term deposits, all the Group's financial assets are non-interest bearing.

Interest bearing liabilities

Interest bearing liabilities are comprised of hire purchase agreements of $70,000 (2015: $119,000) and other finance arrangements of $85,000 (2015: $207,000). Other than the hire purchase agreements and other finance arrangements, all the Group's financial liabilities are non-interest bearing.

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

	Average Interest Rate	Consolidated 2016 $000
Financial Assets		
Cash and cash equivalents		14,165
Financial liabilities		
Hire Purchase agreements	13.5%	(70)
Other finance arrangements *	0.22%	(85)
		14,010

* Other finance arrangements include Microsoft Office financing.

	Average Interest Rate	2015 $000
Financial Assets		
Cash and cash equivalents		17,594
Financial Liabilities		
Hire Purchase agreements	13.50%	(119)
Other finance arrangements	0.22%	(207)
		17,268

* Other finance arrangements include Microsoft Office funding.

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

As at 31 March 2016, 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 $152,696 higher/lower (2015: $121,000). This would be a result of higher/lower interest revenue on deposits and higher/lower interest expense on borrowings.

(ii) Foreign Currency Risk

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

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

The financial instruments exposed to movements in the GBP are:	Consolidated 2016 $000	2015 $000
Cash and cash equivalents	20	1
Trade and other payables	(165)	(28)
Net exposure	(145)	(27)

Note 4 Financial Risk Management (continued)

Foreign Currency Risk (continued)

	Consolidated	
The financial instruments exposed to movements in the USD are:	**$000**	**$000**
Cash and cash equivalents	1,533	227
Trade and other receivables	2,505	1,935
Trade and other payables	(1,517)	(153)
Net exposure	2,521	2,009

As at 31 March 2016, the post-tax profit of the consolidated entity would change by the following amounts as a result of movements in different exchange rates:

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

As at 31 March 2015, the post-tax profit of the consolidated entity would change by the following amounts as a result of movements in different exchange rates:

- if the AUD had strengthened/weakened by 10% against the GBP, post-tax profit for the period would have been $1,856 lower/higher.
- if the AUD had strengthened/weakened by 10% against the USD, post-tax profit for the period would have been $102,786 lower/higher.

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	14,157	192	493	-	14,842
United States Dollars	1,221	54	5,783	49	7,107
Great British Pounds	1,786	14	109	241	2,150

	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	14,157	192	493	-	14,842
United States Dollars	1,323	59	6,265	64	7,711
Great British Pounds	3,217	25	197	453	3,892
	18,697	276	6,955	517	26,445

(iii) Credit Risk

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

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

(iv) Liquidity Risk

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

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

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

Note 4 Financial Risk Management (continued)

Financial Instruments

The table below reflects the timing of repayments of recognised financial liabilities at 31 March 2016. As such, the amounts may not reconcile to the balance sheet.

	Within Year $000		1 to 5 y ears $000		Total $000	
	2016	2015	2016	2015	2016	2015
Financial Liabilities:						
Trade and sundry payables	14,194	17,582	447	135	14,641	17,717
Lease liabilities and other	70	239	15	87	85	326
Total Financial Liabilities	14,264	17,821	462	222	14,726	18,043

Fair value hierarchy

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

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

The Group recognizes transfers between the levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no transfers between Level 1, Level 2 or Level 3 fair value measurements during the year ended 31 March 2016.

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

Note 5 Operating Segments

Identification of Reportable Segments

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

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

Types of Products and Services

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

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

Offshore Services

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

Engineering Services

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

Accounting Policies and Inter-Segment Transactions

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

Inter-entity sales

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

Note 5 Operating Segments (continued)

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

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

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

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

Major Customers
The Group has a number of customers to which it provides its services. Approximately 20% or $24,877,274 (2015: 20% or $26,830,753) arose from the sale to the Group's two largest customers. These revenues were included in the offshore division segment. No other single customer contributed 10% or more to the Group's revenue for both 2016 and 2015.

The following table presents revenue and profit information for reportable segments for the year ended 31 March 2016 and 31 March 2015.

	Continuing Operations					
	Engineering		Offshore Services		Total	
	2016	2015	2016	2015	2016	2015
	$000	$000	$000	$000	$000	$000
Revenue						
Sales to external customers	26,501	43,420	91,980	91,995	118,481	135,415
Intersegment sales	11,248	15,749	24,630	13,784	35,878	29,533
Other revenue	8	10	115	102	122	112
Total sales revenue	37,757	59,179	116,725	105,881	154,482	165,060
Internal sales elimination					(35,878)	(29,533)
Total revenue per the income statement					118,604	135,527
Result						
Segment result before impairments, asset write downs and items below:	1,671	5,876	5,447	8,719	7,118	14,595
Fixed Asset Impairment	-	-	(6,919)	-	(6,919)	-
Segment results after impairment and before items below:	1,671	5,876	(1,472)	8,719	199	14,595
Reconciliation of segment net profit before tax to net profit before tax						
Finance costs					(248)	(253)
Unallocated Corporate, shared services and Board expenses					(7,549)	(9,285)
Technical expenses					(46)	(255)
Share-based payments					(266)	(511)
Foreign exchange loss					(523)	(118)
Net profit/(loss) from continuing operations before tax per the income statement					(8,433)	4,173

Note 5 Operating Segments (continued)

	Continuing Operations					
	Engineering		Offshore Services		Total	
	2016	2015	2016	2015	2016	2015
Segment assets	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Segment operating assets	13,924	22,427	59,465	68,726	73,389	91,153
Goodwill	4,270	4,270	8,841	8,985	13,111	13,255
Segment assets	18,194	26,697	68,306	77,711	86,500	104,408

	2016	2015
Reconciliation of segment assets to the statement of financial position		
Deferred tax assets	6,166	4,836
Total assets from continuing operations per the statement of financial position	92,666	109,244

Entity Wide Information

Revenue from external customers by geographical locations is detailed below:

	Segment Revenues from External Customers		Carrying Amount of Total Assets	
	2016 $000	2015 $000	2016 $000	2015 $000
Australia - country of domicile	72,700	79,232	50,195	53,544
Asia and Middle East	18,587	9,922	12,574	14,702
United Kingdom	27,194	46,261	29,897	40,998
	118,481	135,415	92,666	109,244

Note 6 Revenue & Other Income

	Consolidated Group	
	2016	2015
	$000	$000
a) Revenue		
— Rendering of services revenue from operating activities	118,481	135,415
— Other revenue - interest received	123	112
Total Revenue	118,604	135,527
b) Other Income		
— Insurance proceeds	2,510	13
— Other income	81	-
Total Other Income	2,591	13

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

Note 7 Expenses

	Consolidated Group	
	2016	2015
a) Finance costs:	$000	$000
— Interest to unrelated parties	248	253
Total finance costs	248	253
b) Depreciation, impairment (excluding goodwill) and amortisation:		
(i) Included in cost of sales		
— Depreciation	5,853	4,965

Note 7 Expenses (continued)

	(ii) Included in administrative expenses		
	— Depreciation	892	706
	— Amortisation	354	267
	Total	1,246	973
	Total depreciation and amortisation	7,099	5,938
c)	Employee benefit expenses:		
	i) Included in Cost of Sales		
	— salaries and wages	33,286	32,640
	— superannuation	2,187	2,276
	— other	2,250	2,219
	Total	37,723	37,135
	ii) Included in Administrative Expenses		
	— salaries and wages	14,143	15,524
	— superannuation	1,084	1,147
	— employee entitlements	(259)	580
	— share based payments	46	511
	— other	2,549	2,592
	Total	17,563	20,354
	Total Employee benefit expenses	55,286	57,489
d)	Corporate, shared service and Board expenses		
	— Administrative costs	1,108	1,048
	— Personnel expenses	2,483	3,527
	— Depreciation expense	287	323
	Total	3,878	4,898
e)	Business operating expenses		
	— Administrative costs	5,512	6,311
	— Personnel expenses	15,080	16,828
	— Depreciation expense	723	416
	— Other	875	1,269
		22,190	24,823
f)	Other expenses		
	— Loss on sale of property, plant and equipment	1,273	553
	— Other	525	118
		1,798	671
g)	Other items included in the income statement		
	— Bad and doubtful debts	1,273	25
	— Repairs and maintenance	523	235
		1,796	260

Note 8 Income Tax

		Consolidated Group	
(a)	**Income Tax Expense**	**2016 $000**	**2015 $000**
	The major components of income tax expense are:		
	Current income tax		
	Current income tax charge	573	3,340
	Adjustments in respect of current income tax or previous years	(16)	(17)
	Deferred tax		
	Relating to origination and reversal of temporary differences	(1,898)	(1,970)
	Income tax expense reported in the statement of comprehensive income	(1,341)	1,353
(b)	**Amounts charged or credited directly to equity**		
	Current income tax relating to items charged (credited) directly to equity		
	Foreign exchange	(123)	-
	Deferred income tax relating to items charged (credited) directly to equity	-	-
	Income tax expense reported in equity	(123)	-
(c)	**Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per statutory income tax rate**		
	Accounting profit before tax	(8,433)	4,173
	Total accounting profit before tax	(8,433)	4,173
	At Parent Entity's statutory income tax rate of 30% (2015: 30%)	(2,530)	1,252
	Adjustments in respect of prior years	(503)	(252)
	Foreign tax rate adjustment	157	(1,205)
	Deferred tax not recognised	1,245	276
	Withholding tax in non-Australian jurisdictions	101	2,153
	Share based payments	(13)	(64)
	Other	202	(807)
	Aggregate income tax expense	(1,341)	1,353

Note 8 Income Tax (continued)

	2016 $000 Current Tax	2016 $000 Deferred Tax	2015 $000 Current Tax	2015 $000 Deferred Tax
(d) Recognised deferred tax assets and liabilities				
Opening Balance	(3,396)	4,018	(975)	2,102
Charged to income statement	(557)	1,899	(3,323)	1,970
Charged to equity	123	-	-	-
Payments / receipts	741	-	1,510	-
Other Adjustment	11	25	(608)	(54)
Closing balance	**(3,078)**	**5,942**	**(3,396)**	**4,018**
Amounts recognised in the statement of financial position:				
Deferred tax asset		6,166		4,836
Deferred tax liability		(224)		(818)
		5,942		**4,018**

	Statement of financial position 2016 $000	Statement of financial position 2015 $000
Deferred tax at 31 March relates to the following:		
(i) Deferred tax liabilities		
Property, Plant and Equipment	1,019	1,729
Prepayments	3	2
Foreign Exchange	103	299
Other	342	341
Gross deferred tax liabilities	1,467	2,371
Set off of deferred tax assets	1,243	1,553
Net deferred tax liabilities	224	818
(ii) Deferred tax assets		
Provisions	546	650
Foreign Exchange	64	66
Accruals	368	738
Transaction costs on equity issue	54	106
Unused tax losses	6,355	4,808
Other	21	21
Gross deferred tax assets	7,408	6,389
Set off of deferred tax assets	1,242	1,553
Net deferred tax assets	6,166	4,836

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

(e) Tax losses

	2016 $000	2015 $000
Gross unused tax losses for which no deferred tax asset has been recognised:		
Australia	78,894	78,894
United Kingdom	13,053	10,700
US	29,841	29,982
Singapore	18,516	20,284
Qatar	695	693
Malaysia	316	287
Total unused tax losses for which no deferred tax asset has been recognised	141,315	140,840

No deferred tax assets have been recognised in respect of these losses as there is no tax planning opportunities or other evidence of recoverability in the near future. If the Group were able to recognise all unrecognised deferred tax assets, the profit would increase by $39.676 million.

Note 8 Income Tax (continued)

(f) Unrecognised temporary differences

At 31 March 2016, 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 (2015: $Nil).

(g) Tax consolidation

(i) Members of the tax Consolidated Group and the tax sharing arrangement

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

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

Measurement method adopted under AASB Interpretation 1052 Tax Consolidation Accounting

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

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

Nature of tax funding agreement

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

Tax consolidation contributions / (distributions)

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

	2016 $000	2015 $000
Total (decrease) to tax payable of Neptune Marine Services Ltd	(532)	(1,643)
Total (decrease) to intercompany assets of Neptune Marine Services Ltd	(532)	(1,643)

(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 2016 (2015: $Nil).

Note 9 Auditors' Remuneration

	Consolidated Group 2016 $	 2015 $
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	156,000	170,000
— Other services in relation to the entity and any other entity in the Consolidated Group		
— Tax compliance	40,000	35,000
— Special audits required by regulators	12,500	12,500
	208,500	217,500
Amounts received or due and receivable by related practices of Ernst & Young firm for:		
— Audit services provided by overseas Ernst & Young firm	211,261	187,594
— Tax services provided by overseas Ernst & Young firm	-	30,116
	211,261	217,710
	419,761	435,210
Amounts received or due and receivable by non-Ernst & Young audit firms for:		
— Taxation services	5,191	62,626
— Other non-audit services	-	12,660
	5,191	75,286

Note 10 Dividends

	Consolidated Group	
	2016	2015
	$000	$000
Cash dividends on ordinary shares declared and paid		
Interim dividend for 2016: 8 cents per share (2015: nil)	4,915	-
Final dividend for year end 2016	-	-
	4,915	-

Franking credit balance
The amount of franking credits available for subsequent financial year are:

Franking account balance as at end of the financial year at 30%	7,250	9,357

Note 11 Earnings Per Share

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

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

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

		Consolidated Group	
(a)	Earnings used in calculating earnings per share	2016	2015
For basic (loss)/profit earnings per share		$000	$000
Net (loss)/profit attributable to ordinary equity holder of the parent		(7,092)	2,820
For diluted (loss)/profit earnings per share			
Net (loss)/profit attributable to ordinary equity holders of parent		(7,092)	2,820

		No. Thousands	No. Thousands
(b)	Weighted average number of ordinary shares outstanding during the period used in calculating basic EPS	61,441	61,627
	Dilutive effect of options & retention rights	100	133
	Weighted average number of ordinary shares outstanding during the period used in calculating dilutive EPS	61,541	61,760

Note 12 Cash and cash equivalents

	Consolidated Group	
	2016	2015
	$000	$000
Cash at bank and in hand	12,471	14,856
Deposits	1,694	2,738
	14,165	17,594

Note 13 Current Assets - Trade and Other Receivables

	Consolidated Group 2016 $000	2015 $000
Trade receivables	26,446	26,842
Allowance for impairment loss	(516)	(853)
	25,930	25,989
Other receivables	546	92
	26,476	26,081

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

(a) Allowance for Impairment Loss

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

Movements in the provision for impairment loss were as follows:	2016 $000	2015 $000
Opening balance	853	816
Charge/(reversal) for the period	(235)	25
Foreign exchange differences	(102)	12
Closing balance	516	853

(b) Ageing of Receivables as at 31 March 2016

	Total $000	0-30 days $000	31-60 days $000	61-90 days $000	91+ days $000	91+ days CI* $000
2016	26,446	10,088	8,609	276	6,957	516
2015	26,842	11,888	7,781	1,660	4,660	853

* Considered impaired (CI)

(c) Related Party Receivables

There are no trade receivables from related parties at 31 March 2016 (31 March 2015: nil). For further details in relation to related parties transactions, refer to note 28.

(d) Fair Value

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

(e) Foreign Exchange Risk

Details regarding foreign exchange exposure are disclosed in note 4.

Note 14 Current Assets – Inventories

	Consolidated Group 2016 $000	2015 $000
Work in progress (at cost)	238	81
Finished goods (at cost)	663	721
Total inventories	901	802

Inventories recognised as an expense for the year ended 31 March 2016 totalled $4,784,739 (2015:6,514,257) for the Group. This expense has been included in the cost of sales line item as a cost of inventories.

Note 15 Non-Current Assets – Trade and Other Receivables

	Consolidated Group	
	2016	2015
	$000	$000
Deposits for Security deposit (a)	20	268
Deposits for Bank Guarantee (a)	-	106
	20	374

(a) Deposits and Guarantees

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

(b) Related Party Receivables

There are no non-current related party receivables.

(c) Fair Values

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

(d) Interest Rate Risk

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

Note 16 Information relating to Neptune Marine Services Ltd

	2016	2015
	$000	$000
Current assets	52,160	46,255
Total assets	92,666	134,777
Current liabilities	(18,512)	(78,009)
Total liabilities	(19,867)	(101,005)
Issued capital	(273,540)	(273,540)
Retained earnings	234,646	234,646
Translation Reserve	11,472	11,346
Hedge Reserve	(395)	(97)
Option Reserves	(6,127)	(6,127)
	33,944	33,772
Profit/(Loss) for the parent entity before impairment	13,265	(4,471)
Profit/(Loss) for the parent entity after impairment	13,265	(4,471)
Total comprehensive income of the parent entity	13,265	(4,471)

Finance Lease Commitments

Payable — minimum lease payments		
— not later than 12 months	91	165
— between 12 months and 5 years	-	27
Minimum lease payments	91	192
Less future finance charges	(6)	(1)
Present value of minimum lease payments	85	191

Operating Lease Commitments

Payable — minimum lease payments		
— not later than 12 months	2,521	1,594
— between 12 months and 5 years	7,980	6,000
— more than 5 years	4,774	4,774
Minimum lease payments	15,275	12,368

Note 16 Information relating to Neptune Marine Services Ltd (Continued)

Financial Guarantees

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

- Lease guarantees with ANZ for the leased properties of Neptune Marine Services (2016:1,532,300; 2015: $394,164). This lease expires on 31 March 2025.
- Lease guarantee with ANZ Bank for the development of Neptune Marine Services Orrong road property (2016: $1,532,300; 2015: $1,532,300). This lease expires on 31 July 2025.
- No guarantees in relation to the contract performance are outstanding as at 31 March 2016 (2015: Nil).

Contingent Liabilities

The parent entity had no contingent liabilities at 31 March 2016 (2015: $Nil).

Tax Consolidated Group

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

Note 17 Property, Plant and Equipment

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

Consolidated Group:	Office Furniture, Equipment & Software $000	Leasehold Improvements $000	Plant and Equipment $000	Leased Vehicle $000	ROV's & Vessels $000	Construction in Progress $000	Total $000
Balance at 1 April 2014	**1,406**	**680**	**10,176**	**224**	**10,660**	**5,939**	29,085
Additions	370	10	4,441	159	746	3,366	9,092
Disposals	(17)	-	(80)	(9)	(579)	(61)	(746)
Transfers	305	-	5,275	-	157	(5,737)	-
Transfer to intangible assets	-	-	(109)	-	-	-	(109)
Depreciation expense	(486)	(168)	(3,085)	(52)	(1,880)	-	(5,671)
Foreign exchange	14	5	72	-	1,370	28	1,489
Balance at 31 March 2015	**1,592**	**527**	**16,690**	**322**	**10,474**	**3,535**	**33,140**
Cost	4,245	1,880	27,837	547	25,595	3,535	63,639
Accumulated depreciation & impairment	(2,653)	(1,353)	(11,147)	(225)	(15,121)	-	(30,499)
Net carrying amount	**1,592**	**527**	**16,690**	**322**	**10,474**	**3,535**	**33,140**
Balance at 1 April 2015	**1,592**	**527**	**16,690**	**322**	**10,474**	**3,535**	**33,140**
Additions	105	-	423	12	207	4,237	4,984
Disposals	(192)	(443)	(2,855)	(14)	(679)	(137)	(4,320)
Transfers	1,093	1,769	(1,627)	-	5,763	(6,998)	-
Transfer to intangible assets							
Depreciation expense	(569)	(247)	(3,192)	(75)	(2,661)	-	(6,744)
Impairment expense	-	-	-	-	(6,919)*	-	(6,919)
Foreign exchange	-	-	(9)	(2)	20	(78)	(69)
Balance at 31 March 2016	**2,029**	**1,606**	**9,430**	**243**	**6,205**	**559**	**20,072**
Cost	4,658	1,856	21,179	433	29,939	559	58,624
Accumulated depreciation & impairment	(2,629)	(250)	(11,749)	(190)	(23,734)	-	(38,552)
Net carrying amount	**2,029**	**1,606**	**9,430**	**243**	**6,205**	**559**	**20,072**

* In 2016, the impairment loss of $6,191,000 represents the write down of the ROV fleet as a result of the current market conditions and outlook for the oil and gas sector, indicating that the carrying value of the ROV fleet was in excess of its recoverable amount. This was recognised in the statement of profit and loss. The recoverable amount of $6,204,895 as at 31 March 2016 was based on the value in use and was determined at the level of the CGU.

Note 17 Property, Plant and Equipment (continued)

Impairment

In accordance with the Groups accounting policies and processes, the Group performs its impairment testing annually at 31 March. Non-financial assets are reviewed at each reporting date to determine whether there is an indication that an asset may be impaired. Where an indication exists, an estimate of the recoverable amount is made.

The significance of the reduction in the oil price and resulting reduction in demand for many of the capital assets that Neptune operates such as ROV's and dive support vessels represent a possible indicator of impairment. As a result the ROV CGU was tested for impairment as at 31 March 2016.

Unless otherwise identified, the following discussion of (a) impairment testing and (b) sensitivity analysis is applicable to the assessment of the recoverable amount of all of the Groups ROV assets.

a) Impairment testing

i) Methodology

- Impairment is recognised when the carrying amount exceeds the recoverable amount. The recoverable amount of the ROV assets has been estimated using the value in use at the level of the CGU.
- Value in use is estimated based on the present value of the future cash flows expected to be derived from the CGU.
- Assumptions are required in making estimates of the value in use. It should be noted that value in use calculations are subject to variability in key assumptions including, but not limited to, long term oil prices, discount rates and operating costs. An adverse change in one or more of the assumptions used in the estimated value in use could result in a reduction in an ROV assets recoverable amount.

ii) Key assumptions

The table below summarises the key assumptions used in the 2016 end of year value in use assessment:

	ROV Assets $000
Utilisation percentage	36%
Discount rate	15%

Utilisation

Utilisation is estimated based on past performance and potential outlook for the ROV's within the CGU. The estimated utilisation rate is based on the average use from the ROV fleet.

Discount rate

In determining the value in use for the ROV CGU, the future cash flows were discounted using nominal rates based on pre-tax discount rates adjusted for risk specific to the CGU. The discount rate applied to ROV assets that recognised impairment were:

	2016	2015
ROV Assets	15%	16.21%

iii) Impacts

After conducting the impairment analysis, the Group has recognised an impairment loss on assets within the CGU as follows:

	Impairment $000
ROV Assets	6,191

The key driver of the impairment of the ROV assets was the forecasted reduction in demand for many of the capital assets that Neptune operates as a result of the low oil price environment, resulting in lower utilisation forecasted. Other cost assumptions remained relatively static for the remaining ROV assets life.

The recoverable amount of the CGU is $6,204,895.

Note 17 Property, Plant and Equipment (continued)

b) Sensitivity Analysis

Any variation in the key assumptions used to determine the value in use and ultimately the recoverable amount would result in a change of the estimated recoverable amount. If the variation in assumption had a negative impact on the recoverable amount it could indicate a requirement for additional impairment to non-current assets.

It is estimated that changes in the key assumptions used would have the following reduction in the recoverable amount of the ROV assets.

	ROV Assets $000
5% decrease in utilisation	2,529
1% increase in discount rate	1,030

It must be noted that each of the sensitivities above assumes that the specific assumption moves in isolation, whilst all other assumptions are held constant. In reality, a change in one of the aforementioned assumptions may accompany a change in another assumption which may gave an offset impact. Action is also usually taken to respond to adverse changes in economic assumptions that may mitigate the impact of any such change.

Note 18 Intangible Assets and Goodwill

	2016 $000	2015 $000
Goodwill		
Opening balance	13,255	12,938
Foreign exchange differences	(144)	317
Closing balance	13,111	13,255
Development costs		
Opening balance	1,492	1,551
Additions	-	208
Amortisation	(355)	(267)
Closing balance	1,137	1,492
Total Intangible Assets	**14,248**	**14,747**

Description of the Group's Intangible Assets and Goodwill

(i) Development costs

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

(ii) Goodwill

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

Impairment Losses Recognised

No impairment loss was recognised for the year ended 31 March 2015 (2014: nil). The recoverable amount was based on value in use calculation.

Impairment Tests for Goodwill and Intangibles with Indefinite Useful Lives

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

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

The recoverable amount of all cash generating units is determined based on a value in use calculation using cash flow projections as at 31 March based on actual and forecasted financial results approved by management covering a one year period. The long term growth rate used to extrapolate the cash flows of Neptune beyond the one year period is an average of 2.3% (2015: 2.5%), this considers the industry outlook and market conditions.

Note 18 Intangible Assets and Goodwill (continued)

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

	2016	2015
Asset Integrity	15.96%	17.47%
Engineering - UK	15.6%	16.67%
Diving - Australia	15.58%	17.47%

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

	Consolidated Group	
	2016	2015
Carrying amount of goodwill at CGU level	$000	$000
Asset Integrity	3,000	3,000
Engineering - UK	4,136	4,280
Diving - Australia	5,975	5,975
	13,111	13,255

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

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

- Earnings
- Discount rates
- Inflation rates
- Growth rates

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

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

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

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

(iv) *Sensitivity to changes in assumptions*

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

- Assuming all other assumptions remain constant but the earnings is decreased by 15%, there would be no other impairment.
- However there would be impairment is earnings were to decrease by 77% in Engineering UK, 40% Asset Integrity, and 44%diving Australia.
- Assuming all other assumptions remain constant but the pre-tax discount rate is increased by 0.5%, there would be no other impairment.
- However there would be impairment if the discount rate increase by 17% in Engineering UK, 3% Asset Integrity, and 4% diving Australia
- Assuming all other assumptions remain constant but the growth rate drops by 1% per annum, there would be no other impairment.

Note 19 Other Assets

	Consolidated Group	
	2016	2015
CURRENT	$000	$000
Prepayments	1,375	870
Deposits	116	120
Accrued income	9,127	10,680
	10,618	11,670

Note 20 Trade and Other Payables

	Consolidated Group	
	2016	2015
CURRENT	$000	$000
Unsecured liabilities		
Trade payables	5,719	6,363
Sundry payables and accrued expenses	8,405	11,219
Deferred Revenue	70	-
	14,194	17,582
NON CURRENT		
Sundry payables	67	135
Deferred Revenue	380	-
	447	135

(a) Fair Value

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

Note 21 Interest-bearing Loans and Borrowings

	Consolidated Group	
	2016	2015
CURRENT	$000	$000
Hire purchase liability	42	75
Microsoft Financing	28	164
	70	239
NON-CURRENT		
Unsecured liabilities		
Hire purchase liabilities	-	44
Microsoft Financing	15	27
Other	-	16
	15	87

(a) Fair values

The carrying amounts of the Group's current and non-current borrowings approximate their fair value. The fair values have been calculated by discounting the expected future cash. The fair values have been calculated by discounting the expected future cash flows at prevailing market interest rates average 0.22 % to 13.5% (2015: 0.22% to 13.5%) 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

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

Note 22 Provisions

	Consolidated Group	
	2016	2015
CURRENT	$000	$000
Provision for employee entitlements - Annual leave	1,170	1,678
Total provisions	1,170	1,678

	Consolidated Group	
	2016	2015
NON- CURRENT	$000	$000
Provision for employee entitlements - Long service leave	669	585
Total provisions	669	585

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

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

Note 23 Contributed Equity

	Consolidated Group	
	2016	2015
	$000	$000
61,441,291 (2014: 1,849,505,508) fully paid ordinary shares*	273,540	273,540

(a) Ordinary Shares	Consolidated Group	
	No.	$000
At 1 April 2014	1,849,505,508	273,804
Movements during the current period	-	-
Share Consolidation*	(1,787,853,898)	-
Share buyback during the current period	(210,319)	(264)
At 31 March 2015	61,441,291	273,540
At 1 April 2015	61,441,291	273,804
Movements during the current period	-	-
At 31 March 2016	61,441,291	273,804

*In August 2014, Neptune undertook a 30:1 share consolidation (as approved by shareholders at the Company’s Annual General Meeting on 30 July 2014). Broadly, this had the effect of reducing the total number of shares on issue to approximately 1/30th of the pre-consolidation amount. The Company had 1,849,505,508 shares on issue pre-consolidation and 61,651,610 shares post-consolidation (the post-consolidation balance is not exactly 1/30th due to rounding up of the fractional entitlements when each shareholder’s holdings was divided by 30).

(b) Options

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

(c) Capital Management

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

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

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

Note 23 Contributed Equity (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 2016 and 31 March 2015 are as follows:

		Consolidated Group	
		2016	2015
	Note	$000	$000
Total borrowings	21	411	326
Less cash and cash equivalents	12	(14,165)	(17,594)
Net (surplus)		(13,754)	(17,268)
Total equity		72,799	84,609
Total capital		59,045	67,341
Gearing ratio		-23%	-26%

Note 24 Reserves

	Consolidated Group	
	2016	2015
Reserves	**$000**	**$000**
Foreign currency translation reserve	(20,244)	(20,143)
Employee equity benefits reserve	6,127	6,127
Hedge reserve	395	97
	13,722	(13,919)
Movements:		
Foreign currency translation reserve		
Opening balance	(20,143)	(24,240)
Currency translation difference arising during the period	(101)	4,097
Balance at period end	(20,244)	(20,143)
Employee equity benefits reserve		
Opening balance	6,127	6,560
Cost of equity benefits issued to employees	-	86
Cash settlement of retention rights	-	(519)
Balance at period end	6,127	6,127
Hedge reserve		
Opening balance	97	170
Net loss on cash flow hedge	298	(73)
Balance at period end	395	97

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

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

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

Note 25 Commitments

		Consolidated Group	
(a)	**Finance Lease Commitments**	**2016**	**2015**
	Payable — minimum lease payments	**$000**	**$000**
	— not later than 12 months	91	250
	— between 12 months and 5 years	-	93
	Minimum lease payments	91	343
	Less future finance charges	(6)	(17)
	Present value of minimum lease payments	85	326

The finance leases relate to software and operational equipment for Neptune Marine Services Limited and several of the subsidiaries. All finance leases will be settled within the next 5 years. The carrying value of finance leases and hire purchase contracts for various items of plant and machinery is $227,118 (2015: $276,000). There are no restrictions placed upon the lessee by entering into these leases.

		Consolidated Group	
(b)	**Operating Lease Commitments**	**2016**	**2015**
		$000	**$000**
	Non-cancellable operating leases contracted for but not capitalised in the financial statements		
	Payable — minimum lease payments		
	— not later than 12 months	2,391	3,485
	— between 12 months and 5 years	7,980	6,860
	— more than 5 years	4,774	4,774
	Minimum lease payments	15,145	15,119

All operating leases of the Group relate to the leasing of premises. All leases are payable monthly. These leases have an average life of between one and ten years. There are no restrictions placed upon the lessee by entering into these leases. The amount recognised in the income statement for operating lease rentals in 2016 was $3,537,839 (2015: $2,422,336).

(c) Capital Expenditure Commitments

The Group had contractual obligations to purchase plant and equipment for $87,744 at balance date (2015: $3,038,000). Commitments are in relation to survey Equipment in Asia. This commitment is expected to be settled within 12 months of the balance sheet date. The 2015 commitment was settled during 2016.

Note 26 Contingencies

Financial Guarantees

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

		2016	2015
		$000	**$000**
—	Performance guarantees	447	679
—	Guarantees related to leases	1,532	2,124
		1,979	2,803

Note 27 Cash Flow Information

		2016	2015
(a)	**Reconciliation of net profit after tax to net cash flows from operations**	**$000**	**$000**
	Profit/ (Loss) after income tax	(7,092)	2,820
	Cash flows excluded from profit attributable to operating activities:		
	Non-cash flows in profit		
	Depreciation/ amortisation	7,099	5,938
	Fixed asset impairment	6,919	-
	Loss on disposal of plant and equipment	1,273	553
	Share based payment expense	46	511
	Foreign exchange loss	523	119
	Other non-cash movements	109	-
	Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
	Increase in trade and other receivables	(507)	(1,122)
	Decrease in prepayments	1,226	1,123
	(Increase)/decrease in inventories	(109)	138
	Increase in deferred tax assets and liabilities	(1,775)	(1,970)
	Increase/(decrease) in trade payables and accruals	(3,303)	1,783
	Increase/(decrease) in income taxes payable	(307)	2,077
	Increase/(decrease) in provisions	(314)	351
	Cash flow from operations	3,788	12,321

(b)	**Bank Facilities**		
	Debtor finance facilities	-	-
	Amount utilised	-	-
	Unutilised facility	-	-
	ANZ Banking Facility	10,000	10,000
	Bank Guarantees on Issue	1,979	2,803
	Unutilised Facility	8,021	7,197

Note 28 Related Party Disclosures

(a) Subsidiaries

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

	Country of Incorporation	Percentage owned (%)* 2016	2015
Parent Entity:			
Neptune Marine Services Limited	Australia		
Subsidiaries of Neptune Marine Services Limited			
Neptune Diving Services Pty Ltd	Australia	100%	100%
Allied Diving Services Pty Ltd	Australia	100%	100%
Neptune Marine Services International Pty Ltd	Australia	100%	100%
Neptune Fabrication Services Pty Ltd	Australia	100%	100%
Neptune Subsea Engineering Pty Ltd	Australia	100%	100%
Neptune Asset Integrity Services Pty Ltd	Australia	100%	100%
Neptune Subsea Stabilisation Pty Ltd	Australia	100%	100%
Neptune Geomatics Pty Ltd	Australia	100%	100%
Neptune Underwater Services (USA) LLC	United States of America	100%	100%
Neptune Delaware Holdings Inc.	United States of America	100%	100%
Neptune Scotland Holdings Ltd	United Kingdom	100%	100%
Neptune Offshore Services Ltd	United Kingdom	100%	100%
Neptune Deeptech Symons Ltd	United Kingdom	100%	100%
Neptune Subsea Engineering Ltd	United Kingdom	100%	100%
Neptune ROV Services Holdings Ltd	United Kingdom	100%	100%
Neptune ROV Services Ltd	United Kingdom	100%	100%
Neptune Asia Holdings Pte Ltd	Singapore	100%	100%
Neptune Marine Pacific Pte Ltd	Singapore	100%	100%
Neptune Subsea Stabilisation Pte Ltd	Singapore	100%	100%
PT Neptune Subsea Stabilisation	Indonesia	100%	100%
Neptune Access IRM Pte Ltd	Singapore	100%	100%
Neptune Marine Offshore Pte Ltd	Singapore	100%	100%
Neptune Subsea Services Sdn Bhd	Malaysia	100%	100%
Neptune ROV Services Pte Ltd	Singapore	100%	100%
Submersible Technology Services Sdn Bhd	Malaysia	100%	100%
Submersible Technology Services (Middle East S.P.C)	Bahrain	100%	100%
Neptune Marine Subsea Services Sdn Bhd	Brunei	100%	100%

* Percentage of voting power is in proportion to ownership

Note 28 Related Party Disclosures (continued)

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

(b) Transactions with related parties

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

	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
	$000	$000	$000	$000
Entities with significant influence over the Group*:				
MTQ Corporation	-	409	-	298
Premier Estate Pte Ltd	-	79	-	9
Premier Sea & Land Pte Ltd	-	33	-	4
MTQ Oilfield Services WLL	10	-	-	-
MTQ Engineering Pte Ltd	119	-	-	-
Total	129	521	-	311

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

(c) Ultimate parent

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

(d) Key management personnel

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

Compensation of key management personnel of the Group

	2016	2015
	$000	$000
Short-term employee benefits	1,623	1,945
Post-employment benefits	162	181
Share-based payments	30	484
Total compensation paid to key management personnel	1,815	2,610

(e) Terms and conditions of transactions with related parties

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

Note 29 Share-Based Payments

The following share-based payment arrangements existed at 31 March 2016:

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.

Note 29 Share-Based Payments (continued)

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*			
	2016		2015	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Outstanding at the beginning of the period	133,334	14.25	137,335	14.33
Forfeited during the period	-	-	-	-
Exercised during the period	-	-	-	-
Expired during the period	(33,334)	12	(4,001)	14.70
Outstanding at the end of the period	100,000	15	133,334	14.25
Exercisable at the end of the period	100,000	15	133,334	14.25

No options were exercised during the period.

The options outstanding at 31 March 2016 had a weighted average exercise price of $15 (2015: $14.25) and a weighted average remaining contractual life of 1.16 years (2015: 1.85 years). Exercise prices is $15 in respect of options outstanding at 31 March 2016 (2015: $12 to $15).

No options were granted during the period.

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

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

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

Long Term Incentives Plan (LTI)

a) Granting of LTI's

LTI rights are granted to those employees who can directly influence the long- term strategic direction of the Company and are explained in the Remuneration Report.

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

Neptune has no further Rights on issue and does not intend to issue any more Rights under the previous Plan.

No additional expense was recognised as a result of cancellation.

Note 29 Share-Based Payments (continued)

b) MTQ Share Plan

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

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

The targets set for the Performance Year 2015/2016 (from 1 April 2015 to 31 March 2016) are:

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

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

For the 2014 and 2015 MTQ share plan that has been awarded, the monetary value has been determined by the Remuneration Committee after assessing whether the performance targets have been satisfied. For the 2016 MTQ share plan value that has been yet to be awarded, the monetary value has been estimated based on 60% of the maximum award size. Participants in the scheme are vested with the MTQ shares which are settled in cash by the Company with MTQ.

Retention Performance Rights Plan

In 2015 Neptune bought back 5,294,573 out of 5,922,074 of its unlisted Retention Rights at a value of 4.0 cents per right. The remainder of the Retention Rights were cancelled for no consideration following staff resignations over the last 12 months.

No additional expense was recognised as a result of cancellation.

At 31 March 2016 there are no outstanding retention rights (2015: Nil).

Note 30 Corporate Governance

Under ASX Listing Rule 4.10.3, the Company’s Corporate Governance Statement can be located at the URL on the Company’s website being www.neptunems.com

Note 31 Subsequent Events

Subsequent to the year end Neptune signed a 12 month vessel charter. Neptune expects to take delivery of the vessel in late July 2016 and the agreement comes with various extension options.

AUDIT REPORT

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

Report on the financial report

We have audited the accompanying financial report of Neptune Marine Services Limited, which comprises the consolidated statement of financial position as at 31 March 2016, the consolidated statement of comprehensive income, the consolidated income statement, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

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

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

Independence

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

TD:VH:NEPTUNE:023

Opinion

In our opinion:

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

   i giving a true and fair view of the consolidated entity's financial position as at 31 March 2016 and of its performance for the year ended on that date; and

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

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

Report on the remuneration report

We have audited the Remuneration Report included in pages 9 to 15 of the directors' report for the year ended 31 March 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Neptune Marine Services Limited for the year ended 31 March 2016, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

T G Dachs
Partner
Perth
29 June 2016

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	854	305,773	0.50
1,001 - 5,000	335	783,303	1.27
5,001 -10,000	67	491,226	0.80
10,001 – 100,000	50	1,154,261	1.88
100,001 – 9,999,999,999	9	58,706,728	95.55
Rounding			
Total	1,315	61,441,291	100%

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

b) The name of the substantial shareholder listed in the holding Company's register as at 31 May 2016 is:

Shareholder	*Number Ordinary*
Blossomvale Investment Pte Ltd	53,517,492

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 3 June 2016

	Shareholder	No. Shares	% Held
1.	BLOSSOMVALE INVESTMENTS PTE LTD	53,517,492	87.10
2.	UBS NOMINEES PTY LTD <TP00014 15 A/C>	3,002,434	4.89
3.	BARRY ALBERT LILLY + BURNICE JUNE LILLY	1,300,000	2.12
4.	MR DAVID COLIN HUSBAND + MS NINA DONS LANDSNES	309,084	0.50
5.	NOEL KENNEDY SMITH	170,000	0.28
6.	MR GARY LESTER HANIKERI	148,334	0.24
7.	MERRILL LYNCH AUSTRALIA NOMINEES	133,334	0.22
8.	LYNETTE SUSAN PRESTON	126,050	0.21
9.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	77,209	0.13
10.	MRS LEANNE BLAKE + MR TREVOR ROY BLAKE <BLAKEFT SUPER FUND A/C>	69,497	0.11
11.	ALISTAIR STUART MCGREGOR + ALISON JUDITH MCGREGOR + STEPHEN PAUL LACE	65,000	0.11
12.	J MCCARTHY & CO PTY LTD	56,734	0.09
13.	BUZPASS PTY LTD	48,500	0.08
14.	MR BERNARD MELVILLE KENT <EST JEAN MOIRA KENT A/C>	41,620	0.07
15.	MR CZESLAW CZAPLA + MR ZDZISLAW CZAPLA	40,000	0.07
16.	MRS JENNIFER SUE KRUGER	36,800	0.06
17.	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	34,955	0.06
18.	HARDRESS PTY LTD <THE HARDRESS SUPER FUND A/C>	33,834	0.06
19.	DAVID JOHN MICHAEL HART	33,334	0.05
20.	NORTH REDLANDS PTY LIMITED <STIELER FAMILY S/FUND A/C>	28,076	0.05
Top 20 holders of ORDINARY FULLY PAID SHARES		**59,272,287**	**96.5%**