NEPTUNE MARINE SERVICES LIMITED AND CONTROLLED ENTITIES

ABN: 76 105 665 843

Annual Financial Report for the Year Ended 30 June 2011

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30 June 2011

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CORPORATE INFORMATION

Registered Office

Neptune Marine Services Limited
Level 16, 140 St George's Terrace
Perth Western Australia 6000

Principal Place of Business

Neptune Marine Services Limited
Level 16, 140 St George's Terrace
Perth Western Australia 6000

DIRECTORS REPORT

Your Directors present their report on the Company and its controlled entities for the financial year ended 30 June 2011.

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

Mr Ross Kennan
Mr Geoff Newman
Mr Robert Scott
Mr Boon Wee Kuah (appointed 16th March 2011)
Mr Peter Wallace (appointed 8th July 2011)
Mr Christian Lange (resigned 24th November 2010)
Mr David Agostini (resigned 30th November 2010)

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 Ross Kennan	**Chairman**
Qualifications	Fellow, Institution of Engineers, Australia; Fellow, Australian Institute of Company Directors; Member (Retired), Royal Australian Institute of Chemists; Chartered Engineer, Chartered Chemist (Retired).
Experience	Mr Kennan, aged 72, has had an accomplished international career, most notably as Vice President and Strategic Business Unit Co-chair for international diversified technology and manufacturing company, Honeywell Inc., where he spent 26 years in Senior Executive positions. Mr Kennan has over 17 years of international experience which enable him to provide strategic advice to support Neptune Marine's global activity supporting major clients. Mr Kennan currently chairs the Human Resource and Compensation Committee and the Occupational Health Safety and Environmental Committee.
Directorships held in other listed entities	Mr Kennan currently sits on several boards of privately held companies in the technology field, including an US joint venture. Mr Kennan does not hold any Directorships in other listed entities.
Mr Geoff Newman	**Non-Executive Director**
Qualifications	Mr Newman has a Bachelor of Economics (Honours) and a Master of Business Administration from the University of Western Australia. He is also Fellow of the Australian Society of Certified Practising Accountants (FCPA) and a Fellow of the Australian Institute of Company Directors (FAICD). Mr Newman chaired the Capital Management committee at Neptune Marine Services Limited during 2010/11.
Experience	Mr Newman, aged 59, brings more than 30 years' experience to the Neptune Board from a range of finance, marketing and general management roles within organisations either directly involved in the resources sector or providing services and products to businesses in that sector. In 1995, after managing Bunning's Pulpwood operations for a number of years, he joined Coogee Chemicals Pty Ltd as Commercial Manager and then was appointed to the Board as Finance Director in the following year. Until August 2005, he was Finance Director/CFO and Company Secretary of both Coogee Chemicals and its oil and gas subsidiary Coogee Resources Limited before he retired from the Coogee group of companies at the end of June 2006.
Directorships held in other listed entities	Mr Newman resigned from Mount Magnet South NL on 9 September 2010. Mr Newman is currently the a Director of Atlas SSP Limited.
Mr Robert Scott	**Non-Executive Director**
Qualifications	Fellow of the Institute of Chartered Accountants in Australia.
Experience	Mr Scott, aged 64, has had a distinguished career spanning 35 years as a Chartered Accountant primarily with major accounting firms. He retired as an International Partner of Arthur Andersen in 1995 and was also a partner with KMG Hungerford's for almost 20 years. Mr Scott currently chairs the Audit and Governance Committee at Neptune Marine Services Ltd.
Directorships held in other listed entities	Mr Scott currently holds the following Non-Executive Board positions with the following listed entities; Amadeus Energy Limited since March 1996, Homeloans Limited since November 2000, CGA Mining since January 2010 and Sandfire Resources NL since July 2010. Mr Scott was previously a director of the following companies, New Guinea Energy Ltd during period July 2006 to May 2009, Bio MD Ltd during period June 1999 to June 2011, Australian Renewable Fuels during the period December 2002 to June 2011.

Information on Directors continued

Mr Boon Wee Kuah	**Non-Executive Director**
Qualifications	Mr Kuah has a Bachelor of Engineering (1st Class Honours) from Imperial College of Science and Technology, London. He is also an Associate of the Institute of Chartered Accountants in England and Wales (ICAEW), having trained with KPMG in London.
Experience	Mr Kuah, aged 44, 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 had served as CEO for South East Asia and Singapore Terminals as well as Group CFO of PSA. He had also served as CFO for Singapore Technologies Engineering, a major listed company on the Singapore Stock Exchange ("SGX"), also majority-owned by Temasek Holdings. He had also previously worked for a Hong Kong-based conglomerate, Jardine Matheson Holdings in various finance capacities, including the Finance Director of Hong Kong Land, another major listed company on the SGX.
Directorships held in other listed entities	Mr Kuah currently is the independent Non-Executive Director with The Hour Glass Limited since April 2011 and is also the Board of Director of MTQ Corporation Limited since October 2006. He also sits on the board a few non-listed entities in the education and government sector.
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 40 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.
Directorships held in other listed entities	Mr Wallace has held a number of public and private company Board positions including past Directorships in Decmil Engineering Ltd, RuralAus Investments Ltd and Tethyan Copper Ltd and is a serving Non-Executive Director of HBF Health Ltd and Katana Investments Ltd.
Mr Christian Lange	**Chief Executive Officer and MD** (resigned 24th November 2010)
Qualifications	MBA from Curtin University; Member, Australian Institute of Company Directors
Experience	Mr Lange, aged 44, is a former international Vice President for the global oilfield services group, Schlumberger Limited. In a 16-year career with Schlumberger, Mr Lange held a range of Senior Executive positions responsible for operations, capital markets, marketing, business strategy and general management. Mr Lange previously chaired the Risk Management committee at Neptune Marine Services Ltd.
Directorships held in other listed entities	Mr Lange was a Non-Executive Director of Surtron Technologies until he resigned on 27 June 2010 and was a Non-Executive Director of Mobilarm Pty Limited until 2 September 2011, a company listed on the ASX.
Mr David Agostini	**Non-Executive Director** (resigned 30th November 2010)
Qualifications	BSc Engineering from NC State University, Chartered Professional Engineer, Fellow - Engineers Australia, Graduate AICD.
Experience	Mr Agostini, aged 72, is highly experienced in working with Government, universities and research groups. Mr Agostini is currently the Adjunct Professor at the Centre of Oil and Gas Engineering, at the University of WA, chaired the School's industry advisory board and the Industry Reference Group supporting the WA State Government in reforming Western Power in WA. He also holds a similar position with the advisory board of the Australian Resources Research Centre. Mr Agostini is the Chairman of the governing Board of the WA Energy Research Alliance and was a member of the four-man panel chaired by Senator Warwick Parer which carried out the Australian Energy Markets Review for COAG over 12 months in 2002. Mr Agostini is also a former General Manager Gas for Woodside; and Deputy Strategy Manager for Shell in The Hague, covering downstream refining and LNG operations in the USA, Africa, and the Middle East. Mr Agostini previously chaired the Occupational Health, Safety and Environment Committee at Neptune Marine Services Limited.
Directorships held in other listed entities	Mr Agostini does not hold any Directorships in other listed entities.

Company Secretary, Mr Gabriel Chiappini, AICD, ICAA

Mr Gabriel Chiappini was appointed Company Secretary on 20 August 2007. He is currently Company Secretary for a number of ASX listed companies. Mr Chiappini is a Chartered Accountant and member of the Australian Institute of Company Directors and Institute of Chartered Accountants Australia. He graduated from Edith Cowan University in 1990 with a Bachelor of Business majoring in Finance and Accounting and has worked predominantly in London and Perth with a broad range of industry experience.

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 Ross Kennan	1,865,671	-
Mr Geoff Newman	469,046	-
Mr Robert Scott	860,533	-
Mr Christian Lange (resigned 24th November 2010)	559,267	4,000,000
Mr David Agostini (resigned 30th November 2010)	161,822	-
Mr Boon Wee Kuah	-	-

Dividends Paid or Recommended

No dividend has been declared or paid by the Company to the date of this report and no dividend is proposed in respect of the year ended 30 June 2011.

Principal Activities

The principal activities of the consolidated Group compromise:

Commercial diving, dry underwater welding using the Group's patented NEPSYS® technology, hydrographic surveying, positioning and geophysical services, NDT and inspection services, pipeline stabilisation and grouting, ROV services, specialist fabrication, subsea and pipeline engineering, testing and assembly services; and end to end project management.

These services are provided via the two distinct divisions of Offshore Services and Engineering Services to the offshore oil and gas, marine and renewable energy industries, and are regionally spread between:

- Australia, New Zealand and Papua New Guinea (ANP)
- Europe, the Mediterranean and Africa (EMA)
- Asia and the Middle East (AME)
- North and South America (NSA)

The Group's primary focus is the offshore oil and gas sector, where its comprehensive suite of subsea and topside services can be tailored to provide solutions for both new 'greenfield' construction projects and existing 'brownfield' inspection, repair and maintenance (IRM) projects.

The flexibility of the Group's service offering provides clients with the opportunity to either utilise individual services or combine numerous services for an engineered solution to their specific project requirements.

OPERATING AND FINANCIAL REVIEW

Review of Operations

Neptune reported a net loss after tax of $143.328 million for the year ended 30 June 2011. The result includes $123.552 million in previously flagged one-off costs, including asset and goodwill write downs, capital raising expenses, and upfront costs associated with overhead savings, which all formed part of the comprehensive restructure initiatives announced by the Company earlier in the year.

At an operational level, the Company achieved a significant improvement in its operating performance in the second half as the restructuring initiatives took effect. Removing one-off items and the results attributable to discontinued operations, Neptune reported an EBIT of $3.029 million in the second half as against an EBIT loss of $2.902 million in the first half, a $5.931 million improvement in operating performance.

During 2011 Neptune undertook an aggressive restructuring and debt reduction campaign. Following management changes initiated in December 2010, the Company completed a $64.700 million equity capital raise in March 2011, funding the reduction of bank debts and deferred payments to vendors. The sale of the Neptune Trident in April for US$14.025 million allowed Neptune to eliminate all outstanding term debt.

OPERATING AND FINANCIAL REVIEW continued

Offshore Services

The Offshore Services division, adjusted for non-continuing business, reported revenues totalling $95.949 million for the year, a 10% increase on the previous year.

Operational highlights included a three-year inspection, monitoring, maintenance and repair services contract for a European multinational operator in the Timor Sea, and the largest inspection and maintenance contract completed to date by the Asset Integrity division, a non-destructive testing and inspection project in Australia's North West.

In the UK, Neptune established a strategic alliance with a UK vessel owner for the provision of survey and ROV support services. This alliance has led to a number of new contracts for Neptune in 2012 and reflects Neptune's focus on identifying and targeting collaboration opportunities with reputable and established companies in key regions.

Activity on the North West Shelf continued to drive the diving business in Australia as the division completed and secured further scopes of work on the Gorgon project. The Darwin facilities were re-established as a shared base and progress began on a new base in Dampier to allow prompt service to the thriving North West Shelf.

In Asia, Neptune remained focused on providing subsea stabilisation and ROV support services to subsea construction and installation projects on both new and old oilfields facilities. In the Middle East, Neptune maintained its presence with an ongoing three-year service contract with a major Middle Eastern gas company.

Engineering and Project Management Services

The Engineering Services division reported revenue of $21.914 million, adjusted for non-continuing business, a 55% fall on the previous year.

A key factor contributing to the decline in revenue was the depreciating Pound Sterling which negatively impacted the Australian Dollar performance of the UK businesses. (The UK businesses contribute the majority of the earnings in the Engineering Services division.)

In the UK, the Engineering business, which maintains a reputation for quality work, successfully completed projects for a number of major global oil companies. The Offshore Services business in the UK (incorporating manufacturing, testing and assembly) continued to manufacture various subsea structures for North Sea projects and successfully completed a range of testing and assembly projects.

The Australian business also successfully completed a range of work scopes, principally focussed on the North West Shelf, with the notable delivery of a new design three-slot subsea manifold for the Halyard project.

During the year NEPSYS received key approval from the international class society Germanischer Lloyds to perform repairs. Neptune also completed two priority NEPSYS ship repairs and modification projects in Australia.

Operating Results

The consolidated loss of the Group after providing for income tax amounted to $143.328 million (2010: Profit $0.849 million).

Financial Position

The net assets of the consolidated Group have decreased to $117.152m at 30 June 2011 from $221.194 million at 30 June 2010, included in these assets is goodwill of $61.132 million (2010: $161.726 million). This decrease is primarily a result of the following factors:

- **Goodwill Impairment**
  - There has been a decrease in goodwill of $100.594 million to $61.132 million compared to the previous year (2010: $161.726 million). The decrease relates to an impairment loss of $92.632 million which was recognised in the year, foreign exchange movements of $10.953 million and a net increase in operational earn outs of $2.991 million. The recoverable amount was based on value in use calculations. Refer to note 19 for further details.
- **Property, Plant and Equipment Impairment**
  - An impairment loss of $21.102 million on property, plant and equipment was recognised in the year to 30 June 2011. Of this $3.357 million was in relation to assets attributable to discontinued operations, $16.245 million was in relation to ROV's and Vessels and a further $1.500 million in relation to other Property, Plant and Equipment. Refer to note 18 for further details.
- **Sale of Vessel**
  - In May 2011 the group sold the Neptune Trident vessel as part of the restructuring program. A total consideration of USD$14.025 million was received for the vessel. These proceeds were used to eliminate outstanding debt. A loss of USD$7.032 million was recognised in relation to the sale.
- **Equity Capital Raising**
  - Neptune Marine Services Limited raised a total of $64.700 million incorporating the funds raised under an entitlements issue that closed 1 March 2011. The equity capital raising was for a 3.6 for 1 pro-rata entitlement offer of new shares in the Company at $0.05 per share to eligible shareholders. An offer of any shortfall was also made to eligible shareholders and investors. These funds were used to assist with the recapitalisation of the Neptune balance sheet by reducing bank debt, settling deferred payments of approximately $13.745 million to vendors of acquired businesses and providing working capital.

OPERATING AND FINANCIAL REVIEW continued

- **Repayment of Borrowings**
  - Neptune Marine Services Limited repaid all term debt during the financial year totalling approximately $49.907 million. This was as a result of the proceeds generated from the equity capital raising and the sale of the vessel.

- **Cash and debt**
  - At 30 June 2011 cash and cash equivalents is $10.965 million (2010: $21.781 million) plus term deposits of $2.545 million (2010: $4.484 million) held to support bank guarantees. Debt outstanding at 30 June 2011 is $4.260 million (2010: $59.007 million). Of the amounts repaid in the year, approximately $49.907 million related to the term debt repaid (as mentioned above), with the remaining amounts repaid relating to hire purchase and other borrowings. At 30 June 2011 the working capital position was $24.595 million (2010: $(4.595 million)).

Significant Changes in State of Affairs

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

(i) The issuing of shares in Neptune Marine Services Limited as per above for $64.700 million.

(ii) During the financial year Neptune fully repaid the following loans with National Australia Bank; term loan of $20.100 million; term loan of GBP 1.750 million and bridging facility of GBP 15.000 million.

(iii) At 30 June 2011 Neptune had a liability for $2.656 million (2010: $6.309 million) under an existing short term debtor facility from the National Australia Bank at lending indicator rate plus a margin of 3.9%. The debtor facility expires on 31st March 2012 and the Group plans to re-negotiate the facility at this time.

(iv) The sale of the Neptune Trident vessel for USD$14.025 million as detailed above.

(v) The Board of Directors decided to dispose of the Australian fabrication business and the US diving business and publicly announced this on 1st February 2011. A Memorandum of Understanding was signed for the sale of the fabrication business on 26th September 2011 and the sale is to be completed by the beginning of October 2011. A letter of intent was signed to sell the US business on 7 July 2011; however subsequent to this the buyer withdrew from the purchase process. It is still the intention of the Directors to pursue a sale.

After Balance Date Events

On 15th July 2011 a Memorandum of Agreement was signed for the sale of the vessel, the ROV Supporter including the on board remotely operated vehicle (ROV). The sale completed in early August and the full proceeds of USD $2.400 million were received at the time.

Future Developments, Prospects and Business Strategies

Neptune will be focussing on the following key strategies in 2012 aimed at consolidating the group's profit performance and achieving business growth:

(i) Organic growth and the growth of service lines in established geographical regions.
(ii) Integration of services and focus on creating awareness of the 'Total Service Solutions' provided by Neptune.
(iii) Developing strategic relationships with key partners.

These strategies, together with an ongoing focus on maintaining a reduction in corporate overheads and streamlined business processes, are expected to provide good opportunity for returning Neptune to profitability and growing shareholder return.

Environmental Requirements and Performance

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

Message from the Board

Revised Remuneration Framework for 2012

During 2010 the Board commissioned an independent review of Neptune's remuneration structures and policies, some of which we included in the 2010 Remuneration Report. Your Board listened to and took into account the views of shareholders and key stakeholders and these were considered and attended to as part of the review. The key points from that review will underpin Neptune's current and future remuneration structure.

During FY11, Neptune underwent a significant balance sheet restructure which included the de-leveraging of the balance sheet. This was largely achieved via Rights Issue and the sale of non-core assets. As a result of these material changes, your Board and the Executive team was focussed on ensuring the balance sheet restructure succeeded and as a result, the key recommendations from the Remuneration Review were put on hold. The Board and CEO intend on pursuing the key recommendations from the review in FY12.

As part of our discussion with shareholders and stakeholders, the Board were respectful to some of the views expressed and implemented a freeze on senior Executive salaries and Directors' fees.

Message from the Board continued

Revised Remuneration Framework for 2012 continued

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.

This independent review has resulted in significant changes to Neptune's remuneration framework, with the new remuneration structure to take effect for the FY2012.

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
  - o Segment 1 - individuals within Neptune who are best able to influence the long-term strategy and direction of the organisation
  - o Segment 2 – key managers across the organisation who have greater influence over business unit outcomes rather than company-wide outcomes
  - o 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

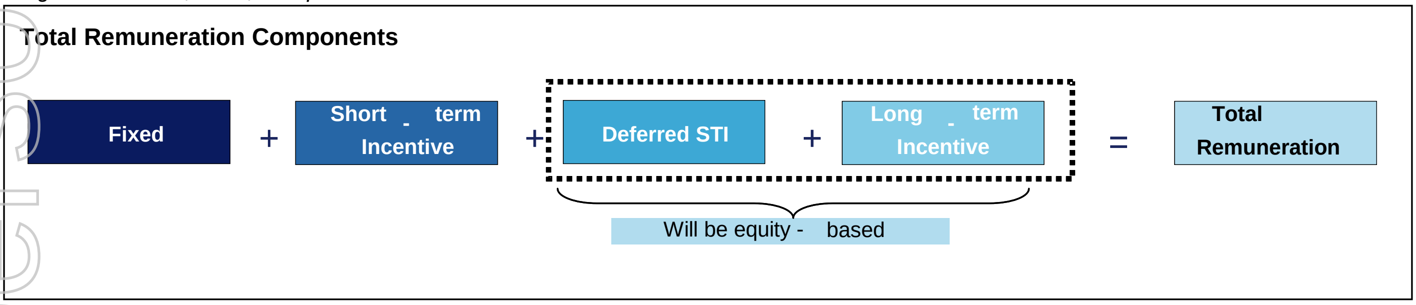
Overview of the Company's new approach to executive reward

Neptune's new 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 new remuneration philosophy is focused on the following key principles:

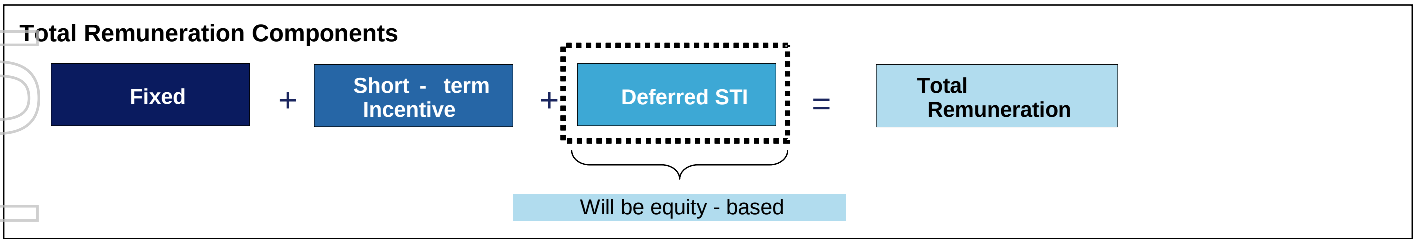
- alignment to sustainable long-term value creation
- attraction and retention of highly skilled employees
- competitiveness within the global markets in which the company operates
- alignment through high levels of equity ownership
- high rewards for true outperformance
- simple and transparent remuneration framework
- consistent remuneration framework across the organisation

For FY12 the total annual remuneration structure for Segment 1 and 2 employees will be as per the below tables

Segment 1 – CEO, CFO, Group Functional Heads



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



REMUNERATION REPORT continued

Message from the Board continued

Reward Mix – under the new structure, 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 rewards reflect both individual and business performance over the relevant financial year 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:

- Occupational Health, Safety and Environment
- Human Resources Management
- Financial Performance
- Financial Management

Long-term Incentives – LTI awards are limited to those employees who can directly influence the long-term strategic direction of the Company. The LTI is delivered via a grant of Performance Rights, which has the following key features:

Grant Value – set as a percentage of base salary, ranging between 25% to 100%, depending on the role.

Grant Cycle – employees receive a grant every year as part of their total annual remuneration.
Vesting / Performance Period – Performance Rights will vest on the 4th anniversary of their grant date, subject to meeting the performance hurdles. This period of time ensures that the performance outcomes are long-term and sustainable.

Performance Conditions – each grant of Performance Right will be split into two equal tranches, with each tranche having an independent performance hurdle.

Tranche 1 – performance will be measured against relative Total Shareholder Return (TSR), based on performance against a select group of peer companies that represents those companies against which Neptune competes within the market. It is simply a function of the business in which Neptune operates that most of those competitors are internationally based.

Relative TSR has been identified as an appropriate performance measure as outperformance of Neptune against this peer group will be strongly correlated to improved shareholder value. This is on the basis that outperformance against this peer group would typically mean Neptune has been successful in growing its share of the market at the expense of its competitors.

The current peer group comprises the following companies: Oceaneering International, Superior Energy Services, Trico Marine, Cal Dive, Global Industries, Helix Energy Solutions, Acergy, DOF, Fugro NV, Subsea 7, Mermaid Maritime Pte Ltd, and Clough Ltd.

Tranche 1 will vest based on the following performance schedule:

Relative TSR performance	Vesting Outcomes (% vested of TOTAL Performance Rights Grant)
Less than 50th percentile	0% vesting
At 50th percentile	25% vesting
Between 50th and 75th percentile	For each percentile over the 50th, an additional 1% of the performance rights will vest
At or above 75th percentile	50% vesting

Tranche 2 –performance will be measured against absolute Total Shareholder Return (TSR), based on a compound average growth rate (CAGR) target over the 4 year period. A cost of capital calculation will be used to assess absolute TSR and will determine vesting outcome. Absolute TSR performance exceeding Neptune's cost of capital will result in the creation of shareholder value. It ensures that investors and shareholders receive a positive return before the awards vest and also takes into account factors that are unique to Neptune that other companies within a comparator group may not share.

REMUNERATION REPORT continued

Message from the Board continued

Tranche 2 will vest based on the following performance schedule:

Absolute TSR Performance	Vesting Outcomes (% vested of TOTAL Performance Rights Grant)
Less than 14% TSR CAGR	0% vesting
14% TSR CAGR	25% vesting
16% TSR CAGR	50% vesting
Linear vesting between 14% and 16% TSR	

Retention Programme – Performance Rights

Neptune operates in a highly competitive and tight labour market. Most of Neptune's current workforce operates out of Western Australia which has, and will continue to have, strong and sustained economic growth particularly in the Oil & Gas sector and the Extractive Industry sector. Neptune competes directly with companies that operate within these sectors and this, coupled with low unemployment, creates a challenging environment for the Company in which to retain and attract key employees.

As a result of the above factors and after extensive review and feedback from internal and external stakeholders, the Board has implemented a programme whereby Executives identified as key to the organisation's objectives to grow the business will be awarded with Retention Performance Rights. The Performance Rights will be tied into the Executives' continued employment with the Company, will have a 5 year life and will vest annually in equal tranches over 4 years. Should the employee resign during this 4 year period, any unvested Performance Rights will lapse. Under certain circumstances, including change of control events, there may be pro-rata and/or accelerated vesting of unvested Performance Rights. The Retention Performance Rights programme will be rolled out in FY12.

Subsequent to the year end, performance rights were granted to key management personnel, CEO Robin King (8 million rights) and Group Vice President Engineering Services David Husband (3.36 million rights). These will vest in accordance with the conditions mentioned above.

We present Neptune's Remuneration Report to you.

Ross Kennan
Chairman Human Resources & Compensation Committee

Robert Scott
Chairman Audit and Governance Committee

REMUNERATION REPORT (Audited)

Overview

Remuneration in Brief

Neptune is committed to clear and transparent disclosure of the Company's remuneration structures. This remuneration summary sets out the key information regarding FY11 Director and Senior Executive remuneration. The full Remuneration Report provides greater information regarding the remuneration structures, decisions and outcomes for Neptune in 2011.

Particular events and actions that impacted Neptune's remuneration structure and outcomes for 2011 were:

(i) **CEO & Board Transition;** during the year Neptune appointed Mr Robin King as Chief Executive Officer, replacing Mr Christian Lange who served as Neptune's CEO since 2006. Neptune also appointed Mr Boon Wee Kuah and Mr Peter Wallace as Non-Executive Directors following the retirement of Mr David Agostini and Mr Christian Lange.

(ii) **Balance Sheet Restructure;** during FY11, the Company undertook a de-leveraging programme via an equity raising funded by a Rights Issue. A total of $65m was raised to reduce our term debt and assist with restructuring the organisation. This restructure also involved the sale of non-core assets.

(iii) **Strategic Review of the Business;** In accordance with the balance sheet restructure, Neptune undertook a strategic review of its business resulting in a 'Back to Basics' strategy that was rolled out in concert with the Rights Issue.

(iv) **Economic Uncertainty and Cyclical Industry Trends;** FY11 continued to see uncertainty in parts of the economy that Neptune operates in, particularly fabrication and engineering solutions which put downward pressure on margins. We are starting to see an improvement in the industry however it is too early to conclude on a sustained and expanding trend.

Focus on Remuneration Restraint & Strategy

Following the 2009 Annual General Meeting, the Board carried out a review of Neptune's remuneration strategy and structure with the assistance of independent advisers PricewaterhouseCoopers. This review included consultation with stakeholders, including representatives of retail and institutional investors and governance advisory firms.

REMUNERATION REPORT (Audited) continued

Focus on Remuneration Restraint & Strategy continued

The process was completed during 2010; however the introduction of Performance Rights, which was a key part of that strategy, was deferred until FY12. Part of the review instigated by the Human Resources & Compensation Committee was to agree to have the CEO and senior executives forego any entitlement to STI in FY11.

These included:

(i) a salary 'freeze' for all Senior Executives in FY2011;
(ii) a 'freeze' on Directors' fees for FY2011;
(iii) putting a 'freeze' on grants made under the employee equity option scheme whilst the company restructured, with the final outcome being a recommendation to introduce a Performance Rights Plan; and
(iv) review and benchmarking the contract for the new CEO which reflects current best practice in terms of employment arrangements and remuneration structure.

The Board considers that good corporate governance requires that it should receive high quality independent remuneration advice and has accordingly appointed PricewaterhouseCoopers as remuneration advisors to the Board.

Governance

In determining the remuneration of its KMP, Neptune has established the Human Resources and Compensation Committee. The Committee assists the Board in establishing human resources and compensation policies and practices including the specific remuneration (including base pay, incentive payments, bonuses, 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.

Remuneration Philosophy and Policy

The remuneration policy at Neptune is based on the philosophy of aligning Director and Executive objectives 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 Neptune Group.

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

The Board's policy for determining the nature and amount of remuneration of key senior personnel within the Neptune Group is as follows:

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

- Length of service
- Experience of the individual concerned
- Overall company performance

Key management personnel are also remunerated based on key performance areas that include:

- Occupational Health, Safety and Environment
- Human Resources Management
- Financial Performance
- Financial Management
- Total Shareholder return

All remuneration paid to Directors and key senior personnel is valued at the cost to the company and is expensed. Where relevant, shares allocated to Directors and key senior personnel are valued as the difference between the market price of those shares and the amount paid by the Director or key senior personnel. No Incentive Options were issued in FY11 however in the past when they were issued, the Company valued the Options using the Binomial methodology.

Remuneration Report

This remuneration report for the year ended 30 June 2011 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.

2011 Total Annual Remuneration Framework

This report details the nature and amount of remuneration under the current remuneration framework for each director of Neptune Marine Services Limited ('Neptune'), as well as for the five executives of the Group and the Company receiving the highest remuneration. A new reward model will apply for the 2012 financial year. The format of this report aligns with the June 2011 recommendations of the Australian Institute of Company Directors.

For the purpose of this report, the definition of "Key Management Personnel" (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.

Executive Remuneration

In light of the Company's need to attract, retain and motivate key executives, the Board engaged remuneration consultants to assist its review of the employment market for key executives and best practice in executive remuneration and incentive programs, from both a short term and long term perspective.

REMUNERATION REPORT (Audited) continued

Executive Remuneration continued

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 and will come into effect in FY12. The objective of the STI Plan is to reward Neptune's KMP for Occupational Safety & Health targets, continued cost savings, efficiencies, growth in revenues, margin control, and organisational restructure. Both plans seek to reward and incentivise by aligning the interests of KMP with those of shareholders, and are intended to form part of the overall remuneration package of the executive.

The CEO's remuneration mix comprises 33% fixed remuneration as a proportion of total remuneration, up to 33% if STI is on target and up to 33% if LTI is on target. Executives' remuneration mix ranges from 50% fixed remuneration as a proportion of total remuneration, up to 25% if STI is on target and 25% if LTI on target. KMPs 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 senior personnel are formalised in contracts of employment. The contracts for service between the Company and key senior personnel are on a continuing, permanent basis. Upon retirement, key senior personnel 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.

Executive Directors and key senior personnel receive a superannuation guarantee contribution as required by the government. The contribution currently stands at 9% however some individuals choose to sacrifice a portion of their salary in order to increase contributions towards superannuation.

Non-Executive Director remuneration

Remuneration Policy

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Directors of the highest 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 annually against fees paid to Non-Executive Directors (NEDs) of comparable companies. The Board considers advice from external consultants when undertaking the annual review process.

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 FY11, including superannuation and committee fees, was $334,000 (or 56% of the available NED aggregate fee pool).

The Board will not seek any increase for the NED pool at the 2011 AGM and there will not be a fee increase for Non-Executive Directors.

Structure

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 $60,000 plus superannuation for being a director of the Group, while the Board Chairman receives a base cash fee of $120,000 plus superannuation. An additional fee of $6,250 to $15,000 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.

NEDs have long been encouraged to hold shares in the Company. The Company facilitates these shareholdings through the NED share plan. Under the plan, NEDs, except for the Board Chairman are required to take at least $10,000 of their annual fees in the form of shares in the Company, while the Board Chairman is required to take at least $20,000 of his annual fees in the form of shares in the Company. This arrangement is in line with the Group's overall remuneration philosophy and aligns NEDs with shareholder interests. Shares are held under trading lock until the earlier of 3 years or the date on which the NED ceases to be a director.

Remuneration Outcomes

The remuneration received by KMP and NEDS during the 2011 financial year in 'actual pay' terms, is summarised in the below table.

REMUNERATION REPORT (Audited) continued

2011	Short-term Benefits: Cash, salary & commissions $	Short-term Benefits: Bonus $	Short-term Benefits: Non-cash benefit $	Short-term Benefits: Other[1] $	Post Employment Benefits: Super-annuation $	Other Long-term Benefits: Other $	Share-based Payment: Equity $	Share-based Payment: Options $	Termination Payments $	Total $	Proportion of remuneration based on performance %	Value of options as proportion of remuneration %
Directors												
Mr Ross Kennan	120,000	-	-	-	10,800	-	-	-	-	130,800	0%	0%
Mr Robert Scott	60,000	-	-	15,000	6,750	-	-	-	-	81,750	0%	0%
Mr Geoff Newman	60,000	-	-	7,500	6,075	-	-	-	-	73,575	0%	0%
Mr Boon Wee Kuah	17,500	-	-	-	-	-	-	-	-	17,500	0%	0%
Key Management Personnel												
Mr Robin King	430,152	-	6,299	74,577	40,177	328	-	-	-	551,533	0%	0%
Mr David Husband	280,009	-	9,732	115,155	27,619	3,883	-	-	-	436,398	0%	0%
Mr David de Loub	294,659	-	7,188	58,750	28,769	335	-	-	-	389,701	0%	0%
Mr Kenneth Nimitz	251,420	-	-	13,968	7,433	-	-	69,900	-	342,721	0%	20%
Former Directors and Key Personnel												
Mr Christian Lange[2]	562,499	-	3,055	93,586	78,750	-	-	-	290,000	1,027,890	0%	0%
Mr David Agostini[3]	25,000	-	-	3,125	2,531	-	-	-	-	34,823	0%	0%
Mr Geoff Edwards[4]	26,667	-	599	-	16,800	-	-	-	175,600	219,666	0%	0%
Mr Mark Lindsay[5]	225,000	-	7,200	22,500	51,975	-	-	-	463,687	770,362	0%	0%
Mr Anthony Kerr[6]	295,208	-	-	17,500	57,442	-	-	-	485,380	855,530	0%	0%
Mr Benoit Barbier[7]	251,420	-	116,187	52,435	22,691	-	-	-	-	442,733	0%	0%
Mr Lodewijk van Wachem[8]	230,151	-	-	-	17,717	-	-	22,800	370,106	640,774	0%	4%
	3,129,685	**-**	**150,260**	**474,096**	**375,529**	**4,546**	**-**	**92,700**	**1,784,773**	**6,011,589**		

[1] "Other" includes vehicle allowances, committee fees, leave, and long service leave cashed out.
[2] Resigned 24th November 2010
[3] Resigned 30th November 2010
[4] Resigned 30th July 2010
[5] Resigned 4th April 2011
[6] Resigned 4th April 2011
[7] Resigned 20th January 2011
[8] Resigned 6th April 2011

REMUNERATION REPORT (Audited) continued

2010	Short-term Benefits				Post Employment Benefits	Other Long-term Benefits	Share-based Payment		Termination Payments	Total		
	Cash, salary & commissions $	Bonus $	Non - cash benefit $	Other $	Super-annuation $	Other $	Equity $	Options $	$	$	Proportion of remuneration based on performance %	Value of options as proportion of remunerati on %
Directors												
Mr Ross Kennan	120,000	-	-	-	10,800	-	20,000	-	-	150,800	0%	0%
Mr David Agostini	60,000	-	-	7,500	6,075	-	10,000	-	-	83,575	0%	0%
Mr Geoff Newman	60,000	-	-	6,250	5,972	-	10,000	-	-	82,222	0%	0%
Mr Robert Scott	60,000	-	-	15,000	6,750	-	10,000	-	-	91,750	0%	0%
Mr Christian Lange	733,000	-	9,000	81,578	68,700	-	-	172,000	-	1,064,278	0%	16%
Key Management Personnel												
Mr Geoff Edwards	310,278	-	9,000	21,845	27,925	-	-	76,151	-	445,199	0%	17%
Mr David Husband	280,000	-	9,000	32,126	26,775	-	-	-	-	347,901	0%	0%
Mr Mark Lindsay	283,958	-	9,000	38,902	22,681	-	-	-	-	354,541	0%	0%
Mr Russell Collins	227,000	-	9,000	23,608	23,346	-	-	-	-	282,954	0%	0%
Mr Kenneth Nimitz	282,000	-	-	27,000	3,000	-	-	117,636	-	429,636	0%	27%
Mr Lodewijk van Wachem	150,000	-	-	-	12,000	-	-	16,101	-	178,101	0%	9%
Mr Benoit Barbier	25,000	-	-	25,000	2,000	-	-	-	-	52,000	0%	0%
	2,591,236	**-**	**45,000**	**278,809**	**216,024**	**-**	**50,000**	**381,888**		**3,562,957**		

REMUNERATION REPORT (Audited) continued

Chief Executive Officer Service Agreement – Mr Robin King

The Company entered into an executive service agreement with Mr King to act as Chief Executive Officer of the Company effective from November 2010. As announced to the ASX on 6 June 2011, Mr King was made the permanent Chief Executive Officer of Neptune following 6 months as Acting Chief Executive Officer. Under his contract, Mr King 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 Mr King 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.

Mr King's current cash salary at the date of this report is $550,000 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 David de Loub	Chief Financial Officer	Unlimited	Up to 12 months	6 months by Neptune, 3 months by the Executive
Mr David Husband	Group Vice President Engineering Services	Unlimited	Up to 12 months	6 months by Neptune, 3 months by the Executive
Mr Kenneth Nimitz	Regional Vice President Americas	Expires 19th February 2012	Up to 12 months	Contract expires 19th February 2012

Former Chief Executive Officer Service Agreement – Mr Christian Lange

The service contract of former Chief Executive Officer, Mr Lange was terminated by way of a deed of termination on 1 June 2011. As announced to the ASX on 24 November 2010, Mr Lange's position as Chief Executive Officer and Managing Director ended on 24 November 2010, a position he held since February 2006. Under the contract, Mr Lange was entitled to 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 Mr Lange all remuneration accrued up to and including the date of termination, payment in lieu of annual leave and long service leave to which he is entitled at the date of termination, and an amount equal to 12 months base salary plus any accrued performance entitlements. Mr Lange's cash salary at the time he stepped down as Chief Executive Officer was $750,000 per annum. During the year the Company settled its contractual obligation to pay Mr Lange a termination amount. The Termination amount paid was substantially less than the entitlement that was potentially payable under Mr Lange's contract.

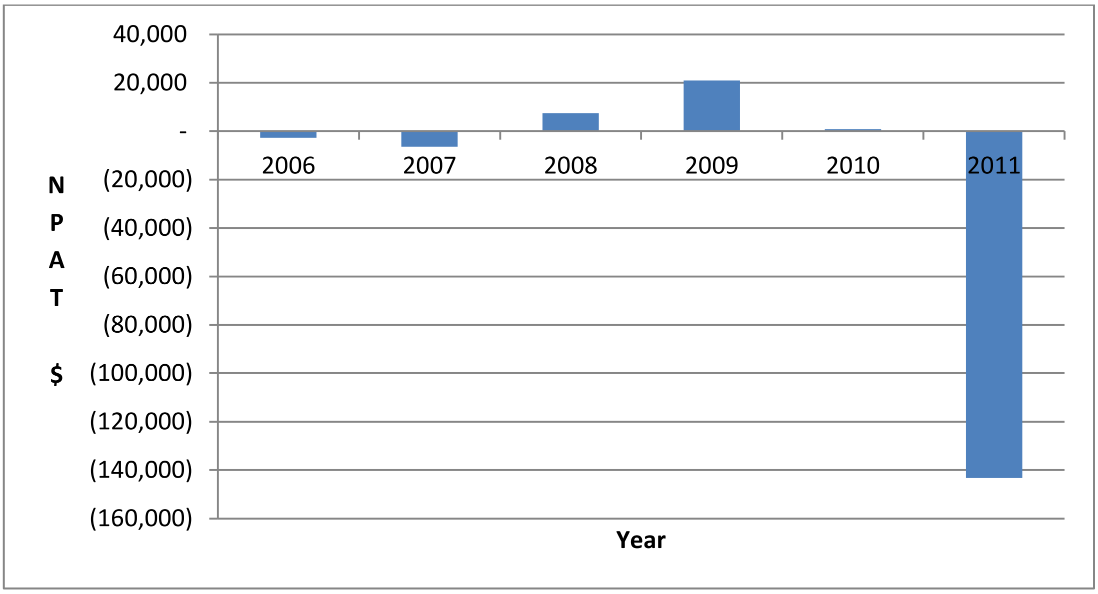
Hedging of Equity Awards

The Company does have a policy which excludes executives from entering into contracts to hedge their exposure to options awarded as part of their remuneration package.

REMUNERATION REPORT (Audited) continued

Company Performance and the Link to Remuneration

The financial performance measure driving STI payment outcomes is net profit after tax (NPAT). The following table outlines Neptune Marine's NPAT over the five-year period from FY2006 to FY2011. FY2011 NPAT includes restructuring and goodwill impairment costs of $123.6m and losses from discontinued operations of $14.9m. There has not been any STI or LTI equity payments made as a result of the company's FY11 performance. The company will introduce a LTI Performance Rights Plan that will link vesting terms to Total Shareholder Returns (TSR). NPAT will also be one of the measures to which any STI cash awards are made for FY12.



Options Granted as Part of Remuneration for the Year Ended 30 June 2011

In 2011 options granted were as follows:

			Terms & Conditions for Each Grant				
2011	Vested in 2010/2011	Granted No	Grant date	Value per Option at Grant Date	Exercise Price	First Exercise Date	Last Exercise Date
Key Management Personnel							
Mr Kenneth Nimitz	100,000						
Mr Benoit Barber		100,000	1/08/2010	0.134	$0.58	1/08/2011	1/08/2015
		100,000	1/08/2010	0.134	$0.58	1/08/2012	1/08/2015
		100,000	1/08/2010	0.134	$0.58	1/08/2013	1/08/2015
		100,000	1/08/2010	0.134	$0.58	1/08/2014	1/08/2015
	100,000	400,000					

During the year the following options lapsed:

(i) Christian Lange 3,000,000 options with an exercise price of $0.28

(ii) Geoff Edwards 400,000 options with an exercise price of $0.28, 400,000 options with an exercise price of $0.284 and 500,000 options with an exercise price of $0.84.

No shares were issued from the exercise of options during the year.

REMUNERATION REPORT (Audited) continued

Options Granted as Part of Remuneration for the Year ended 30 June 2011 continued

In 2010 options granted were as follows:

Terms & Conditions for Each Grant

2010	Vested in 2009/2010	Granted No	Grant date	Value per Option at Grant Date	Exercise Price	First Exercise Date	Last Exercise Date
Directors							
Mr Christian Lange	1,000,000						
Key Management Personnel							
Mr Geoffrey Edwards	358,334						
Mr Kenneth Nimitz		100,000	8/09/2009	0.699	$ 0.33	29/07/2010	29/07/2014
		100,000	8/09/2009	0.699	$ 0.33	29/07/2011	29/07/2014
		100,000	8/09/2009	0.699	$ 0.33	29/07/2012	29/07/2014
		100,000	8/09/2009	0.699	$ 0.33	29/07/2013	29/07/2014
Mr Lodewijk Van Wachem		100,000	5/03/2010	0.228	$ 0.62	4/02/2011	4/02/2015
		100,000	5/03/2010	0.228	$ 0.62	4/02/2012	4/02/2015
		100,000	5/03/2010	0.228	$ 0.62	4/02/2013	4/02/2015
		100,000	5/03/2010	0.228	$ 0.62	4/02/2014	4/02/2015
	1,358,334	800,000					

Options Granted as Part of Remuneration

2011	**Value of Options Granted $**	**Value of Options Exercised $**	**Value of Options Lapsed $**
Key Management Personnel			
Mr Kenneth Nimitz	-	-	-
Mr Benoit Barber	53,600	-	-
	53,600	-	-

2010	**Value of Options Granted $**	**Value of Options Exercised $**	**Value of Options Lapsed $**
Directors			
Mr Christian Lange	-	-	-
Key Management Personnel			
Mr Kenneth Nimitz	279,520	-	-
Mr Lodewijk Van Wachem	91,160	-	-
	370,680	-	-

REMUNERATION REPORT (Audited) continued

Shares Issued to Non-Executive Directors

No shares were issued to Non-Executive Directors in 2011.

2010	Grant Date	No. of Shares Issued	Price per Share $	Total $
Non-Executive Directors				
Mr Ross Kennan	24/11/2009	33,404	0.60	20,000
Mr David Agostini	24/11/2009	16,702	0.60	10,000
Mr Geoff Newman	24/11/2009	16,702	0.60	10,000
Mr Robert Scott	24/11/2009	16,702	0.60	10,000
		83,510		50,000

Restricted Shares are granted to Non-Executive Directors (NED) under the 2007 NED Share plan approved by Shareholders at the AGM held on 19 November 2007. Shares are held under trading lock until the earlier of 3 years or the date on which the NED ceases to be a director.

End of Audited Remuneration Report

Meeting of Directors

During the financial year, 28 meetings of Directors (including Committees of Directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Audit & Governance Committee Meetings		Human Resources & Compensation Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Directors' Names						
Mr Ross Kennan	28	28	4	3	4	4
Mr Christian Lange	7	6	-	-	1	1
Mr David Agostini	8	8	-	-	-	-
Mr Robert Scott	28	28	4	4	4	4
Mr Geoff Newman	28	28	4	3	-	-
Mr Boon Wee Kuah	5	5	-	-	-	-

	Capital Management Committee		Occupational Health, Safety & Environment	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Directors' Names				
Mr Ross Kennan	7	7	4	3
Mr Christian Lange	7	7	2	1
Mr David Agostini	7	6	2	2
Mr Robert Scott	-	-	-	-
Mr Geoff Newman	7	7	-	-
Mr Boon Wee Kuah	-	-	1	1

Indemnification and Insurance of Directors and Officers

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

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

The Company paid a premium, during the year in respect of a 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 contract.

Options

At the date of this report, the unissued ordinary shares of Neptune Marine Services Limited under option are as follows:

	Weighted average exercise price	Number under option
Unlisted	$0.60	14,486,682

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 year.

Employee Details

Details of the number of employees in the consolidated group as at 30 June 2011 are set out below:

	2011 No.	2010 No.
Number of employees	515	640

Non-audit Services

Amounts paid to the auditor of the company, Ernst and Young, and its related practices for all non-audit services provided during the year were $456,000 (2010: $344,000). Refer Note 9 for details. The nature of non-audit services provided means that auditor independence was not compromised. The Directors are satisfied that provision of non-audit services is compatible with the general standard of independence for auditors imposed by Corporations Act 2001.

Auditor Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2011 has been received and can be found on page 25 of the Directors' report.

Rounding of Amounts

The company is an entity to which ASIC Class Order 98/100 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.

Chairman ______________________
Mr Ross Kennan

Non-Executive Director ______________________
Mr Robert Scott

Dated this 29 day of September 2011

DIRECTORS' DECLARATION

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

In the opinion of the Directors:

(a) the financial statements and notes of 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 30 June 2011 and of its performance for the year ended on that date; and

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

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(a);

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

(d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2011.

Chairman

Mr Ross Kennan

Dated this 29 day of September 2011

Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000 Australia
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Auditor's Independence Declaration to the Directors of Neptune Marine Services Limited

In relation to our audit of the financial report of Neptune Marine Services Limited for the financial year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Peter McIver

P McIver
Partner
Perth
29 September 2011

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INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated 2011 $000	2010 $000
Continuing operations			
Revenue	6(a)	117,863	136,080
Other revenue	6(a)	297	1,059
Cost of sales and services rendered		(73,902)	(83,307)
Gross Profit		44,258	53,832
Other income	6(b)	1,097	3,956
Marketing expenses		(380)	(749)
Occupancy expenses		(4,267)	(3,922)
Administrative expenses	7(d)	(52,940)	(42,200)
Technical expenses		(306)	(223)
Finance costs	7(a)	(3,657)	(3,501)
Other expenses	7(f)	(110,175)	-
(Loss)/profit from continuing operations before income tax		(126,370)	7,193
Income tax expense	8	(2,083)	(2,885)
(Loss)/profit from continuing operations after income tax		(128,453)	4,308
Discontinued operations			
Loss from discontinued operations after income tax	11(b)	(14,875)	(3,459)
Net (loss)/profit for the period		(143,328)	849
Earnings Per Share			
Basic (loss)/earnings per share (cents per share)	12(a)	(0.17)	0.20
Diluted (loss)/earnings per share (cents per share)	12(a)	(0.17)	0.20
Earnings Per Share for profit from continuing operations			
Basic (loss)/earnings per share (cents per share)	12(a)	(0.15)	1.32
Diluted (loss)/earnings per share (cents per share)	12(a)	(0.15)	1.32

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011

	Consolidated	
	2011 $000	2010 $000
Net (loss)/profit for the period	(143,328)	849
Other Comprehensive income		
Foreign currency translation	(27,794)	(9,187)
Net profit/(loss) on a hedge of net investment	2,135	(1,893)
Income tax on items of other comprehensive income	(640)	568
Other comprehensive income for the period, net of tax	(26,299)	(10,512)
Total comprehensive loss for the period	(169,627)	(9,663)
Total comprehensive loss for the period attributable to members of the parent	(169,627)	(9,663)

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

STATEMENT OF FINANCIAL POSITION

	Note	2011 $000	2010 $000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	13	10,965	21,781
Trade and other receivables	14	29,407	42,579
Inventories	15	2,727	5,714
Current tax receivable	8	1,003	1,983
Other current assets	20	4,185	6,229
		48,287	78,286
Non-current assets classified as held for sale		2,235	-
Assets of disposal group classified as held for sale		643	-
TOTAL CURRENT ASSETS		51,165	78,286
NON-CURRENT ASSETS			
Trade and other receivables	16	2,616	2,546
Property, plant and equipment	18	25,079	82,384
Deferred tax assets	8	3,811	2,111
Intangible assets and goodwill	19	63,242	164,071
Other non-current assets	20	-	84
TOTAL NON-CURRENT ASSETS		94,748	251,196
TOTAL ASSETS		145,913	329,482
CURRENT LIABILITIES			
Trade and other payables	21	21,524	41,962
Interest bearing loans and borrowings	22	3,803	39,248
Derivative financial instruments	24	-	135
Provisions	23	949	1,506
		26,276	82,851
Liabilities directly associated with the assets classified as held for sale		294	-
TOTAL CURRENT LIABILITIES		26,570	82,851
NON-CURRENT LIABILITIES			
Trade and other payables	21	-	2,876
Interest bearing loans and borrowings	22	457	19,759
Deferred tax liabilities	8	1,580	2,757
Derivative financial instruments	24	-	45
Provisions	23	154	-
TOTAL NON-CURRENT LIABILITIES		2,191	25,437
TOTAL LIABILITIES		28,761	108,288
NET ASSETS		117,152	221,194
EQUITY			
Contributed equity	25	271,155	205,804
Reserves	26	(28,743)	(2,678)
(Accumulated losses)/retained earnings		(125,260)	18,068
TOTAL EQUITY		117,152	221,194

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

STATEMENT CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

	Ordinary Shares	Retained Earnings/ (Accumulated Losses)	Foreign Currency Translation Reserve	Option Reserve	Hedge Reserve	Total
Consolidated Group	$000	$000	$000	$000	$000	$000
Balance at 1 July 2009	157,733	17,219	1,714	5,267	-	181,933
Profit for the period	-	849	-	-	-	849
Other comprehensive income	-	-	(9,187)	-	(1,325)	(10,512)
Total comprehensive income for the year	-	849	(9,187)	-	(1,325)	(9,663)
Transactions with owners in their capacity as owners						
Shares issued during the year	41,205	-	-	-	-	41,205
Vendor shares	7,879	-	-	-	-	7,879
Transaction costs (net of tax)	(1,063)	-	-	-	-	(1,063)
Exercise of options	50	-	-	-	-	50
Cost of share based payments	-	-	-	853	-	853
Sub-total	48,071	849	(9,187)	853	(1,325)	39,261
Balance at 30 June 2010	205,804	18,068	(7,473)	6,120	(1,325)	221,194
Loss for the period	-	(143,328)	-	-	-	(143,328)
Other comprehensive income	-	-	(27,794)	-	1,495	(26,299)
Total comprehensive income for the year	-	(143,328)	(27,794)	-	1,495	(169,627)
Transactions with owners in their capacity as owners						
Shares issued during the year	64,700	-	-	-	-	64,700
Vendor shares	3,721	-	-	-	-	3,721
Transaction costs (net of tax)	(3,150)	-	-	-	-	(3,150)
Exercise of options	80	-	-	-	-	80
Cost of share based payments	-	-	-	234	-	234
Sub-total	65,351	(143,328)	(27,794)	234	1,495	(104,042)
Balance at 30 June 2011	271,155	(125,260)	(35,267)	6,354	170	117,152

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated 2011 $000	2010 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		140,278	190,844
Interest received		303	1,005
Payments to suppliers and employees		(151,290)	(182,983)
Interest paid		(3,915)	(3,025)
Income tax received/(paid)		875	(8,371)
Net cash flows used in operating activities	29(a)	(13,749)	(2,530)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		13,938	22
Purchase of property, plant and equipment		(5,165)	(13,356)
Expenditure on development costs		-	(954)
Payment for subsidiaries, net of cash acquired		-	(25,676)
Deferred consideration on previous business combination		(13,072)	(9,562)
Net cash flows used in investing activities		(4,299)	(49,526)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issue of shares		60,548	39,684
Proceeds from exercise of options		27	50
Proceeds from borrowings		-	32,155
Borrowing costs		-	(991)
Repayment of borrowings		(55,815)	(16,694)
Receipt/(payment) of deposits for bank guarantee		1,456	(3,675)
Net cash flows from financing activities		6,216	50,529
Net decrease in cash and cash equivalents held		(11,832)	(1,527)
Cash and cash equivalents at beginning of financial year		21,781	24,277
Net foreign exchange difference		1,016	(969)
Cash and cash equivalents at end of financial year		10,965	21,781

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

Note 1 Corporate Information

The financial report of Neptune Marine Services Limited "Group" for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the Director's on 29 September 2011.

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

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 authorative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis, except for derivative financial instruments and available for sale investments, which have been measured at fair value.

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(b).

Going Concern

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

As at 30 June 2011 the consolidated entity had a net current asset of $24.595 million (2010: deficiency of $4.565 million). At that date the consolidated entity had cash and cash equivalents of $10.965 million (2010: $21.781 million).

However, for the year ended 30 June 2011 the consolidated entity has made an operating loss of $126.370 million (2010 profit $7.193 million) and had operating cash outflows of $13.749 million (2010: $2.53 million).

Since 30 June 2011 the Company has put in place a programme to rationalise its operations further by divesting non-performing and non-key assets. Corresponding with this reorganisation is the planned reduction of general and corporate overheads by scaling back personnel numbers and the realignment of its regional business model to a more streamlined divisional cost base model.

This rationalisation coincided with the successful capital raising in April 2011 of $64.7 million strengthening the Company's balance sheet, reducing overall debt.

The Directors have reviewed the business outlook, the positive forecast cashflows, operating results subsequent to year end and the assets and liabilities of the Company and are of the opinion that the use of the going concern basis of accounting is appropriate.

On this basis, it is the opinion of the Board of Directors that the consolidated entity will be able to continue as a going concern and that therefore, the basis of preparation is appropriate.

(a) Compliance with IFRS

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

(b) New Accounting Standards and Interpretations

(i) Changes in accounting policy and disclosures

From 1 July 2010, Neptune Marine Services Limited has adopted all Australian Accounting Standard and Interpretations mandatory for annual periods beginning on or after 1 July 2010. When the adoption of the Standard or Interpretation is deemed to have an impact on the financial statements or performance of the Group, its impacts is described below:

Note 2 Summary of Significant Accounting Policies continued

Annual Improvements Project: AASB 2009-5 and AASB 2010-3

In May 2009, and June 2010 the AASB issued an omnibus of amendments to its Standards as part of the Annual Improvements Project, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions and application dates for each amendment. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group:

- AASB 5 *Non- current Assets Held for Sale and Discontinued Operations*: Clarifies that the disclosure required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in AASB 5. The disclosure requirements of the Accounting Standards only apply if specifically required for such non-current assets or discontinued operations.
- AASB 8 *Operating Segments*: Clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group Chief operating decision maker does not review segment assets and liabilities, the Group has not disclosed this information in the annual report.
- AASB 107 *Statement for Cash Flows*: states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment will not impact the presentation in the statement of cash flows as all cash flows from investing activities have resulted in recognised assets.
- AASB 136 *Impairment of Assets*: the amendment clarifies that the largest unit permitted for allocation goodwill, acquired in a business combination, is the operating segment as defined in AASB 8 before aggregation for reporting purposes. The amendment has no impact on the Group as the annual impairment test is performed before aggregation of operating segments.

AASB 2009-8 Amendments to Australian Accounting Standards –Group Cash – Settled Share-base Payment Transactions

The amendments clarify the scope of AASB 2 *Share-based Payment* by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. The amendments incorporate the requirements previously included in interpretation 8 Scope of AASB 2 and interpretation 11 AASB 2 – *Group and Treasury Share Transactions*. It did not have an impact on the financial position or performance of the Group.

AASB 2009-10 Amendments to Australian Accounting Standards-Clarification of Rights Issued [AASB 132]

The amendment provides relief to entities that issue rights in a currency other than their functional currency, from treating the rights as derivatives with fair value changes recorded in profit or loss. Such rights will now be classified as equity instruments when certain conditions are met.

Note 2 Summary of Significant Accounting Policies continued

(ii) New and Amended Accounting Standards and Interpretations issued but not yet effective

The following standards and interpretations have been issued by the AASB but are not yet effective and have not been adopted by the Group for the annual reporting period ended 30 June 2011:

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement). These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below. (a) Financial assets are 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. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria. (b) AASB 9 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.	1 January 2013	The Group is yet to assess the impact	1 July 2013
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	► These amendments arise from the issuance of AASB 9 *Financial Instruments* that sets out requirements for the classification and measurement of financial assets. The requirements in AASB 9 form part of the first phase of the International Accounting Standards Board's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. ► This Standard shall be applied when AASB 9 is applied.	1 January 2013	The Group is yet to assess the impact	1 July 2013

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 124 (Revised)	Related Party Disclosures (December 2009)	The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including: (a) The definition now identifies a subsidiary and an associate with the same investor as related parties of each other (b) Entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other (c) The definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.	1 January 2011	The Group is yet to assess the impact	1 July 2011
AASB 2009-12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations. In particular, it amends AASB 8 *Operating Segments* to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. It also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB.	1 January 2011	The Group is yet to assess the impact	1 July 2011
AASB 2009-14	Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement	These amendments arise from the issuance of Prepayments of a Minimum Funding Requirement (Amendments to IFRIC 14). The requirements of IFRIC 14 meant that some entities that were subject to minimum funding requirements could not treat any surplus in a defined benefit pension plan as an economic benefit. The amendment requires entities to treat the benefit of such an early payment as a pension asset. Subsequently, the remaining surplus in the plan, if any, is subject to the same analysis as if no prepayment had been made.	1 January 2011	The Group is yet to assess the impact	1 July 2011

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 1053	Application of Tiers of Australian Accounting Standards	This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements: (a) Tier 1: Australian Accounting Standards (b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements. The following entities apply Tier 1 requirements in preparing general purpose financial statements: (a) For-profit entities in the private sector that have public accountability (as defined in this Standard) (b) The Australian Government and State, Territory and Local Governments The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements: (a) For-profit private sector entities that do not have public accountability (b) All not-for-profit private sector entities Public sector entities other than the Australian Government and State, Territory and Local Governments	1 July 2013	The Group is yet to assess the impact	1 July 2013
AASB 1054	Australian Additional Disclosures	This standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB. This standard relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas: (a) Compliance with Australian Accounting Standards (b) The statutory basis or reporting framework for financial statements (c) Whether the financial statements are general purpose or special purpose (d) Audit fees Imputation credits	1 July 2011	The Group is yet to assess the impact	1 July 2011
AASB 2010-2 ***	Amendments to Australian Accounting Standards arising from reduced disclosure requirements	This Standard makes amendments to many Australian Accounting Standards, reducing the disclosure requirements for Tier 2 entities, identified in accordance with AASB 1053, preparing general purpose financial statements.	1 July 2013	The Group is yet to assess the impact	1 July 2013

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]	Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments. Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions. Clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.	1 January 2011	The Group is yet to assess the impact	1 July 2011
AASB 2010-5	Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]	This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB. These amendments have no major impact on the requirements of the amended pronouncements.	1 January 2011	The Group is yet to assess the impact	1 July 2011
AASB 2010-6	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]	The amendments increase the disclosure requirements for transactions involving transfers of financial assets. *Disclosures* require enhancements to the existing disclosures in IFRS 7 where an asset is transferred but is not derecognised and introduce new disclosures for assets that are derecognised but the entity continues to have a continuing exposure to the asset after the sale.	1 July 2011	The Group is yet to assess the impact	1 July 2011
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023, & 1038 and interpretations 2, 5, 10, 12, 19 & 127]	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: ► The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ► The remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.	1 January 2013	The Group is yet to assess the impact	1 July 2013

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2010-8	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate *SIC-21 Income Taxes – Recovery of Revalued Non-Depreciable Assets* into AASB 112.	1 January 2012	The Group is yet to assess the impact	1 July 2012
AASB 2011-1	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132, AASB 134, Interpretation 2, Interpretation 112, Interpretation 113]	This Standard amends many Australian Accounting Standards, removing the disclosures which have been relocated to AASB 1054.	1 July 2011	The Group is yet to assess the impact	1 July 2011
AASB 2011-2	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project – Reduced disclosure regime [AASB 101, AASB 1054]	This Standard makes amendments to the application of the revised disclosures to Tier 2 entities, that are applying AASB 1053.	1 July 2013	The Group is yet to assess the impact	1 July 2013
AABS 10	Consolidated Financial Statements	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and Interpretation 112 *Consolidation – Special Purpose Entities*. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. This is likely to lead to more entities being consolidated into the group.	1 January 2013	The Group is yet to assess the impact	1 July 2013

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 11	Joint Arrangements	AASB 11 replaces AASB 131 *Interests in Joint Ventures* and Interpretation 113 *Jointly-controlled Entities – Non-monetary Contributions by Ventures.* AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition AASB 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. This may result in a change in the accounting for the joint arrangements held by the group.	1 January 2013	The Group is yet to assess the impact	1 July 2013
AASB 12	Disclosure of Interests in Other Entities	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013	The Group is yet to assess the impact	1 July 2013
AASB 2011-7	*Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement Standards*	Consequential amendments to AASB 127 *Separate Financial Statements* and AASB 128 *Investments in Associates* as a result of the adoption of AASB 10 Consolidated Financial Statements, AASB 11 *Joint Arrangements* and AASB 12 *Disclosure of Interests in Other Entities*.	1 January 2013	The Group is yet to assess the impact	1 July 2013
AASB 13	Fair Value Measurement	AASB 13 establishes a single source of guidance under Australian Accounting Standards for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under Australian Accounting Standards when fair value is required or permitted by Australian Accounting Standards. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.	1 January 2013	The Group is yet to assess the impact	1 July 2013

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2011-8	Amendments to Australian Accounting Standards arising from the Fair Value Measurement Standard	Consequential amendments to existing Australian Accounting Standards as a result of the adoption of AASB 13 *Fair Value Measurement.*	1 January 2013	The Group is yet to assess the impact	1 July 2013
AASB 2011-9	Amendments to Australian Accounting Standards - *Presentation of Items of Other Comprehensive Income* [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	The main change resulting from the amendments relates to the 'Statement of Profit or Loss and Other Comprehensive Income' and the requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not remove the option to present profit or loss and other comprehensive income in two statements. The amendments do not change the option to present items of OCI either before tax or net of tax. However, if the items are presented before tax then the tax related to each of the two groups of OCI items (those that might be reclassified to profit or loss and those that will not be reclassified) must be shown separately.	1 July 2012	The Group is yet to assess the impact	1 July 2012
AASB 119 (Revised)	Employee Benefits	The main changes to accounting for defined benefit plans are: • to eliminate the option to defer the recognition of gains and losses (the 'corridor method'); • requiring remeasurements to be presented in other comprehensive income; and • enhancing the disclosure requirements relating to defined benefit plans for Tier 1 entities. The AASB has provided relief from certain disclosure requirements for entities that adopt Tier 2 Reduced Disclosure Requirements.	1 January 2013	The Group is yet to assess the impact	1 January 2013

(c) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Neptune Marine Services Limited and its subsidiaries (as outlined in note 30) as at and for the period ended 30 June each year.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. 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.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Note 2 Summary of Significant Accounting Policies continued

(c) Basis of Consolidation continued

Investments in subsidiaries held by Neptune Marine Services Limited 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(d)).

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.

(d) Business Combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer 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-related costs are expensed as incurred, 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 conditions, the Group's operating or accounting policies and other 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.

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 should not be remeasured until it is finally settled within equity.

Note 2 Summary of Significant Accounting Policies continued

(e) 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 the Executive management team.
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”.

(f) Foreign Currency Translation

(i) *Functional and presentation currency*
The functional currency of each of the Group’s entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian Dollars which is the parent entity's functional and presentation currency.

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

Australia	AUD
Asia and Middle East	USD
United States of America	USD
United Kingdom	GBP

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

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

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

(iii) *Translation of Group Companies’ functional currency to presentation currency*

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

— assets and liabilities are translated at year end exchange rates prevailing at that reporting date; and
— income and expenses are translated at the exchange rate on the date of the transaction;

Exchange differences arising on translation of foreign operations including exchange differences on intercompany monetary items for which settlement is neither planned nor likely to occur, are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the income statement in the period in which the operation is disposed.

Note 2 Summary of Significant Accounting Policies continued

(g) Cash and Cash Equivalents

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 that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the statement of financial position.

(h) Trade and Other Receivables

Trade receivables, which generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

(i) 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.

(j) Financial Instruments

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

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

Non-derivative financial liabilities
Non-derivative financial liabilities are initially recognised at fair value. Any subsequent measurement for non-derivative items is at amortised cost, comprising original debt less principal payments and amortisation.

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

Derecognition
Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Hedging
Hedge of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment. The Group tests the effectiveness of the hedge on a bi-annual basis both retrospectively and prospectively using matched terms at each balance date, the Group measures ineffectiveness using the ratio offset method. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in equity while any gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of such gains or losses recognised directly in other comprehensive income are transferred to profit or loss based on the amount calculated using the direct method of consolidation.

Note 2 Summary of Significant Accounting Policies continued

(k) Non-Current Assets and Disposal Groups Held for Sale and Discontinued Operations

Non-current assets and disposals are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction instead of use. They are not depreciated or amortised. For an asset or disposal group to be classified as held for sale it must be available for immediate sale in its present condition and its sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of recognition.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of the business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired with a view to resale. The results of discontinued operations are presented separately on the face of the statement of comprehensive income and the assets and liabilities are presented separately on the face of the statement of financial position.

(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.

(l) Property, Plant and Equipment continued

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) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date,

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.

(i) Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the 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 profit or loss.

Note 2 Summary of Significant Accounting Policies continued

(m) Leases continued

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

Operating lease payments are recognised as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

(n) Impairment of Non-Current Assets

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

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

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

(o) Goodwill and Intangibles

Goodwill

Goodwill acquired as a business combination is initially measured at cost of the business combination being the excess of the consideration transferred over the fair value of the Group's net identifiable assets acquired and liabilities assumed. If this consideration transferred is lower than the fair value of the net identifiable 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, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment determined in accordance with AASB 8.

Impairment testing is performed at 30 June each year using discounted cash flows under the value in use methodology. Further details on the methodology and assumptions used are outlined in note 19.

When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an 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 manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Research and development

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

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

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project (refer note 19).

(p) Trade and Other Payables

Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 60 days of recognition.

Note 2 Summary of Significant Accounting Policies continued

(q) Interest-bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Neptune Marine Services Limited does not currently hold qualifying assets but, if it did, the borrowing costs directly associated with this asset would be capitalised (including any other associated costs directly attributable to the borrowing and temporary investment income earned on the borrowing).

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

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.

(ii) 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 government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(s) Equity Settled Compensation

The Group provides benefits to its employees (including key management personnel) in the form of share based payments, whereby employees render services in exchange for shares or rights over shares (equity settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 32.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designed as a replacement award on the date that it is grated, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

(t) Revenue

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

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

Revenue from the 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.

Note 2 Summary of Significant Accounting Policies continued

(t) Revenue continued

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.

(u) Income Tax and Other Taxes

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

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

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

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

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

- When the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference 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 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, Neptune Marine Services Limited 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.

Note 2 Summary of Significant Accounting Policies continued

(u) Income Tax and Other Taxes continued

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

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

- Receivables and payables, which are stated with the amount of GST included

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

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

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

(v) Government Grants

Government grants are recognised in the statement of financial position as a liability when the grant is received.

When the grant relates to an expense item (research and development grants for electronic equipment), it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate, currently a five year project.

When the grant relates to an asset (investment grants relating to electronics equipment), the fair value is credited to deferred income and is released to the statement of comprehensive income over the expected useful life of the relevant asset by equal annual instalments.

(w) Earnings Per Share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- Costs of servicing equity (other than dividends) and preference share dividends
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element

Note 3 Financial Risk Management

(a) Financial Risk Management

The Group's principal financial instruments comprise receivables, payables, bank loans and finance facilities, finance leases, hire purchases, cash and short-term deposits.

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.

Previously the Group entered into derivative transactions, principally interest rate swaps and forward currency contracts. The purpose was 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, but did not qualify for hedge accounting 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.

Note 3 Financial Risk Management continued

The Group hold the following financial instruments:

	Consolidated Group	
	2011	2010
Financial Assets	$000	$000
Cash and cash equivalents	10,965	21,781
Trade and other receivables	32,023	45,125
Total	42,988	66,906
Financial Liabilities		
Trade and other payables	21,524	44,838
Derivative financial instruments	-	180
Bank Loans	-	49,906
Other financial liabilities	4,260	9,101
Total	25,784	104,025

(i) Interest Rate Risk

Cash and Cash Equivalents
The Group held its cash reserves on deposit and in cheque accounts during the year, which earned interest at rates ranging between 0% and 5.78%(2010: 0% and 5.37%) 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 $312,000 (2010: $2,613,000), other finance arrangements of $3,948,000 (2010: $ $6,487,000) and in 2011 bank loans are nil (2010: $49,907,000).

Other than the hire purchase agreements, bank loans 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.

Consolidated

30 June 2011

	Average Interest Rate	2011 $000
Financial Assets		
Cash and cash equivalents		10,965
Financial Liabilities		
Hire Purchase agreements	7.62%	(312)
Debtors Facility	8.64%	(2,656)
Other finance arrangements *	5.99%	(1,292)
		6,705

* Other finance arrangements includes insurance funding arrangements and ERP system

Consolidated

30 June 2010

	Average Interest Rate	2010 $000
Financial Assets		
Cash and cash equivalents		21,781
Financial Liabilities		
Hire purchase agreements	7.12%	(2,613)
Bank loans	6.55%	(49,906)
Debtors facility	6.14%	(6,309)
Other finance arrangements *	5.99%	(178)
		(37,225)

* Other finance arrangements includes insurance funding arrangements and ERP system

Note 3 Financial Risk Management continued

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

As at 30 June 2011, 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 year would have been $54,000 higher/lower (2010: $242,000). 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 enters into forward exchange contracts to meet some foreign currency commitments. 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 Group**	
	30 June 2011 $000	30 June 2010 $000
Cash and cash equivalents	85	3,936
Trade and other receivables	235	-
Property, plant and equipment	-	-
Trade and other payables	-	(386)
Interest bearing loans and borrowings	-	(29,730)
Net exposure	320	(26,180)

The financial instruments exposed to movements in the USD are:	30 June 2011 $000	30 June 2010 $000
Cash and cash equivalents	13	7,759
Trade and other receivables	341	9,311
Property, plant and equipment	-	-
Trade and other payables	(43)	(4,207)
Interest bearing loans and borrowings	-	-
Net exposure	311	12,863

As at 30 June 2011, 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 impact on changes in equity for the year would have been $22,437 lower/higher.
- if the AUD had strengthened/weakened by 10% against the USD, post-tax profit for the year would have been $21,768 lower/higher.

As at 30 June 2010, 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 impact on changes in equity for the year would have been $1,859,583 higher/lower.
- if the AUD had strengthened/weakened by 10% against the USD, post-tax profit for the year would have been $900,399 lower/higher.

Hedge of a Net Investment in Foreign Operation

Included in interest bearing loans and borrowings at 30 June 2010 was a borrowing of GBP 15,000,000, which has been designated as a hedge of the GBP/AUD spot foreign exchange risk associated with its investment in the net assets of Aberdeen based, Submersible Technology Services (Holdings) Limited (STS). It was being used to hedge the Group's exposure to changes in exchange rates on the value of its net investments in the STS operations. Gains or losses on the retranslation of this borrowing, considered to be an effective hedge, were transferred to other comprehensive income to offset any gains or losses on translation of the net investments in the subsidiaries in equity. A net loss on the hedge of the net investment of $1,495,000 (net of tax) was recognised in other comprehensive income for that period. This borrowing was repaid fully during 2011.

Note 3 Financial Risk Management continued

(ii) Credit Risk

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

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

At reporting date, there was no significant concentration of credit risk at group level as all cash and cash equivalents were held in AA & A+ credit rated banks (S&P). The maximum exposure to credit risk is represented by the carrying amount of each financial asset, in the balance sheet.

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

Credit Risk	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	12,997	2,103	97	-	15,197
United States Dollars	5,737	1,638	2,882	34	10,291
Great British Pounds	2,439	62	-	144	2,645
	21,173	3,803	2,979	178	28,133

	Consolidated				
Australian Dollar Equivalent	Current	Past due but not impaired		Past due and impaired	Total
	$000	$000	$000	$000	$000
	0 - 60 days	61 - 90 days	90 + days		
Australian Dollars	12,986	2,103	97	-	15,186
United States Dollars	5,342	1,525	2,684	32	9,583
Great British Pounds	3,658	93	-	216	3,967
	21,986	3,721	2,781	248	28,736

The Group trades only with recognised, credit worthy parties. Receivables balances are monitored on an ongoing basis with the result that the Group's experience of bad debts has not been significant. During the year the Group wrote off $2,542,000 in relation to one bad debtor. Of this balance $411,000 was recovered prior to the year end and further efforts are being made to recover additional amounts.

The majority of the balances held in USD and GBP are held in entities with those respective functional currencies. Therefore there is minimal foreign currency risk.

(iii) 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 3 Financial Risk Management continued

Financial Instruments

The table below reflects all contractual fixed pay-offs, repayments and interest from recognised financial liabilities at 30 June 2011. As such, the amounts may not reconcile to the balance sheet.

	Within Year		1 to 5 years		Total	
	$000		$000		$000	
	2011	2010	2011	2010	2011	2010
Financial Liabilities:						
Bank loans and overdrafts	-	31,247	-	18,659	-	49,906
Debtors facility	2,656	6,309	-	-	2,656	6,309
Trade and sundry payables	21,524	44,838	-	-	21,524	44,838
Lease liabilities and other	1,147	1,692	457	1,101	1,604	2,793
Derivatives (net settled)	-	135	-	45	-	180
Total Financial Liabilities	25,327	84,220	457	19,805	25,784	104,026

Interest Rate Swaps

The Group previously entered into interest rate swap transactions to exchange variable interest payment obligations to protect long-term borrowings from the risk of increasing interest rates. The debt had a variable interest rate and the Group entered into swap contracts to pay interest at fixed rates. As the Group no longer has long term borrowings the interest rate swaps are no longer required.

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

	Effective Average Interest Rate Payable	Notional Principal	
	2010 %	2011 $000	2010 $000
Less than 1 year	5.99%	-	2,800
1 to 2 years	5.99%	-	2,800
2 to 5 years	5.99%	-	5,100
		-	10,700

Note 4 Significant Accounting Judgements, Estimates and Assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

(i) Significant Accounting Judgements

Impairment of non-financial assets other than goodwill and indefinite life intangibles
The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product and manufacturing performance, technology, economic and political environments and future product expectations. If an impairment trigger exists the recoverable amount of the asset is determined. Given the current uncertain economic environment management considered that the indicators of impairment were significant enough and as such these assets have been tested for impairment in this financial period.

Classification of assets and liabilities as held for sale
The Group classifies assets and liabilities as held for sale when the carrying amount will be recovered through a sale transaction. The assets and liabilities must be available for immediate sale and the Group must be committed to selling the asset either through the entering into a contractual sale agreement or the activation and commitment to a program to locate a buyer and dispose of the assets and liabilities.

Note 4 Significant Accounting Judgements, Estimates and Assumptions continued

Taxation

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

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

(ii) Significant Accounting Estimates and Assumptions

Impairment of goodwill and intangibles with indefinite useful lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units, using a value in use discounted cash flow methodology, to which the goodwill and intangibles with indefinite useful lives are allocated. An impairment loss of $92.632 million (2010: nil) was recognised in the current year in respect of goodwill. 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 19.

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 a binomial model. The related assumptions are detailed in note 32. 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.

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 18.

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 the Executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the nature of the services provided to customers. Discrete financial information about each of these operating businesses is reported to the Executive management 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 effective on the rates of return.

Neptune Marine Services comprises the two distinct divisions of Offshore Services and Engineering Services. Globally, the company has operational bases in Australia, South East Asia, Qatar, the United States 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.

Note 5 Operating Segments continued

Accounting Policies and Inter-Segment Transactions

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

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

Corporate charges
Corporate charges compromise 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:

- Fair value gains/(losses) on interest rate swap
- Finance costs
- Corporate overhead & administration expenses
- Technical expenses
- Share-based payments
- Finance costs - deferred payments (inferred)
- Foreign exchange gain/(loss)
- Deferred tax assets

Major Customers

The Group has a number of customers to which it provides its services. One customer accounted for 12.47% and $17,310,000 of external revenue (2010: 10.5% and $18,924,000). These revenues were included in the offshore (99%) and engineering (1%) division segments.

The following table presents revenue and profit information for reportable segments for the years ended 30 June 2011 and 30 June 2010.

	Continuing Operations					
	Engineering		Offshore Services		Total	
	30 June 2011 $000	30 June 2010 $000	30 June 2011 $000	30 June 2010 $000	30 June 2011 $000	30 June 2010 $000
Year ended 30 June 2011						
Revenue						
Sales to external customers	21,914	49,082	95,949	86,998	117,863	136,080
Intersegment sales	5,674	9,425	13,208	32,101	18,882	41,526
Other income	49	124	1,345	4,891	1,394	5,015
Total Sales Revenue	27,637	58,631	110,502	123,990	138,139	182,621
Internal sales elimination					(18,882)	(41,526)
Total revenue per the income statement					119,257	141,095
Result						
Segment result before impairments and asset write-down and below items	(19)	14,491	10,183	13,662	10,164	28,153
Goodwill impairment	(28,723)	-	(56,774)	-	(85,497)	-
Property, plant and equipment impairment	(1,500)	-	(16,245)	-	(17,745)	-
Segment result after impairments and asset write-down and before below items	(30,242)	14,491	(62,836)	13,662	(93,078)	28,153

Reconciliation of segment net profit before tax to net profit before tax from continuing operations

Finance costs	(3,657)	(3,501)
Corporate overhead & administration expense	(29,095)	(16,383)
Technical expenses	(306)	(223)
Share-based payments	(234)	(853)
Net profit before tax per the income statement	(126,370)	7,193

Note 5 Operating Segments continued

	Continuing Operations					
	Engineering		Offshore Services		Total	
	30 June 2011 $000	30 June 2010 $000	30 June 2011 $000	30 June 2010 $000	30 June 2011 $000	30 June 2010 $000
Segment assets						
Segment operating assets	11,247	37,710	65,842	125,952	77,089	163,662
Goodwill	4,718	42,491	56,414	119,235	61,132	161,726
Segment assets	15,965	80,201	122,256	245,187	138,221	325,388

Reconciliation of segment assets to the statement of financial position

Current tax assets	1,003	1,983
Deferred tax assets	3,811	2,111
Assets of disposal group held for sale	643	-
Non-current assets held for sale	2,235	-
Total assets from continuing operations per the statement of financial position	145,913	329,482

Entity Wide Information

Revenue from external customers by geographical locations is detailed below.

	Segment Revenues from External Customers		Carrying Amount of Non-Current Assets	
	30 June 2011 $000	30 June 2010 $000	30 June 2011 $000	30 June 2010 $000
Australia - country of domicile	80,391	82,285	96,032	150,437
Asia and Middle East	9,756	13,277	19,807	74,136
United States of America	-	-	1,907	31,500
United Kingdom	29,110	45,533	28,167	73,409
	119,257	141,095	145,913	329,482

Note 6 Revenue & Other Income

	Consolidated Group	
	2011 $000	2010 $000
a) Revenue		
— Rendering of services revenue from operating activities	117,863	136,080
— Other revenue - interest received	297	1,059
Total Revenue	118,160	137,139
b) Other Income		
— Gain on derivative financial instrument	118	300
— Government subsidies received	106	161
— Rent/ other income	458	1,027
— Foreign exchange gain	415	2,468
Total Other Income	1,097	3,956

Note 7 Expenses

		Consolidated Group	
		2011	2010
		$000	$000
a)	Finance costs:		
	— Interest to unrelated parties	3,296	1,569
	— Interest on contingent consideration	361	1,932
	Total	3,657	3,501
b)	Depreciation and amortisation:		
	— Depreciation	5,735	7,332
	— Amortisation of development costs	235	151
	Total	5,970	7,483
c)	Employee benefit expenses:		
	i) Included in Cost of Sales		
	— Salaries and wages	34,340	24,097
	— Superannuation	1,756	2,051
	— Other	1,220	1,249
	Total	37,316	27,397
	ii) Included in Administrative Expenses		
	— Salaries and wages	26,557	22,555
	— Superannuation	1,444	1,099
	— Employee entitlements	481	514
	— Share based payments	234	853
	— Other	2,569	2,275
	Total	31,285	27,296
	Total employee benefit expenses	68,601	54,693
d)	Administrative expenses		
	— Administrative costs	16,543	11,659
	— Personnel expenses	31,285	27,296
	— Depreciation expense	920	198
	— Other	4,192	3,047
	Total administration expenses	52,940	42,200
e)	Other items included in the income statement		
	— Bad and doubtful debts	2,569	62
	— Repairs and maintenance	1,316	1,426
	Total	3,885	1,488
f)	Other expenses		
	— Loss on sale of property, plant and equipment	6,933	-
	— Property, plant and equipment impairment	17,745	-
	— Goodwill impairment	85,497	-
	Total	110,175	-

Note 8 Income Tax

		Consolidated Group	
		2011	2010
		$000	$000
(a)	**Income Tax Expense**		
	The major components of income tax expense are:		
	Current income tax		
	Current income tax charge	2,802	1,096
	Adjustments in respect of current income tax or previous years	(124)	(2,428)
	Deferred Tax		
	Relating to origination and reversal of temporary differences	(2,578)	772
	Income tax expense reported in the statement of comprehensive income	100	(560)
(b)	**Amounts Charged or Credited Directly to Equity**		
	Current income tax relating to items charged (credited) directly to equity		
	Capital raising costs	(740)	(474)
	Foreign exchange	(547)	-
	Deferred income tax relating to items charged (credited) directly to equity		
	Capital raising costs	(562)	16
	Foreign exchange	523	(568)
	Income tax expense reported in equity	(1,326)	(1,026)

		Consolidated Group	
		2011	2010
		$000	$000
(c)	**Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per statutory income tax rate**		
	A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:		
	Accounting (loss)/profit before tax from continuing operations	(126,370)	7,193
	Loss before tax from discontinued operations	(16,858)	(6,904)
	Total accounting (loss)/profit before tax	(143,228)	289
	At Parent Entity's statutory income tax rate of 30% (2010: 30%)	(42,968)	87
	Adjustments in respect of prior years	645	(1,235)
	Foreign tax rate adjustment	6,227	486
	Deferred tax not recognised	12,601	179
	Withholding tax in non-Australian jurisdictions	35	533
	Research and development deduction	-	(241)
	Share based payments	70	256
	Interest on contingent consideration	108	495
	Goodwill impairment	19,572	-
	Other	3,810	(1,120)
	Aggregate income tax expense	100	(560)
	Aggregated income tax expense is attributed to:		
	Continuing operations	2,083	2,885
	Discontinued operations	(1,983)	(3,445)
		100	(560)

Note 8 **Income Tax continued**

	2011 $000 Current Tax	2011 $000 Deferred Tax	2010 $000 Current Tax	2010 $000 Deferred Tax
(d) Recognised Deferred Tax Assets and Liabilities				
Opening Balance	1,626	(646)	(6,781)	1,680
Charged to income statement	(2,678)	2,578	1,332	(772)
Charged to equity	1,286	40	474	552
Payments / receipts	1,133	-	6,883	-
Acquisition / Disposals	-	-	-	(1,860)
Not previously recognised	-	-	-	-
Other Adjustment	(364)	259	75	(246)
Closing balance	1,003	2,231	1,983	(646)
Amounts recognised in the statement of financial position:				
Deferred tax asset		3,811		2,111
Deferred tax liability		(1,580)		(2,757)
		2,231		(646)

	Statement of Financial Position 2011 $000	Statement of Financial Position 2010 $000
Deferred tax relates to the following:		
(i) Deferred tax liabilities		
Property, Plant and Equipment	2,446	2,128
Goodwill	-	1,834
Prepayments	105	131
Foreign Exchange	467	-
Other	141	2,051
Gross deferred tax liabilities	3,159	6,144
Set off of deferred tax assets	1,579	3,387
Net deferred tax liabilities	1,580	2,757
(ii) *Deferred tax assets*		
Provisions	427	418
Foreign Exchange	-	468
Accruals	597	1,687
Transaction costs on equity issue	2,008	992
Unused tax losses	2,168	1,910
Borrowing Costs	157	16
Other	33	7
Gross deferred tax assets	5,390	5,498
Set off of deferred tax assets	1,579	3,387
Net deferred tax assets	3,811	2,111

Note 8 Income Tax continued

	2011	2010
	$000	$000
(e) Tax Losses		
Gross unused tax losses for which no deferred tax asset has been recognised:		
Australia	827	-
United Kingdom	6,151	638
US	6,422	-
Singapore	5,682	298
Qatar	478	-
Total unused tax losses for which no deferred tax asset has been recognised	19,560	936

(f) Unrecognised Temporary Differences

At 30 June 2011, 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 (2010: $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 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:

	2011	2010
	$000	$000
Total increase / (decrease) to tax payable of Neptune Marine Services Ltd	(2,432)	(876)
Total increase / (decrease) to intercompany assets of Neptune Marine Services Ltd	2,432	876

(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 30 June 2011 as a result of this new legislation.

Note 9 Auditors' Remuneration

	Consolidated Group 2011 $000	Consolidated Group 2010 $000
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	193,000	141,750
— Other services in relation to the entity and any other entity in the consolidated Group		
— Tax compliance	151,263	178,432
— Due diligence services	222,551	116,249
— Special audit required by regulators	156,878	-
	723,692	436,431
Amounts received or due and receivable by related practices of Ernst & Young (Australia) for:		
— Audit services provided by overseas Ernst & Young firm	192,690	120,306
— Tax services provided by overseas Ernst & Young firm	81,806	48,985
	998,188	605,722
Amounts received or due and receivable by non-Ernst & Young audit firms for:		
— Taxation services	49,543	28,469
— Other non-audit services	34,607	13,809
	84,150	42,278

Note 10 Dividends

No dividends have been provided for or paid during the year 1 July 2010 to 30 June 2011.

Note 11 Discontinued Operations

(a) Details of Operations Disposed and Held for Sale

The Board of Directors decided to dispose of the Australian Fabrication business and the US Diving business and publicly announced this on 1st February 2011.

Fabrication (Australia)
The Board agreed to pursue a sale of this business. The performance of the business has been poor and the Board decided that it is not a business with strong growth potential or core to its other service offerings. From an economic perspective, the business has struggled with excess local capacity in the industry and high USD/AUD exchange rate encouraging customers to explore other options.

A Memorandum of Understanding for the sale of the fabrication business was signed on 26th September 2011 and the sale is to be completed by the beginning of October 2011.

US Business
Prior to year end, the Company began the process of selling the assets of the US business. This was an outcome of a Company review where it was decided to divest non-core or non-performing assets enabling the Company to focus on businesses which offer greater growth prospects.
The US assets attracted interest from several parties and subsequent to year end on 7 July 2011; a Letter of Intent was signed to sell the US business. Subsequent to the letter of intent, the potential buyer withdrew from the purchase process. It is still the intention of the Directors to pursue a sale.

Note 11 Discontinued Operations continued

(b) Financial Performance of Operations Disposed and Held for Sale

The results of the discontinued operations for the year until disposal are presented below:

Financial performance	2011			2010		
	Neptune Fabrication Services	Neptune Underwater Services	Total	Neptune Fabrication Services	Neptune Underwater Services	Total
	$000	$000	$000	$000	$000	$000
Revenue	14,810	6,190	21,000	35,961	7,368	43,329
Cost of sales and services rendered	(15,263)	(4,832)	(20,095)	(35,801)	(5,795)	(41,596)
Gross profit	(453)	1,358	905	160	1,573	1,733
Occupancy expenses	(596)	(365)	(961)	(590)	(371)	(961)
Administrative expenses	(1,465)	(4,184)	(5,649)	(1,619)	(4,323)	(5,942)
Finance costs	(655)	(7)	(662)	(670)	(1,064)	(1,734)
Gain/(loss) on disposal	3	(2)	1	-	-	-
Impairment of fixed assets	(951)	(2,406)	(3,357)	-	-	-
Impairment of goodwill	(7,135)	-	(7,135)	-	-	-
Loss before tax from discontinued operations	(11,252)	(5,606)	(16,858)	(2,719)	(4,185)	(6,904)
Tax income	1,545	438	1,983	1,901	1,544	3,445
Loss for the year from discontinued operations	(9,707)	(5,168)	(14,875)	(818)	(2,641)	(3,459)

(c) Assets and Liabilities – Held for Sale Operations

The major classes of assets and liabilities of the Australian fabrication and the US diving businesses at 30th June 2011 are:

	2011		
	Neptune Fabrication Services	Neptune Underwater Services	Total
Assets	$000	$000	$000
Property, plant and equipment	89	12	101
Trade and other receivables	-	37	37
Inventories	480	25	505
Assets classified as held for sale	569	74	643
Liabilities			
Provisions	116	-	116
Interest bearing loans and borrowings	178	-	178
Liabilities directly associated with assets classified as held for sale	294	-	294
Net assets attributable to discontinued operations	275	74	349

Interest bearing loans comprise of hire purchase loans

(d) Cash Flow Information – Held for Sale Operations

The net cash flows of the Australian fabrication and the US diving businesses are as follows:

	2011	2011
	Neptune Fabrication Services	Neptune Underwater Services
	$000	$000
Operating activities	5,323	1,922
Net cash inflow	5,323	1,922

Note 12 Earnings Per Share

	Consolidated Group 2011	Consolidated Group 2010
(a) Earnings used in calculating earnings per share	$000	$000
For basic earnings per share		
Net (loss)/profit from continuing operations attributable to ordinary equity holders of the parent	(128,453)	4,308
Loss attributable to discontinued operations	(14,875)	(3,459)
Net (loss)/profit attributable to ordinary equity holder of the parent	(143,328)	849
For diluted earnings per share		
Net (loss)/profit from continuing operations attributable to ordinary equity holders of the parent (from basic EPS)	(128,453)	4,308
Loss attributable to discontinued operations	(14,875)	(3,459)
Net (loss)/profit attributable to ordinary equity holders of parent	(143,328)	849

	2011 No. Thousands	2010 No. Thousands
(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	848,601	418,067
Dilutive effect of options	-	8,254
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	848,601	426,321

For the year ended 30 June 2010 there were 10,469,850 options on issue that were not dilutive.

Note 13 Cash and Cash Equivalents

	Consolidated Group 2011 $000	Consolidated Group 2010 $000
Cash at bank and in hand	9,611	9,992
Deposits (1)	1,354	11,789
	10,965	21,781

(1) Deposits are held on short-term accounts rolling over quarterly.

Note 14 Current Assets - Trade and Other Receivables

	Consolidated Group 2011 $000	Consolidated Group 2010 $000
Trade receivables	28,736	40,136
Allowance for impairment loss (a)	(248)	-
	28,488	40,136
Other receivables	919	476
Deposits for Bank Guarantee	-	1,967
	29,407	42,579

(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. An impairment loss of $2,569,000 (2010: nil) has been recognised by the Group in the current year. These amounts have been included in the administrative expense item.

Movements in the provision for impairment loss were as follows:	2011 $000	2010 $000
At 1 July 2011	-	-
Charge for the year	2,569	-
Amounts written off	(2,321)	-
At 30 June 2011	248	-

Note 14 Current Assets - Trade and Other Receivables continued

(b) Ageing of Receivables as at 30 June 2011

	Total $000	0-30 days $000	31-60 days $000	61-90 days $000	91+ days $000	91+ days CI* $000
2011	28,736	14,017	7,976	3,839	2,656	248
2010	40,136	16,933	13,240	6,790	3,173	-

* Considered impaired (CI)

(c) Related Party Receivables

For terms and conditions of related party receivables refer to notes 30 and 31.

(d) Fair Value

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

(e) Foreign Exchanged Interest Risk

Details regarding foreign exchange and interest rate risk exposure are disclosed in note 3.

Note 15 Current Assets – Inventories

	Consolidated Group	
	2011 $000	2010 $000
Work in progress (at cost)	2,141	4,916
Finished goods (at cost)	586	798
Total inventories	2,727	5,714

Inventories recognised as an expense for the year ended 30 June 2011 totalled $1,526,368 (2010: $1,356,050) for the Group. This expense has been included in the cost of sales line item as a cost of inventories.

Note 16 Non-Current Assets – Trade and Other Receivables

	Consolidated Group	
	2011 $000	2010 $000
Deposits for Security deposit (a)	71	29
Deposits for Bank Guarantee (a)	2,545	2,517
	2,616	2,546

(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 3.

Note 17 Information relating to Neptune Marine Services Ltd

	2011	2010
	$000	$000
Current assets	179,083	195,855
Total assets	173,972	323,144
Current liabilities	10,674	84,138
Total liabilities	56,820	106,038
Issued capital	269,805	205,804
Retained earnings	(138,147)	11,217
Translation Reserve	(20,816)	(4,710)
Hedge Reserve	170	(1,324)
Option Reserves	6,140	6,120
	117,152	217,107
Profit for the parent entity	297	3,080
Total comprehensive loss of the parent entity	(16,403)	(1,630)

Finance Lease Commitments

Payable — minimum lease payments	$000	$000
— not later than 12 months	623	1,434
— between 12 months and 5 years	225	593
— greater than 5 years	-	-
Minimum lease payments	848	2,027
Less future finance charges	-	-
Present value of minimum lease payments	848	2,027

Financial Guarantees

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

- Lease guarantee with Bank West for the leased property of Neptune Fabrication Services (2011: $250,000, 2010: $250,000)
- Lease guarantee with National Australia Bank for the leased property for Neptune Geomatics (2011: $118,250, 2010: $118,250)
- Guarantee in relation to the contract performance of its subsidiary Neptune Geomatics. Neptune Marine Services, Neptune Geomatics and Eni Australia B.V. entered into a deed of parent company guarantee on 25/11/2010. The effect of the deed is Neptune Marine Services Limited has guaranteed to ENI Australia B.V. the performance and observance by Neptune Geomatics of all terms and conditions of the contract and indemnities.

Capital Expenditure Commitments

The parent has contractual obligations to purchase plant and equipment at 30 June 2011 in relation to a 12.5m Landing Craft and Dive Chamber. Total expenditure for this is $850,000. (2010: Dive chamber $550,000).

Contingent Liabilities

The parent entity had no contingent liabilities at 30 June 2011.

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 year has been disclosed in accordance with this agreement.

Note 18 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 year

	Office Furniture, Equipment & Software $000	Leasehold Improvements $000	Plant and Equipment $000	Leased Vehicle $000	ROV's and Vessel $000	Construction in Progress $000	Total $000
Consolidated Group:							
Balance at 1 July 2009	**1,574**	**805**	**10,119**	**932**	**55,829**	**18**	**69,277**
Additions	1,522	1,688	5,744	74	4,912	72	14,012
Disposals	(32)	(1)	(125)	(64)	-	-	(222)
Transfers	(4)	-	9,464	-	(9,460)	-	-
Additions through acquisition of entities	44	-	542	3	8,844	-	9,433
Depreciation expense	(546)	(277)	(2,426)	(168)	(3,915)	-	(7,332)
Foreign exchange	(39)	(11)	(343)	(26)	(2,364)	(1)	(2,784)
Balance at 30 June 2010	**2,519**	**2,204**	**22,975**	**751**	**53,846**	**89**	**82,384**
Cost	4,518	2,664	32,185	1,389	66,817	89	107,662
Accumulated amortisation	(1,999)	(460)	(9,210)	(638)	(12,971)	-	(25,278)
Net carrying amount	**2,519**	**2,204**	**22,975**	**751**	**53,846**	**89**	**82,384**
Balance at 1 July 2010	**2,519**	**2,204**	**22,975**	**751**	**53,846**	**89**	**82,384**
Additions	677	198	2,329	97	1,333	755	5,389
Disposals	(300)	(62)	(261)	(39)	(20,196)	-	(20,858)
Transfers	-	-	(10,880)	-	10,880	-	-
Transfers to assets held for sale	-	-	-	-	(2,235)	-	(2,235)
Assets included in discontinued operations(note 11)	-	-	(89)	(12)	-	-	(101)
Depreciation expense	(584)	(307)	(1,755)	(70)	(3,292)	-	(6,008)
Impairments	(375)	(797)	(3,138)	(547)	(16,245)	-	(21,102)
Foreign exchange	(36)	(133)	(561)	(25)	(11,635)	-	(12,390)
Balance at 30 June 2011	**1,901**	**1,103**	**8,620**	**155**	**12,456**	**844**	**25,079**
Cost	3,490	1,786	14,162	394	20,284	844	40,960
Accumulated amortisation	(1,589)	(683)	(5,542)	(239)	(7,828)	-	(15,881)
Net carrying amount	**1,901**	**1,103**	**8,620**	**155**	**12,456**	**844**	**25,079**

	Office Furniture, Equipment & Software $000	Leasehold Improvements $000	Plant and Equipment $000	Leased Vehicle $000	ROV's and Vessel $000	Construction in Progress $000	Total $000
Impairment of assets attributable to discontinued operations (i)	122	797	1,891	547	-	-	3,357
Impairment of ROV's and Vessels (ii)	-	-	-	-	16,245	-	16,245
Impairment of property plant and equipment (iii)	253	-	1,247	-	-	-	1,500
Total impairment	375	797	3,138	547	16,245	-	21,102

(i) Impairment of assets attributable to discontinued operations
Refer to note 11 for further details

(ii) Impairment of ROV's and Vessels
The residual value of the Neptune Trident and ROV Supporter were reviewed at 31 December 2010 and as a result an impairment loss of $14,970,000 was recognised. The ROV Supporter was sold on 15th July 2011 and a further impairment of $1,275,000 was booked to reduce the book value of the assets to the sales price.

(iii) Impairment of property, plant and equipment
Impairment testing was performed at 31 December 2010 and an impairment loss of $1,500,000 was recognised. The recoverable amount was based on value in use calculation.

Note 18 Property, Plant and Equipment continued

(iv) Property, plant and equipment pledged as securities for liabilities

At 30 June 2011, Neptune had no property, plant and equipment pledged as securities for liabilities. At 30 June 2010 Neptune had a Multi Option Facility (term loan) of $20,100,000 from the National Australia Bank. The facility was used to finance the purchase of the Nor Sea vessel, re-named the Neptune Trident.

Neptune had entered into finance leases for two of its Dive Support Vessels. The loan facility for the remaining vessel is secured through registered charges for that vessel.

Note 19 Intangible Assets and Goodwill

	Consolidated Group	
	2011	2010
	$000	$000
Goodwill		
Cost	164,717	173,599
Accumulated foreign exchange differences	(10,953)	(6,978)
Accumulated impairment losses	(92,632)	(4,895)
Cost less impairment losses	61,132	161,726
Development costs		
Cost	2,586	2,586
Accumulated amortisation	(476)	(241)
Net carrying value	2,110	2,345
Net carrying value	63,242	164,071

Movements

	2011	2010
Goodwill	$000	$000
Balance at 1 July	161,726	144,267
Arising on acquisitions during the year	-	23,513
Net increase in operational earn outs	2,991	208
Foreign exchange differences	(10,953)	(6,262)
Impairment	(92,632)	-
Balance at 30 June	61,132	161,726
Development costs		
Balance at 1 July	2,345	1,543
Acquisitions	-	1,043
Amortisation	(235)	(241)
Balance at 30 June	2,110	2,345
Total Intangible Assets	**63,242**	**164,071**

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.

Note 19 Intangible Assets and Goodwill continued

Impairment Losses Recognised

An impairment loss of $92,632,000 on goodwill was recognised for the year to 30 June 2011. Of this amount $7,135,000 was included in discontinued operations. 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 30 June based on financial budgets 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 5% (June 2010 5%). This considers the industry outlook and market conditions, along with the flow on benefit from internal restructuring and the disposal of non-performing assets.

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

	2011	2010
Subsea Stabilisation	17.6%	18.94%
Survey	17.6%	18.94%
Asset Integrity	17.6%	16.08%
Engineering - UK	15.7%	15.81%
Diving - Australia	17.6%	17.51%
Remotely Operated Vehicles	17.1%	17.2%
Engineering - Australia	17.6%	16.08%
Fabrication-UK	15.7%	15.81%
Fabrication - Australia	22.5%	17.51%
Diving -US	17.09%	17.09%

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

	Consolidated	
	30 June 2011 $000	30 June 2010 $000
Carrying amount of goodwill	61,132	161,726
Subsea Stabilisation	14,346	25,040
Survey	18,059	33,080
Asset Integrity	13,146	9,511
Engineering - UK	4,718	9,022
Diving - Australia	5,975	5,975
Remotely Operated Vehicles	4,888	22,956
Engineering - Australia	-	10,205
Fabrication-UK	-	16,129
Fabrication - Australia	-	7,135
Diving –US	-	22,673
	61,132	161,726

(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

Note 19 Intangible Assets and Goodwill continued

Earnings – The forecast budget 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") (3%) for the countries from which materials and services are sourced.

Growth rates – This considers the industry outlook and market conditions, along with the flow on benefit from internal restructuring and the disposal of non-performing assets (2%).

(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 pre-tax discount rate is increased by 1.25%, no CGU would be impaired.

Assuming all other assumptions remain constant but the growth rate and CPI drops by 1% per annum, no CGU would be impaired.

Note 20 Other Assets

	Consolidated Group	
	2011	2010
CURRENT	$000	$000
Prepayments	1,401	3,338
Deposits	192	208
Accrued income	2,592	2,672
Other assets	-	11
	4,185	6,229
NON-CURRENT		
Prepayments	-	84

Note 21 Trade and Other Payables

	Consolidated Group	
	2011	2010
CURRENT	$000	$000
Unsecured liabilities		
Trade payables	7,299	14,091
Sundry payables and accrued expenses	10,437	12,922
Contingent consideration	3,788	14,949
	21,524	41,962
NON-CURRENT		
Contingent consideration	-	2,876
	-	2,876

Contingent Consideration	$000
Balance at 1 July 2010	17,822
Operational increase in earn outs	2,991
Finance costs	361
Payments	(17,292)
Foreign exchange differences	(94)
Balances at 30 June 2011	3,788

Note 21 Trade and Other Payables continued

(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.

(b) Financial Guarantees
Contingent consideration represents the value of contingent consideration resulting from meeting an earnings target expected to be paid in line with the related acquisitions. These are revised at each reporting date based on revised expectations of meeting the earnings target.

Contingent consideration is made up of an estimate of 88% to be settled in cash and 12% in shares to vendors of the acquired subsidiaries based on meeting expected target that is discounted to account for the time value of money and interest expense. The number of shares to be issued is determined on the fair value at date of settlement.

Note 22 Interest-bearing Loans and Borrowings

	Consolidated Group	
	2011	2010
CURRENT	$000	$000
Unsecured liabilities		
Hire purchase liability	219	1,691
Other	928	-
	1,147	1,691
Secured liabilities		
Bank loans	-	31,248
Debtors facility	2,656	6,309
	2,656	37,557
	3,803	39,248
NON-CURRENT		
Unsecured liabilities		
Hire purchase liabilities	93	922
Other	364	178
	457	1,100
Secured liabilities		
Bank loans	-	18,659
	-	18,659
	457	19,759

(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 7.56% to 8.50% (2010: 5.99% - 7.12%) 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 3**.**

Note 23 Provisions

	Consolidated Group	
	2011	2010
CURRENT	$000	$000
Provision for employee entitlements - Annual leave	949	1,506
Total provisions	949	1,506

	Consolidated Group	
	2011	2010
NON- CURRENT	$000	$000
Provision for employee entitlements - Long service leave	154	-
Total provisions	154	-

Note 23 Provisions continued

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

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

Note 24 Derivative Financial Instruments

	Consolidated Group	
	2011	2010
Current liabilities	$000	$000
Interest rate swap	-	135
	-	135
Non-current liabilities		
Interest rate swap	-	45
	-	45
	-	180

Interest rate swap was not initially designated as an accounting hedge at inception. Gains and losses arising from changes in fair value are recorded in the income statement.

Note 25 Contributed Equity

	Consolidated Group	
	2011	2010
	$000	$000
1,754,159,574 (2010: 435,456,614) fully paid ordinary shares	271,155	205,804

		Consolidated Group	
		2011	2010
(a) **Ordinary Shares**	No.	$000	$000
At 1 July 2009	334,643,474		157,733
Movements during the prior year			
— Vendor shares	18,125,847		7,879
— Exercise of options	293,333		49
— Non-Executive Director (NED) share plan	83,510		50
— Placement	82,310,450		41,155
Less transaction costs for capital raising activities			(1,062)
Balance at 30 June 2010	435,456,614	205,804	205,804
Movements during the current year			
— Placement	1,294,000,001	64,700	
— Vendor shares	23,586,128	3,721[1]	
— Exercise of options	183,498	80	
Less transaction costs for capital raising activities after tax		(3,150)	
At 30 June 2011		271,155	205,804

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At the shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

[1] Vendor shares relate to consideration and earn out payments for the acquisitions of Neptune Geomatics, Neptune Subsea Engineering, NeptuneAsset Integrity, and Neptune Subsea Stabilisation

Note 25 Contributed Equity continued

(b) **Options**

(i) For information relating to the Neptune Marine Services Limited employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end. Refer to Note 32.

(ii) For information relating to share options issued to key management personnel during the financial year. Refer to Note 31.

(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.

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 30 June 2011 and 30 June 2010 are as follows:

	Consolidated Group	
	2011	2010
	$000	$000
Total borrowings	4,260	59,007
Less cash and cash equivalents	(10,965)	(21,781)
Net debt	(6,705)	37,226
Total equity	117,152	221,194
Total capital	110,447	258,420
Gearing ratio	-6%	14%

Note 26 Reserves

	Consolidated Group	
	2011	2010
Reserves	$000	$000
Foreign currency translation reserve	(35,267)	(7,473)
Option reserve	6,354	6,120
Hedge reserve	170	(1,325)
	(28,743)	(2,678)
Movements:		
Foreign currency translation reserve		
Balance at 1 July	(7,473)	1,714
Currency translation difference arising during the year	(27,794)	(9,187)
Balance at 30 June	(35,267)	(7,473)
Option reserve		
Balance at 1 July	6,120	5,267
Cost of options issued to employees	234	853
Balance at 30 June	6,354	6,120
Hedge reserve		
Balance at 1 July	(1,325)	-
Net profit/(loss) after tax on a hedge of net investment	1,495	(1,325)
Balance at 30 June	170	(1,325)

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.

Option 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 32 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 27 Commitments

(a) **Finance Lease Commitments**	Consolidated Group 2011	2010
Payable — minimum lease payments	$000	$000
— not later than 12 months	822	1,607
— between 12 months and 5 years	389	1,048
— greater than 5 years	-	-
Minimum lease payments	1,211	2,655
Less future finance charges	-	(42)
Present value of minimum lease payments	1,211	2,613
Finance leases for continuing operations	1,034	
Finance leases for discontinuing operations	177	
	1,211	

The finance leases relate to leased vehicles and the leasehold improvement of premises for Neptune Marine Services Limited and several of the subsidiaries. All finance leases will be settled within the next 5 years. The carrying value of finance leases and hire purchase contracts for various items of plant and machinery is $1,444,000 (2010: $2,613,000). There are no restrictions placed upon the lessee by entering into these leases.

(b) **Operating Lease Commitments**	Consolidated Group 2011	2010
	$000	$000
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable — minimum lease payments		
— not later than 12 months	2,546	2,666
— between 12 months and 5 years	8,650	7,619
— greater than 5 years	-	-
	11,196	10,285
Operating leases for continuing operations	7,865	
Operating leases for discontinuing operations	3,331	
	11,196	

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 six years with no renewal option included in the contracts. 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 2011 was $4,267,000 (2010: $4,797,000).

(c) Capital Expenditure Commitments

The Group had contractual obligations to purchase plant and equipment for $1,115,000 at balance date (2010: $550,000) principally relating to building a 12.5m Landing Craft and Dive Chamber and a diver launch recovery system. This commitment is expected to be settled within 12 months of the balance sheet date. The 2010 commitment was settled during 2011.

Note 28 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.

	Consolidated Group 2011	2010
	$000	$000
— Performance guarantees	1,005	3,000
— Guarantees related to leases	1,050	552
— Bid bond	-	1,967
— Letter of credit	1,755	3,532
	3,810	9,051

The guarantees related to leases are secured by cash.

Note 29 Cash Flow Information

	Consolidated Group 2011 $000	Consolidated Group 2010 $000
(a) Reconciliation of net profit after tax to net cash flows from operations		
Profit after income tax	(143,328)	849
Cash flows excluded from profit attributable to operating activities:		
Finance costs on discounted deferred payments	361	1,977
Non-cash flows in profit		
Depreciation/amortisation	6,243	7,483
Goodwill Impairment	92,632	
Asset Impairment	21,102	
Loss on disposal of plant and equipment	6,933	(65)
Share based payment expense	234	853
Foreign exchange gain	(408)	(2,441)
(Gain)/loss on interest rate swap	(118)	(300)
Borrowing costs	-	810
Corporate overheads	-	
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase)/decrease in trade and term receivables	7,278	(2,726)
(Increase)/decrease in prepayments	1,688	241
(Increase)/decrease in inventories	981	1,199
(Increase)/decrease in deferred tax assets and liabilities	1,701	(1,331)
Increase/(decrease) in trade payables and accruals	(5,014)	2,370
Increase/(decrease) in income taxes payable	(2,519)	(10,254)
Increase/(decrease) in financial liabilities	-	-
Increase/(decrease) in provisions	(1,515)	876
Increase/(decrease) in unearned revenues	-	(2,071)
Cash flow (used in) from operations	(13,749)	(2,530)

(b) Non-cash financing and investing activities	2011 $000	2010 $000
Share-based payments (note 32)	234	903
(Gain)/loss on interest rate swap	(118)	(300)

(c) Loan facilities		
Loan facilities	12,000	50,998
Amount utilised	(2,656)	(49,907)
Unutilised facility	9,344	1,091

Note 30 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 (%)* 2011	2010
Parent Entity:			
Neptune Marine Services Limited	Australia		
Subsidiaries of Neptune Marine Services Limited			
Neptune 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%
Tri-Surv Deepwater 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%
Neptune ROV Services Sdn Bhd	Malaysia	100%	100%
Neptune ROV Services (Middle East S.P.C.)	Bahrain	100%	100%

* Percentage of voting power is in proportion to ownership

(b) Ultimate parent

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

(c) Key management personnel

Details relating to KMP, including remuneration paid, are included in note 31.

(d) Transactions with related parties

There were no related party transactions during the year.

Note 31 Key Management Personnel

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

Directors	**Position**
Mr Ross Kennan	Non Executive Director
Mr Geoff Newman	Non Executive Director
Mr Robert Scott	Non Executive Director
Mr Boon Wee Kuah (appointed 16th March 2011)	Non Executive Director
Mr Christian Lange (resigned 24th November 2010)	Chief Executive Officer and Managing Director
Mr David Agostini (resigned 30th November 2010)	Non Executive Director
Key Management Personnel	
Mr Robin King (appointed 6th June 2011)	Chief Executive Officer
Mr David Husband	Group Vice President - Engineering
Mr David de Loub	Chief Financial Officer
Mr Kenneth Nimitz	Regional Vice President - North and South America
Mr Geoffrey Edwards (resigned 30th July 2010)	Chief Financial Officer
Mr Mark Lindsay (resigned 4th April 2011)	Group Vice President - Offshore
Mr Anthony Kerr (resigned 4th April 2011)	Technical Director
Mr Benoit Barbier (resigned 20th January 2011)	Regional Vice President – Asia and Middle East
Mr Lodewijk van Wachem (resigned 6th April 2011)	Regional Vice President – Europe, Mediterranean and Africa

(b) Refer to Remuneration Report contained in the Directors' Report for details of remuneration paid or payable to each member of the Group's key management personnel.

	Consolidated Group	
	2011	2010
	$000	$000
Short term employee benefits	3,754	2,917
Post employment benefits	375	217
Other long-term benefits	4	-
Share based payments	93	432
Termination payments	1,785	-
	6,011	3,566

(c) Option holdings

Number of options held by key management personnel

2011	Balance 1 July 2010	Granted as Compensation	Options Exercised	Net Change Other	Balance 30 June 2011	Total Vested 30 June 2011	Total Exercisable 30 June 2011	Total Unexercisable 30 June 2011
Mr David Agostini	200,000	-	-	(200,000)	-	-	-	-
Mr Christian Lange	7,000,000	-	-	(3,000,000)	4,000,000	4,000,000	4,000,000	-
Key Management Personnel								
Mr Geoffrey Edwards	1,300,000	-	-	(1,300,000)	-	-	-	-
Mr Lodewijk van Wachem	400,000	-	-	(400,000)	-	-	-	-
Mr Kenneth Nimitz	400,000	-	-	-	400,000	100,000	100,000	300,000
Mr Benoit Barbier	-	400,000	-		400,000	-	-	400,000
	9,300,000	400,000	-	(4,900,000)	4,800,000	4,100,000	4,100,000	700,000

Note 31 Key Management Personnel continued

2010	Balance 1 July 2009	Granted as Compensation	Options Exercised	Net Change Other	Balance 30 June 2010	Total Vested 30 June 2010	Total Exercisable 30 June 2010	Total Unexercisable 30 June 2010
Mr David Agostini	200,000	-	-	-	200,000	200,000	200,000	-
Mr Christian Lange	7,000,000	-	-	-	7,000,000	5,000,000	5,000,000	2,000,000
Key Management Personnel								
Mr Geoffrey Edwards	1,300,000	-	-	-	1,300,000	683,333	683,333	616,667
Mr Lodewijk van Wachem	-	400,000	-	-	400,000	-	-	400,000
Mr Kenneth Nimitz	-	400,000	-	-	400,000	-	-	400,000
	8,500,000	800,000	-	-	9,300,000	5,883,333	5,883,333	3,416,667

Note that Ross Kennan, Geoff Newman, Robert Scott, Boon Wee Kuah, Robin King, David Husband, David de Loub, and Mark Lindsay have not been granted any options.

The 'net change other' column above includes those options that have been forfeited by holders as well as options issued during the year under review.

Further disclosure of options granted and exercised during the year can be found on page 19 and 20 of the Directors' Report.

(d) Shareholdings

Number of Shares held by Key Management Personnel

2011	Balance 1 July 2010	Received as Compensation	Options Exercised	Net Change Other*	Balance 30 June 2011
Directors					
Mr Ross Kennan	523,451		-	942,220	1,465,671
Mr Geoff Newman	58,488		-	210,558	269,046
Mr Robert Scott	143,594		-	516,939	660,553
Mr Christian Lange	559,267	-	-	-	559,267
Mr David Agostini	161,822		-	-	161,822
Key Management Personnel					
Mr Robin King		-	-	800,000	800,000
Mr David Husband	6,354,662	-	-	8,000,000	14,354,662
Mr Geoffrey Edwards	134,321	-	-	-	134,321
Mr Mark Lindsay	5,461,737	-	-	3,037,636	8,499,373
Mr Anthony Kerr	4,154,248	-	-	2,462,949	6,617,197
Mr Benoit Barbier				300,000	300,000
	17,551,590	-	-	16,270,302	33,821,892

2010	Balance 1 July 2008	Received as Compensation	Options Exercised	Net Change Other*	Balance 30 June 2009
Directors					
Mr Ross Kennan	190,047	33,404	-	300,000	523,451
Mr David Agostini	135,120	16,702	-	10,000	161,822
Mr Geoff Newman	26,786	16,702	-	15,000	58,488
Mr Robert Scott	96,892	16,702	-	30,000	143,594
Mr Christian Lange	429,267	-	-	130,000	559,267
Key Management Personnel					
Mr Geoffrey Edwards	106,321	-	-	28,000	134,321
Mr David Husband	4,424,858	-	-	1,929,804	6,354,662
Mr Mark Lindsay	4,052,487	-	-	1,409,250	5,461,737
Mr Russell Collins	4,519,288	-	-	(277,682)	4,241,606
	13,981,066	83,510	-	3,574,372	17,638,948

Note that Lodewijk van Wachem and Kenneth Nimitz have not been granted any shares.

Note 31 Key Management Personnel continued

The 'net change other' column above includes those options that have been forfeited by holders as well as options issued during the year under review.

Further disclosure of options granted and exercised during the year can be found on page 19 and 20 of the Directors' Report.

Note 32 Share-Based Payments

(a) Recognised share-based payment expenses

The expense recognised for employee services received during the year is as below:

	2011	2010
	$000	$000
Expense arising from equity -settled share based payment transactions	234	853

The following share-based payment arrangements existed at 30 June 2011:

Incentive Option Scheme

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

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

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

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

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

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

	Consolidated Group			
	2011		2010	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Outstanding at the beginning of the year	18,323,832	0.52	17,786,250	0.52
Granted during the year	600,000	0.58	1,120,000	0.69
Forfeited during the year	(4,381,500)	0.35	(409,085)	1.21
Exercised during the year	(55,650)	0.05	(173,333)	0.15
Expired during the year	(200,000)	0.57	-	-
Outstanding at the end of the year	14,286,682	0.61	18,323,832	0.52
Exercisable at the end of the year	11,216,685	0.60	10,729,126	0.62

There were 55,650 options exercised under the incentive option scheme during the year ended 30 June 2011. The weighted average share price at the date of exercise is $0.07.

The options outstanding at 30 June 2011 had a weighted average exercise price of $0.61 (2010: $0.52) and a weighted average remaining contractual life of 3.0 years (2010: 3.7 years). Exercise prices range from $0.33 to $1.23 in respect of options outstanding at 30 June 2011 (2010: $0.28 to $1.23).

The weighted average fair value per option granted during the year was $0.13 (2010: $0.29).

Note 32 Share-based Payments continued

During the year 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.

Included under employee benefits expense in the income statement is $234,093 (2010: $853,092). This relates in full, to equity-settled share-based payment transactions.

Non Executive Directors Share Plan

Restricted Shares are granted to Non Executive Directors (NED) under the 2007 NED Share plan approved by Shareholders at the AGM held on 19 November 2007. Shares are held under trading lock until the earlier of the lapse of a 3 year period or the date on which the NED ceases to be a director. Under the plan, NEDs, except for Board Chairman are required to take $10,000 of their annual fees in the form of shares in the Company, while the Board Chairman is required to take $20,000 of his annual fees in the form of shares in the Company.

All restricted shares granted to NEDs are ordinary shares in Neptune Marine Services Limited which confer a right of one ordinary share for every share held.

Included under employee benefits expense in the income statement is nil (2010: $50,000). This relates in full, to equity-settled share-based payment transactions.

Note 33 Business Combinations

Prior Period Acquisitions

On 20th November, 2009, Neptune Marine Services Limited acquired 100% of the voting shares in Aberdeen-based Submersible Technology Services (Holdings) Limited (“STS”), now called Neptune ROV Services Holding Ltd,a leading provider of remotely operated vehicles ("ROV") and survey support services to the offshore oil and gas industry. The Group calculated Goodwill on acquisition to be $23,508,000. Impairment testing was performed during the year and an impairment loss of $15,796,000 was recognised. Refer to note 19 for further details.

STS generated revenue of $10,969,000 (2010: $4,883,000) and incurred a profit (before corporate overheads and tax) of $2,227,000 in the year (2010: $1,271,428).

Note 34 Events After the Balance Sheet Date

On 15th July 2011 a Memorandum of Agreement was signed for the sale of the vessel, the ROV Supporter including the on board remotely operated vehicle (“ROV”). The sale completed in early August and the full proceeds of USD $2.4m were received at the time.

As part of the restructuring program the Group decided to sell the Australian fabrication business. A number of parties conducted due diligence and subsequent to year end, one of these parties made a conditional offer to purchase the business.

Prior to year end, the Company began the process of selling the assets of the US business. A Letter of Intent was signed to sell the US business. Subsequent to the letter of intent, the potential buyer withdrew from the purchase process. It is still the intention of the Directors to pursue a sale.

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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 30 June 2011, the consolidated statement of comprehensive income, 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(a), 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.

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 30 June 2011 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(a).

Report on the remuneration report

We have audited the Remuneration Report included in pages 12 to 20 of the directors' report for the year ended 30 June 2011. 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 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

P McIver
Partner
Perth
29 September 2011

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

Corporate Governance Report 2011

Principle	Corporate Governance best practice recommendation	Compliance	How we comply
1.1	Establish and disclose the functions reserved to the Board and those delegated to senior executives	✓	The Board has established a Corporate Governance Statement which summaries the role and duties of the Board. The Company is in the process of reviewing and updating the Corporate Governance Statement. The Company considers that the primary responsibility of the Board is to oversee the Company's business activities and management for the benefit of the shareholders by: – setting objectives, goals and strategic direction with management with a view to maximising shareholder value; – overseeing the financial position and monitoring the business and affairs of the Company; – establishing corporate governance, ethical, environmental and health and safety standards; – ensuring significant business risks are identified and appropriately managed; and – ensuring the composition of the Board is appropriate, selecting Directors for appointment to the Board and reviewing the performance of the Board and the contributions of individual Directors. The Board has delegated responsibilities and authorities to management to enable management to conduct the Company's day to day activities. Senior Executives have a high level of authority commensurate with their position in the Company. Authority levels for all management is set out in writing and form a fundamental part of their employment conditions. The management structure of the Company and the suitability of authority levels are determined and reviewed by the Board. Matters which are not covered by the delegations require Board approval. The Corporate Governance Statement is available on the Company's website in the Investor Centre section.
1.2	Disclose the process for evaluating the performance of senior executives	✓	The Board regularly evaluates the performance of the Board, its committees, individual Directors and key senior executives. The Board has established a Human Resources and Compensation Committee to assist it in exercising its reviews of its key senior executives. The Human Resources and Compensation committee receives assessments of performance of executives reporting to the CEO through the CEO assisted by the Director of Human Resources with the Chief Financial Officer also assessed by the Chairs of the Audit and Governance and Occupational Health & Safety Committee. Refer to the Director's Report for a summary of performance of the Chief Executive Officer and Chief Financial Officer.

Principle	Corporate Governance best practice recommendation	Compliance	How we comply
			The Company has a formal induction process for its senior executives.
1.3	Provide the following information in the annual report:		
1.3.1	An explanation of any departure from recommendations 1.1, 1.2 and 1.3		Not applicable.
1.3.2	Whether a performance evaluation for senior executives has taken place in the reporting period and whether it was in accordance with the process disclosed.	✓	Formal evaluations of the performance of the Chief Executive Officer and Chief Financial Officer have occurred and were in accordance with the process disclosed at 1.2 above. Refer to remuneration report.
2.1	A majority of the Board should be independent directors	✓	The majority of the Board is independent. The Board considers an independent Director to be a Non-Executive Director who meets the criteria for independence included in the ASX Best Practice Recommendations. The Board considers that Mr Ross Kennan, Mr Geoff Newman, Mr Peter Wallace and Mr Robert Scott meet these criteria.
2.2	The chairperson should be an independent director	✓	The Chairman, Mr Ross Kennan, is considered by the Board to be independent.
2.3	The roles of Chairperson and Chief Executive Officer should not be exercised by the same individual	✓	The Chairman, Mr Ross Kennan, facilitates the relationship between the Board and, Mr Robin King, the Chief Executive Officer.
2.4	The Board should establish a nomination committee	✗	The Company does not presently have a separate nomination committee as required by Best Practice Recommendations 2.4. The size of the Company and Board does not warrant the establishment of a separate nomination committee. The duties of such committee have been considered and adopted by the Board. During the year the board engaged an executive search firm to assist it with the recruitment of Non-Executive Directors. This engagement involved the assessment of the board's current skills to ensure any incoming directors would complement and enhance the board's skill level and experience. The executive search firm reports directly into the board. The Company does not have a documented procedure for the selection and appointment of directors. The Board informally reviews the skill set of and market expectations for its directors on a regular basis and considers these factors when appointing / re-electing directors. The Board invites persons with relevant industry experience and financial experience to assist it in its appointment of directors.
2.5	The process for evaluating the performance of the Board, its committees and individual directors should be disclosed.	✓	The Company does not have a documented procedure for the evaluating the performance of the Board, its committees and directors. An evaluation of the performance of the Board and its Directors is undertaken informally each year. The Chairman of the Board is the driver of this process. The Board engaged its solicitor to provide the Board with a performance review, analysis and feedback. With the assistance of its solicitor the Board conducted a peer evaluation focussing on efficiency and effectiveness of board meetings. In previous years the Chairman has conducted interviews with each director. The evaluation of the performance of the Board's various committees is undertaken on an exception basis. This is also an informal process which is driven by the

Principle	Corporate Governance best practice recommendation	Compliance	How we comply
			Chairman of the Board.
2.6	Provide related disclosures: - The skills, experience and expertise relevant to the position of director held by each director in office at the date of the Annual Report;	✓	Refer Directors' report
	- The names of the directors considered by the Board to constitute independent directors and the company's materiality thresholds;	✓	Refer Directors' report
	- The existence of any relationships listed in Box 2.1 and an explanation of why the Board considers a director to be independent, notwithstanding the existence of those relationships;	✓	Refer Directors' report
	- A statement as to whether there is a procedure agreed by the Board to take independent professional advice at the expense of the company;	✓	The Board and its Committees may seek advice from independent experts whenever it is considered appropriate. The advice is at the Company's expense, subject to the prior approval of the Board.
	- The term of office held by each director in office at the date of the Annual Report;	✓	Refer Directors' report
	- The names of members of the Nomination Committee and their attendance at meetings of the committee, or where a company does not have a Nomination Committee, how the functions of a Nomination Committee are carried out;	✓	Although no formal Nomination Committee has been formed, the role of the Nomination Committee has been performed by the board as a whole
	- Whether a performance evaluation for the Board, its committee(s) and directors has taken place in the reporting period and whether it was in accordance with the process disclosed;	✓	Refer Directors' report
	- An explanation of any departures from any Principle 2 Recommendation;	✓	Refer Directors' report
	- Make publicly available: - A description of the procedure for the selection and appointment of new directors and the re-election of incumbent directors.	✗	Refer 2.4 above
	- The charter of the Nomination Committee or a summary of the role, rights, responsibilities and membership requirements for that committee.	✗	Refer 2.4 above
	- The Board's policy for the nomination and appointment of directors.	✗	Refer 2.4 above

Principle	Corporate Governance best practice recommendation	Compliance	How we comply
3.1	Establish a code of conduct and disclose the code or a summary of the code as to: (a) the practices necessary to maintain confidence in the Company's integrity; (b) the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; (c) the responsibility and accountability of individuals for reporting and investigating reports of unethical practices;	✓	The Board has adopted a Code of Conduct. The code outlines the Company's position on a range of ethical and legal issues including financial inducements, conflicts of interest and accountability and addresses: – the practices necessary to maintain confidence in the company's integrity; – the practices necessary to take into account their legal obligations and the expectations of their stakeholders; and – responsibility and accountability of individuals for reporting and investigating reports of unethical practices. The code applies to Directors, employees, and anyone who works with the Company.
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them.	✓	The Board has adopted a policy concerning diversity and has disclosed the policy on its website.
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	✗	This disclosure has not yet been made, future annual reports will disclose the measureable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress in achieving them.
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women in the board	✗	This disclosure has not yet been made, future annual reports will disclose the measureable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress in achieving them.
3.5	Provide related disclosures: - An explanation of any departure from Recommendation 3 - Posting to the company's website any applicable code of conduct or a summary and the diversity policy or a summary of its main provisions	✗	Explanation of departures from Principles and Recommendations 3.1, 3.2, 3.3 and 3.4 (if any) are set out above. The Company will also explain any departures from Principles and Recommendations 3.1, 3.2, 3.3 and 3.4 (if any) in its future annual reports. The Corporate Governance Policies which includes the Diversity Policy and Corporate Code of Conduct is posted on the Company's website.
4.1	The Board should establish an audit committee	✓	The Board has established an Audit and Governance Committee to assist it in exercising its authority.
4.2	Structure the audit committee so that it consists of: a) only Non-Executive Directors b) majority of independent Directors c) independent Chairperson, who is not the Chairperson of the Board d) at least three members	 ✓ ✓ ✓ ✓	The committee complies with the structure as required by the Best Practice Recommendation 4.2.

Principle	Corporate Governance best practice recommendation	Compliance	How we comply
4.3	The audit committee should have a formal charter	✓	The Audit and Governance Committee has a formal charter that can be found at the Company's website.
4.4	Provide the following information in the annual report:		
	(a) Details of the names and qualifications of those appointed to the audit committee and their attendance at meetings of the committee	✓	Refer to Director's Report
	(b) The number of meetings of the audit committee	✓	Refer to Director's Report
	The following material should be made publicly available, ideally on the Company's website in a clearly marked corporate governance section:		
	(c) the audit committee charter	✓	The charter of the Audit and Governance Committee is available at the Company's website in the Investor Centre section.
	(d) information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners	✓	The committee manages the relationship between the Company and external auditor on behalf of the Board. It recommends to the Board potential auditors for appointment, re-appointment or replacement, the terms of engagement and remuneration of the external auditor.
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements to ensure accountability at a senior level for that compliance and disclose those policies or a summary of those policies.	✓	The Board recognises that shareholders and the investment market generally should be informed of all major business events that influence the Company in a timely and widely available manner. To safeguard the effective dissemination of information the Company has adopted an Information Disclosure Policy. The Policy outlines how the Company identifies and distributes information to shareholders and market participants and has been designed to ensure: – compliance with ASX Listing Rule disclosure; and – accountability at a senior executive level for that compliance.
5.2	Provide related disclosures:		
	- An explanation of any departure from any Principle 5 Recommendation;	✓	Not applicable
	The policies or a summary of those policies designed to guide compliance with Listing Rule disclosure requirements.	✓	The Company's Information Disclosure Policy is available on the Company's website in the Investor Centre section.

Principle	Corporate Governance best practice recommendation	Compliance	How we comply
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	✓	The Company's communication strategy forms part of the Company's Information Disclosure Policy. The Board aims to ensure that the market and shareholders are informed of all major developments effecting the Company. The Company's website contains a section for shareholders and investors (Investor Centre). All announcements and corporate material of interest to shareholders and the market generally can be found on the Investor Centre. The Company's communication strategy has been designed to: – promote effective communication with shareholders; and – encourage shareholder participation at AGMs.
6.2	Provide related disclosures: - An explanation of any departures from any Principle 6 Recommendation; - A description of how the company will communicate with its shareholders publicly.	✓ ✓	Not applicable The Company's Information Disclosure Policy is available on the Company's website in the Investor Centre section.
7.1	The Company should establish policies for risk oversight and management	✓	**<u>Board</u>** Management is responsible for the management and oversight of material business risks. The Audit and Governance Committee and Board has assisted the management in exercising its responsibilities for risk oversight management. **<u>Risk Management Committee</u>** The Board has established via management a separate Risk Management Committee comprising of senior executives to oversee the implementation of policies for the oversight and management of material business risks. That charter and statement of duties and responsibilities for the Risk Management Committee has been drafted and is subject to approval by the committee. The main responsibilities of the Risk Management Committee are: 1. Recommend to the Board and then formally announce, implement and maintain a sound system of risk oversight, management and internal control which: (a) identifies, assesses, manages and monitors risk; and (b) allows investors and other stakeholders to be informed of material changes to the Company's risk profile. The risk management duties of the Committee include: 1. Assessment of the Company's risk profile and key areas of risk in particular. 2. Recommending to the Board and adopting risk assessment and rating procedures. 3. Examining and determining the sufficiency of the Company's internal processes for reporting on and managing key risk areas. 4. Assessing and recommending to the Board acceptable levels of risk. 5. Development and implementation of a risk management framework and internal control system.

Principle	Corporate Governance best practice recommendation	Compliance	How we comply
			6. On an annual basis, agreeing with the Audit and Governance Committee which aspects of the internal audit are non-financial aspects to be monitored by the Committee. 7. Initiating and monitoring special investigations into areas of corporate risk and break-downs in internal control. 8. Reviewing the nature and level of insurance coverage. The governance duties of the Committee include: 1. Monitoring legal and regulatory compliance generally, including compliance with the: (a) Corporations Act 2001 (Cth); (b) Trade Practices Act 1974 (Cth); (c) listing rules of the ASX; and (d) other applicable Australian and overseas laws. 2. Reviewing and recommending to the Board changes to the Company's Code of Conduct, other policies (“Company Policies”) and other material designed to guide the Company's directors, executives and other employees as to: (a) compliance with legal and other obligations to legitimate stakeholders such as shareholders and employees; (b) the ethical standards and practices necessary to maintain confidence in the Company's integrity; (c) the responsibility and accountability of individuals for reporting and investigating reports of unlawful and unethical practices; and (d) the behaviour expected of them and the Company's corporate culture generally. 3. Monitoring compliance with Company Policies and investigating allegations of breaches of those policies. 4. Reviewing and recommending to the Board policies to avoid conflicts of interest between the Company and its executives. The Company also has a separate Health, Safety, Environment and Quality ("HSEQ") Committee which reports to the Board and which is responsible for the oversight and management of risks associated with HSEQ. This committee reports to the Board on a monthly basis. The annual report details material financial risks which arose during the reporting period (see notes to financial statements).
7.2	The Board should require management to design and implement the risk management and internal control system to manage the company's material risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	✓	As detailed at 7.1 the Board established a separate Risk Management Committee comprising of senior management to design and implement a risk management and internal control system to better manage the Company's material risks. The Risk Management Committee reports directly to the Board. The Risk Management Committee has a charter and duties and responsibilities statement outlining its key functions and processes.

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			Management has reported to the Board as to the effectiveness of the Company's management of material business risks during the relevant reporting period. During the period due to management focussing on the recapitalisation and de-leveraging of the company, the Risk Management Committee was not active. The Risk Management Committee has been re-activated for financial year 2012.
7.3	The Board should disclose whether it has received assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks	✓	The Board has received assurance from the Chief Executive Officer and Chief Financial Officer that the s295A declaration is founded on a sound system of risk management and internal control and the system is operating effectively in all material respects in relation to financial risks.
7.4	Provide related disclosures:		
	- An explanation of any departures from any Principle 7 Recommendation;	✓	Not applicable
	- Whether the Board has received the support from management under Recommendation 7.2;	✓	Whilst the Board has not received a formal report from management pursuant to recommendation during the period, it has been monitored by management and reported through to Board at Board meetings.
	- Whether the Board has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) under Recommendation 7.3.	✓	The Board has received the assurance in accordance with recommendation 7.3.
	A summary of the company's policies on risk oversight and management of material business risks.	✓	The current Charter for the Audit and Governance Committee Charter is accessible on the Company's website in the Investor Centre section. The risk charter and statement of responsibilities and duties of the Risk Management Committee is available on the Company's website in the Investor Centre section.
8.1	The Board should establish a remuneration committee	✓	The Board has established a Human Resources and Compensation Committee. The Committee's role is to assist the Board in establishing human resources and compensation policies and practices for directors, key executives and employees.
8.2	The remuneration committee should be structured so that it:		
	• Consists of a majority of independent directors	✓	Refer Director's Report
	• Is chaired by the independent chair	✓	Refer Director's Report
	• Has at least 3 members	✗	Although the Committee currently only has Mr Ross Kennan and Mr Rob Scott as members, the committee throughout the year sought input and received guidance from other non executive directors. The company will look to expand the membership of this committee in financial year 2012.
8.3	Companies should clearly distinguish the structure of non-executive director's remuneration from that of executive directors and senior executives	✓	Refer Remuneration Report, there are clearly identified structures for Non Executive Directors and Senior Executives. At the time of writing this report there are no

Principle	Corporate Governance best practice recommendation	Compliance	How we comply
			Executive Directors in place.
8.4	Provide related disclosures: - The names of the members of the Remuneration Committee and their attendance at meetings of the committee, or where a company does not have a Remuneration Committee, how the functions of a Remuneration Committee are carried out; - The existence and terms of any schemes for retirement benefits, other than superannuation, for non-executive directors; - An explanation of any departures from any Principle 8 Recommendation; - The charter of the Remuneration Committee or a summary of the role, rights, responsibilities and membership requirements for that committee; - A summary of the company's policy on prohibiting entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes.	✓ ✓ ✓ ✓ ✓	Refer Director's Report Refer Remuneration Report Not applicable except for the committee only having 2 non executive independent directors instead of 3. The Charter establishing the Human Resources and Compensation Committee is available on the Company's website in the Investor Centre section. Included within the Securities Dealing policy available on the Company's website in the Investor Centre section.