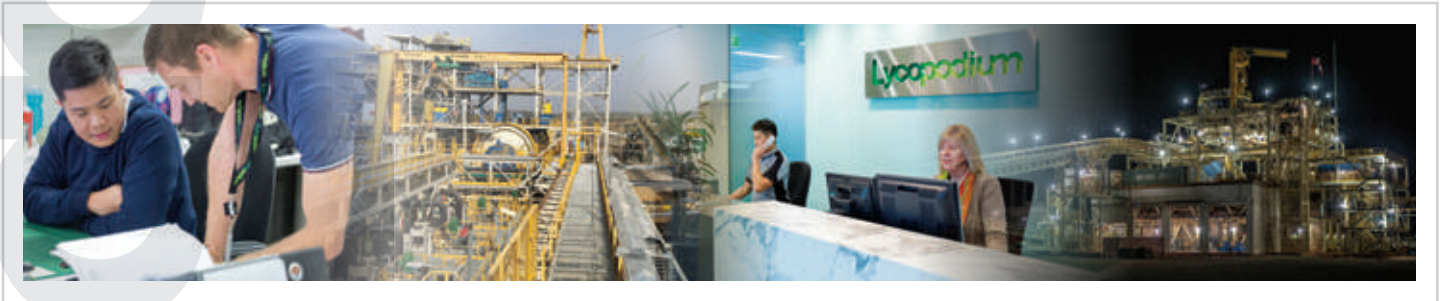


Lycopodium



ANNUAL FINANCIAL REPORT  
2018



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This financial report is the consolidated financial report of the group consisting of Lycopodium Limited and its subsidiaries. The financial report is presented in the Australian currency.

Lycopodium Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Lycopodium Limited  
Level 5, 1 Adelaide Terrace  
East Perth WA 6004

A description of the nature of the group's operations and its principal activities is included in the directors' report on page 1, which is not part of this financial report.

The financial report was authorised for issue by the Directors on 20 September 2018. The Directors have the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely and complete. All press releases, financial reports and other information are available at our Shareholders' Centre on our website:

[www.lycopodium.com.au](http://www.lycopodium.com.au)

# Directors' Report

## Directors' report

Your Directors present their report on the group consisting of Lycopodium Limited and the entities it controlled at the end of, or during, the year ended 30 June 2018.

### Directors

The following persons were Directors of Lycopodium Limited during the whole of the financial year and up to the date of this report:

Michael John Caratti  
 Peter De Leo  
 Rodney Lloyd Leonard  
 Robert Joseph Osmetti  
 Bruno Ruggiero  
 Peter Anthony Dawson  
 Lawrence William Marshall  
 Steven John Micheil Chadwick

### Principal activities

The principal activities of the group during the financial year consisted of engineering consulting in the mining, metallurgical, rail and manufacturing industries. There were no significant changes in the nature of the group's principal activities during the financial year.

### Dividends

Dividends paid to members during the financial year were as follows:

	2018 \$	2017 \$
Final fully franked dividend for the year ended 30 June 2017 of 9.0 cents (2017: 4.0 cents) per fully paid share paid on 10 October 2017 (2017: 13 October 2016).	3,575,914	1,589,295
Interim fully franked dividend for the year ended 30 June 2017 of 12.0 cents (2017: 9.0 cents) per fully paid share paid on 10 April 2018 (2017: 13 April 2017)	4,767,885	3,575,914
	<b>8,343,799</b>	<b>5,165,209</b>

In addition to the above dividends, since the end of the financial year the Directors have recommended the payment of a final fully franked dividend of \$7,151,827 (18.0 cents per fully paid share) to be paid on 12 October 2018 out of retained earnings at 30 June 2018 (2017: \$3,575,914). This brings the total dividend declared for the year ended 30 June 2018 to 30.0 cents (2017: 18.0 cents).

### Review of operations

Lycopodium has had a busy and successful year. Operationally we have delivered five West African gold projects on time, on budget and on specification. Financially we have delivered a good profit result, added to our already strong balance sheet and paid a fully franked dividend of 30 cents per share to shareholders.

Above all else, we have achieved these results while keeping our people safe and healthy.

We continue to be flexible in the form of contract we use to deliver our services. Of the five projects commissioned this financial year, two were delivered under EPC contracts while the remaining three were delivered under EPCM contracts.

#### EPC

- Mako Project for Toro Gold Ltd (Toro) in Senegal
- Sissingué Project for Perseus Mining Limited (Perseus) in Côte d'Ivoire

#### EPCM

- Houndé Project for Endeavour Mining Corporation (Endeavour) in Burkina Faso
- Natougou Project for SEMAFO Inc. (SEMAFO) also in Burkina Faso; and
- Fekola Project for B2Gold Corporation (B2Gold) in Mali.

# Directors' Report *(continued)*

## **Review of operations (continued)**

Looking forward for the next year we have kicked off two new greenfield gold projects - the Ity Project in Côte d'Ivoire for Endeavour and the Waghion Project for Teranga Gold Corporation in Burkina Faso. We are also completing the Karma Upgrade for Endeavour in Burkina Faso. Subject to market conditions discussed below, our pipeline looks reasonable for 2018/19.

The delivery of major West African gold projects in the past year masks the diversity of our business. As examples of this diversity:

- we have continued to provide EP (Engineering and Procurement) services at the Cobre Panama Project for First Quantum Minerals Ltd (FQM), the largest greenfield copper project in the world.
- we are progressing the Toka Tindung Expansion in North Sulawesi for PT Arci Indonesia.
- we have designed, delivered and are currently commissioning the Final Recovery Plant on the Montepuez Ruby Mine in Mozambique for Gemfields plc.
- we continue to provide a broad range of specialist diamond processing and engineering services to De Beers Group (De Beers) in South Africa, Botswana and Namibia.
- we are jointly preparing the Pre-feasibility Study for the Toliara Minerals Sands Project for Base Minerals Limited in Mozambique.
- we are undertaking studies and delivering projects in battery minerals including graphite, lithium, cobalt and nickel.<sup>4</sup>

In addition, our infrastructure services continued at a steady rate across the year with a number of material briefs awarded and executed. These included the Stockingbingal to Parkes study package on the Australian Inland Rail Project, study services on the Pipers Flat Coal Unloader for Energy Australia, ongoing professional services as part of the Main Roads of Western Australia Project Management Panel and design services on BHP's Jimblebar Stretch Assist Project.

In our process industries business we executed the design and construct contract for a Cotton Seed De-linting package in NSW and the EPC work associated with the Mt Piper Air Cannon Project.

This is a broad portfolio of commodities, geographies and sectors within which we operate.

Our staff numbers have reduced modestly over the year reflecting the rise and fall associated with our project delivery activities. It is with great pride that we can report that all our projects and studies are being delivered very well across the business and as always that is a reflection of our great people and teams.

## **Full Year Results**

For the financial year ended 30 June 2018, Lycopodium derived revenues of \$194.6 million and a net profit after tax of \$18.2 million.

The Directors have resolved to pay a final dividend of 18 cents per share, which is in line with the dividend policy. The total dividend for the year is 30 cents per share fully franked.

**Review of operations (continued)**

**Outlook**

*General view*

The markets within which we operate are in a relatively steady state. We are always adapting to changes in mining legislation, tax structures and security issues in the normal course of our business. Subject to any material impacts associated with trade wars and tariffs on commodities we expect this to continue. In practical terms a steady state translates to a reasonable level of work and opportunity in the market which we expect will translate to reasonable financial returns for the business.

*Resources*

The gold price this time last year sat at around US\$1,310/oz, peaked at over US\$1,360/oz and subsequently weakened to US\$1,173/oz in mid-August 2018 before rallying to approximately US\$1,200/oz in mid-September.

Although this has not had a material effect on our level of activity on gold projects to date, we expect we will see some future delay to near term gold related prospects whilst project owners deal with more arduous routes to project funding.

At time of writing the copper price is also down 10% from this time last year yet the medium to long term outlook for copper sees a production deficit which will exert an upward influence on the price. This has been the general story across many of the commodities with which Lycopodium has historically worked. The result is that whilst there is significant activity in the sector the activity is predominantly in the development phase of the existing project order book. Timeline slippage is being seen in those projects which are at the pre-development and funding phase making predicting project award dates somewhat difficult. Notwithstanding the steady outlook for those more traditional mineral resources we have during the year made significant inroads into the battery metals market having taken on and executed studies and projects in lithium, cobalt, graphite and nickel.

*Process Industries*

In general we are seeing an increase in engineering services in the chemical processing sector and the water, waste water and waste management sectors, which has offset the decline being experienced in the food and beverage sector and the pharmaceuticals sectors.

*Infrastructure*

We have seen a steadily improving level of activity within the sectors we service. During the year we have strengthened our position on the east coast of Australia in Rail Infrastructure Management (RIM) services particularly in NSW and have also continued to build our presence in Victoria. We secured a key package on the Inland Rail Project for Australian Rail Track Corporation (ARTC) and a significant multiyear contract with Pacific National Corporation (Pacific National) which should benefit our ability as a business to secure similar future briefs.

**Corporate overview**

During the course of the year we undertook a thorough strategic planning process involving the full leadership team across our global business. This has culminated in the development of a strategic plan and a series of strategic initiatives to take the business forward.

The outcome of this work can be summarised as:

- Remaining focussed on surety of outcome for our clients, shareholders and staff.
- Enhancing our tradition of innovation in design and innovation in implementation by establishing an innovation centre within the business given the breadth of changes now confronting all of us.
- Pursuing strategies that have the potential to broaden our offering in the market.

All of this delivered from our hubs in Australia, Canada and South Africa supported by our Manila based operation.

# Directors' Report *(continued)*

## **Review of operations (continued)**

A key initiative reported last year was the establishment of Mondium Pty Ltd (Mondium). This business is a standalone joint venture company owned by Lycopodium and Monadelphous Ltd, a highly respected engineering and construction company listed on the ASX.

Mondium has been established to service the mineral resources market in Australia and selected other regions by delivering projects on an EPC or Lump Sum Turnkey basis. During the past year Mondium secured a number of EPC briefs and successfully completed its first project at Talison Lithium's Greenbushes site in Western Australia. This team has continued to build a reputation for delivering quality outcomes and although the number of large EPC opportunities is low we remain highly confident that Mondium will be successful in developing into a significant asset for Lycopodium.

Growing our business, adapting and embracing change, responding to new market conditions - these are challenges to be addressed by Lycopodium's people. Developing our people so that they, individually, are able to reach their full potential remains at the very core of Lycopodium's business and culture.

## **Operational highlights**

### **Resources**

We have a world class skill set within our business.

- Gold - we continued building our track record as the preeminent international engineer for gold projects in West Africa
- Copper - we are providing engineering and procurement services on the largest greenfield copper project under construction in the world (Cobre Panama)
- Diamonds - we continue to deliver leading edge diamond process and engineering services to key clients including De Beers.
- Comminution - we provide world-leading comminution circuit modelling, design, commissioning and optimisation services through our wholly owned subsidiary, Orway Mineral Consultants (OMC).

We have worked hard to deliver bespoke solutions for our clients, working with them to resolve problems unique to their own projects and in so doing to increase the probability of project development or alternatively, to de-risk project delivery. The following are a few highlights from the year:

### ***Cobré Panama Project - FQM -Panama***

We have been active on this project since 2014. One of the unique features of this project is that FQM has a philosophy of, and a very strong capability in, self-performing and managing project delivery. Holding to these principles for a project of this magnitude (85 Mtpa) is very unusual and a credit to the strength of the FQM organisation. Lycopodium provided the EP component of the process facility and has worked very much hand in glove with FQM throughout the past 4 years. The Cobré Project represents a continuation of a long relationship with FQM that commenced with the KMT Project in 2008 and has now continued across six projects, including Cobré.

### ***Sissingué***

In 2015 Lycopodium completed the Feasibility Study, a Mill Option Study and subsequently the Front End Engineering Design (FEED) for the Sissingué Project of Perseus. Lycopodium provided EPC services to deliver the process plant and related project infrastructure. The project involved a standard 1 Mtpa gold plant however was unique in that it was tailored as a fit for purpose design to suit the relatively short term life of mine.

Typical of Lycopodium plants the Sissingué process plant ramped up to nameplate production levels quickly, meeting or exceeding client expectations.

Sissingué is a transformative asset for Perseus, making the company a multi-mine, multi-jurisdiction gold producer. Perseus is now pursuing the development of the larger Yaouré Project in neighbouring Côte d'Ivoire. Lycopodium has been awarded the FEED for this project.

## Review of operations (continued)

### *Natougou*

SEMAFO's Natougou Project is located 320 km from the capital of Ouagadougou, in the south east of Burkina Faso.

Lycopodium completed a positive Feasibility Study in February 2016 which confirmed the economic viability of an open pit, carbon in pulp project. In May 2016 we were awarded the contracts for the provision of offshore EP (engineering, procurement and project management) services, and onshore CM (field engineering, construction management and commissioning) services for the greenfield process plant and associated facilities.

The process plant concrete works commenced in April 2017, plant construction work was completed in May with the wet commissioning completed in June 2018.

Challenges unique to Natougou included the remoteness of the site being in the far east of Burkina Faso as well as the relative lack of local skilled and semi-skilled labour resources available in support of the construction efforts.

### *Houndé*

In April 2016, Lycopodium was awarded the EPCM contract for the delivery of Endeavour's 90%-owned Houndé project in Burkina Faso. With an initial capital cost estimated at \$328 million, the 3 Mtpa project comprised the delivery of a gold processing plant and associated infrastructure, including a fully integrated owner operated mining fleet.

Having undertaken the detailed feasibility study and participated in project optimisation reviews, we were able to move quickly from study to detailed engineering, with site activities quickly following on.

The project was interesting in that Endeavour self-performed the project infrastructure, while Lycopodium focussed primarily on the processing facility and mine services areas. The project delivery strategy worked well and with the first gold pour occurring in October 2017. Endeavour officially announced to the markets that the mine had been successfully built, ahead of schedule and below budget. Nameplate capacity was achieved within weeks following the introduction of ore into the mill.

Lycopodium's involvement in the development of this project was a continuation of a successful association with Endeavour across the Nzema Project in Ghana, Agbaou Project in Côte d'Ivoire and Karma Expansion Project in Burkina Faso. This association continues with the current involvement with the Ity Project in Côte d'Ivoire, a project similar in scale to the Houndé Project.

### *Fekola*

This reporting year Lycopodium continued working with B2Gold on the commissioning of the Fekola mine in south western Mali, some 400 km west of the capital Bamako. Overall Lycopodium scope of services included the process design, detailed engineering and design of the new facilities; delivering procurement services for equipment and materials purchases as well as providing a team of engineers who were integrated with B2Gold's construction and commissioning teams to deliver site technical and scheduling support.

The process plant was originally designed to process nominally 4 Mtpa primary run of mine ore however in 2016 B2Gold announced that, as a result of positive drill results and exploration potential, they had decided to expand throughput at Fekola and proceed with an expansion of the mill. Design factors built into the Optimised Feasibility Study by Lycopodium / B2Gold included 5 Mtpa assumptions for plant design, general infrastructure and tailings dam design and location, thus enabling ore throughput capacity to reach up to 5 Mtpa from the onset of initial production.

Construction of the project started in February 2015 and in November 2017 B2Gold announced that Fekola had achieved commercial production, one month ahead of the revised schedule and four months ahead of the schedule announced in the Optimised Feasibility Study. Production ramp-up to design throughput was achieved on schedule and B2Gold reports that plant operation continues to exceed both throughput and gold recovery nameplate design.

# Directors' Report *(continued)*

## **Review of operations (continued)**

Lycopodium's involvement in the development of this project was a continuation of a successful association with B2Gold following on from previous involvement on their Otjikoto Project in Namibia and Masbate Project in the Philippines. This association continues with the current involvement with the expansion projects / studies for both the Masbate mine and the El Limon mine in Nicaragua.

### *Mako*

In August 2016, we were awarded the EPC contract for the delivery of the Mako Project in eastern Senegal. Mako is the flagship asset of Toro, a private exploration, development and production company focused on West Africa.

The Mako Project is unique in that the deposit comprises a particularly hard and abrasive ore. Following extensive testwork our modelling of the comminution circuit showed that an optimum grind could be achieved on this very hard ore with a single stage SAG mill, an aggressive circuit but one delivering significant capital and operating cost savings to Toro.

Following completion of the pre-feasibility and definitive study phases in 2015 and 2016, Lycopodium successfully delivered the contract scope (treatment plant, mine services area, tailings management facility, river abstraction facility, raw water storage dam, camp and support infrastructure) on an EPC basis. In addition, the project borders a UNESCO listed park so that very high environmental protection standards were implemented in design and construction.

The Mako mine poured its first gold in January 2018, with the project coming in below budget and ahead of schedule. The project has continued to operate at nameplate capacity and design recoveries since commissioning.

### *XRT Technology Acquisition Project, Venetia Diamond Mines*

The Venetia diamond mine, which opened in 1992, is De Beers flagship operation in South Africa. It is the country's largest diamond producer and yields approximately 40% of South Africa's annual diamond production.

De Beers is now in the process of developing an underground mining operation at Venetia as it is approaching the depth limit of open-pit operations. The underground mine is expected to commence operation in 2022 and during its lifetime will treat 132 million tonnes of ore containing an estimated 94 million carats. The underground development is expected to extend the life of the mine to 2046.

Lycopodium has been involved in successfully implementing various plant improvement projects at the mine since 2011, specifically in the Reconcentrate Area as well as in the Recovery Plant. We were engaged at the end of 2017 on a cost reimbursable basis to undertake the detail design of an X-Ray Transmission (XRT) facility to be incorporated into the Dense Media Separation concentrate stream, in order to alleviate the bottle-neck that high yielding material creates in the final Recovery Plant. The project is scheduled for completion at the end of 2018.

### *Aquarium Integrated Sort House, Jwaneng Mine, Botswana*

The Jwaneng mine located in Southern Botswana is the richest diamond mine in the world and is owned by Debswana (a partnership between De Beers and the Government of Botswana).

Debswana currently has an old, stand-alone Sorthouse facility located at Jwaneng that is handling concentrate produced from all of the Debswana mines. A decision was made to relocate and integrate this final diamond sorting facility into the existing fully integrated Sorthouse building (located at the mine). The objective of the new Sorthouse facility is to handle up to 50 million carats of diamonds per annum. Debswana engaged Lycopodium, through our local Botswana office, on a cost reimbursable basis to undertake the detailed design of the new Sorthouse. The project is scheduled for completion at the end of 2018.



## Review of operations (continued)

### Process Industries

Lycopodium's Process Industries group delivers process design, engineering and project delivery services in specialty areas such as chemicals, pharmaceuticals, food and beverage renewables and water / waste water sectors. Several highlights include:

#### *Denso Bitumen Mixing Facility Upgrade*

Denso has recently undertaken the relocation of its manufacturing operations to a new purpose built facility in Campbellfield, Victoria. As part of a relocation to the new facility, Denso took the opportunity to upgrade its bitumen storage and manufacturing capability. Lycopodium assisted Denso with the design and construction of the new production facility including the detail design of the product blending tanks, heating, agitation and product transfer systems. The project was delivered on a greenfield site under a lump sum contract. The project was delivered on schedule with no safety or environmental incidents.

#### *Pfizer Aseptic Manufacturing Facility*

Pfizer is the second largest pharmaceuticals company on a global basis. Lycopodium has been providing on-going project engineering support to Pfizer at its Perth Aseptic Manufacturing Facility for several years. The facility manufactures plastic vials (Cytosafe®) containing liquid oncology medicines, and plastic ampoules (Sterisafe®) containing sterile solutions.

#### *Altona Salt Reduction Plant*

Lycopodium designed and constructed on a D&C basis a new hydrochloric acid (HCl) dosing system for delivery of HCl liquid to reverse osmosis units at the Altona Salt Reduction Plant of Victorian Government's City West Water. The project was delivered on a brownfield site under a lump sum contract with no interruption or impact to plant operations. We were responsible for the design of the concrete bund area, new pipe bridge, integration of pipe work and tie-in to the existing plant including installing new pipe work to existing tanker unloading area.

#### *EcoMag Magnesium Salt Recovery Project*

Lycopodium was recently awarded a detailed feasibility study for EcoMag Limited based on recycling bitterns generated by sea-salt production to extract high purity magnesium compounds.

## Infrastructure

Lycopodium's Infrastructure group provides services across the general infrastructure, transport (road and rail) and asset management sectors with the following highlights:

#### *Jimblebar Mobile Maintenance Facility*

BGC Contracting Pty Ltd (BGC) is one of Australia's largest private mining and construction contractors and provides mining and construction services across the resources, energy and infrastructure sectors. BGC was engaged to undertake the design and construction of new and refurbished Mobile Maintenance facilities at the Jimblebar Mine, one of the BHP Billiton Limited (BHP) iron ore sites in the Pilbara region of Western Australia, some 40 km east of Newman. The Mobile Maintenance facility upgrade will support expansion of the mine's fleet capacity. Previously, Lycopodium designed the warehouse and workshop at the Sino Iron Project, which was ultimately constructed by BGC. Recognising the quality of design and support provided on that project, BGC invited Lycopodium to tender and subsequently awarded design services for the Jimblebar project.

#### *Pacific National RIM Services*

Pacific National Corporation (Pacific National) is Australia's largest rail provider, hauling coal, steel, automotive, agricultural, minerals and containerised freight to all mainland states and territories in Australia.

Lycopodium was engaged by Pacific National to provide RIM services, on a 3 year plus 1 year agreement to inspect, certify and manage defects at 62 sites Australia wide. Inspections at these sites commenced in April 2018 requiring substantial prior planning and groundwork.

# Directors' Report *(continued)*

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## **Review of operations (continued)**

RIM services comprise processes and systems to ensure infrastructure is fit-for-purpose, able to support safe and efficient operations. In addition and most importantly, the service ensures risk is managed in accordance with the requirements of rail safety legislation.

Since commencing, Pacific National has expanded our scope to include derailment investigations, special or ad hoc inspections and geotechnical investigations.

## **HSE and Community**

Lycopodium's primary focus is on the health and safety of its staff and all personnel working on its projects. We continue to set and achieve a high standard of health and safety across all our projects and given the highly international nature of our activities we have worked proactively to ensure the security, safety and wellbeing of our personnel wherever they may be.

In 2017/18 there were 4.14 million manhours worked across the Lycopodium managed projects with a LTIFR of 0.23 against an 11.5 construction industry average.

On the community side, Lycopodium continued to focus on education as a means of strengthening communities and in line with this remained an active sponsor and supporter of the Clontarf Foundation, a charitable not-for-profit organisation in Australia improving the education, discipline, self-esteem, life skills and employment prospects of young Aboriginal men.

Support was also provided around a key annual event for the Murpurrmarra Connection, a not-for-profit organisation that exists to provide Aboriginal youth in the remote communities of Wiluna, Leonora and surrounding regions in Western Australia, with educational opportunities.

In terms of industry engagement, Lycopodium became a platinum sponsor of the Australian African Mining and Energy Group the peak body representing Australian companies engaged in the development of Africa's resource industry.

The Company also continued to provide material support to a number of charitable initiatives championed by staff.

## **Acknowledgement**

The Board of Directors recognises that the Company's ability to continue delivering world class services to our clients and to maintain and enhance the company's performance and capability is dependent on the continued commitment and support of our personnel. On behalf of my fellow Directors I take this opportunity to sincerely thank all personnel for their highly valued contribution.

We would also like to thank our clients for their continued trust in Lycopodium to deliver services to their projects and studies. We will as always work hard to maintain these valued relationships.

**Review of operations (continued)**

A summary of consolidated revenues and results for the year by significant reporting segments is set out below:

	Segment revenues		Segment results	
	2018	2017	2018	2017
	\$	\$	\$	\$
Corporate services	14,216,665	14,854,323	(378,949)	788,088
Minerals - Asia Pacific	117,526,791	137,132,984	18,004,649	9,080,813
Minerals - North America	17,163,303	21,649,588	1,167,134	(746,232)
Minerals - Africa	32,692,363	41,116,856	1,705,232	984,779
Project services - Africa	22,382,754	16,834,804	4,559,880	2,784,941
Industrial Process	9,840,954	4,179,161	(76,389)	(199,343)
Other	24,019,294	21,989,969	1,403,966	1,877,816
Intersegment eliminations	(43,273,233)	(41,141,243)	-	-
Goodwill impairment	-	-	(1,095,048)	(263,242)
Total	194,568,891	216,616,442	25,290,475	14,307,620
Income tax expense			(6,957,088)	(3,934,091)
Profit for the year			18,333,387	10,373,529
Less: Profit attributable to non-controlling interest			(163,201)	(81,446)
Profit attributable to owners of Lycopodium Ltd			18,170,186	10,292,083

**Matters subsequent to the end of the financial year**

Since year end the directors have recommended the payment of a final dividend on ordinary shares in respect of the 2018 financial year. The total amount of dividend is \$7,151,827 which represents a fully franked dividend of 18.0 cents per fully paid ordinary share.

With the exception of the above, no other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect:

- (a) the group's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the group's state of affairs in future financial years.

**Likely developments and expected results of operations**

The group will continue to provide engineering consultancy services as detailed above.

Refer to the Review of Operations section within the Directors' Report for information regarding the likely developments and expected results.

**Environmental regulation**

The group's operations are not subject to significant environmental regulation under a law of the Commonwealth or of a State or Territory in respect of its consulting activities.

## Directors' Report *(continued)*

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### **Information on Directors**

**Michael John Caratti BE (Elec) (Hons). Non-executive Chairman. Age 68.**

*Experience and expertise*

Former Managing Director of Lycopodium Minerals Pty Ltd, Mr Caratti has over 40 years experience in the mineral processing industry and has had a major role in the development of the group's risk management and quality control programmes. Mr Caratti is a Director of Orway Minerals Consultants (WA) Pty Ltd.

*Special responsibilities*

Chairman of the Board.  
Chairman of the Corporate Governance Committee.  
Chairman of the Remuneration Committee.

*Interests in shares and options*

9,104,637 ordinary shares of Lycopodium Limited.

*Former directorships in the last 3 years*

None.

**Peter De Leo BE (Civ) CPEng FIEAust. Managing Director. Age 52.**

*Experience and expertise*

Mr De Leo has over 29 years experience in the construction and engineering fields. Mr De Leo is the Managing Director of Lycopodium Limited and a Non-executive Director of Mondium Pty Ltd.

*Special responsibilities*

Member of the Corporate Governance Committee.  
Member of the Audit Committee.

*Interests in shares and options*

1,171,711 ordinary shares of Lycopodium Limited.

*Former directorships in the last 3 years*

None.

**Rodney Lloyd Leonard BE (Hons), MSc, MAusIMM. Executive Director. Age 57.**

*Experience and expertise*

Mr Leonard has in excess of 30 years experience in the mineral processing industry and is the Managing Director of Lycopodium Minerals Pty Ltd and a Non-executive Director of ADP Holdings (Pty) Limited.

*Special responsibilities*

Member of the Corporate Governance Committee.  
Member of the Audit Committee.

*Interests in shares and options*

2,154,215 ordinary shares of Lycopodium Limited.

*Former directorships in the last 3 years*

None.

**Information on Directors (continued)**

**Robert Osmetti BE (Civ), MIEAust, CPEng. Executive Director. Age 62.**

*Experience and expertise*

Mr Osmetti has over 38 years experience in the project management and construction of minerals, oil refining and manufacturing projects. Mr Osmetti is a Director of Lycopodium Minerals Canada Limited and Managing Director of Mondium Pty Ltd.

*Special responsibilities*

Member of the Corporate Governance Committee.

*Interests in shares and options*

266,148 ordinary shares of Lycopodium Limited.

*Former directorships in the last 3 years*

None.

**Bruno Ruggiero BE (Mech), Grad Dip Min Sc, Grad Cert Eng Tech, MIEAust. Executive Director. Age 54.**

*Experience and expertise*

Mr Ruggiero has over 30 years experience in the minerals industry. He currently serves as the Technical Director for Lycopodium Minerals having overarching responsibility for the Company's technical knowledge base, capabilities and direction. Mr Ruggiero is a Director of Lycopodium Minerals Pty Ltd and a Non-executive Director of ECG Engineering Pty Ltd and Quantum Graphite Limited.

*Special responsibilities*

Member of the Corporate Governance Committee.

*Interests in shares and options*

3,167,332 ordinary shares in Lycopodium Limited.

*Former directorships in the last 3 years*

None.

**Peter Anthony Dawson, BSc (Hons). Executive Director. Age 60.**

*Experience and expertise*

Mr Dawson has 30 years experience in the resources sector, initially in operations and subsequently in corporate roles, including as an executive director of listed public companies and as a Partner in the Corporate Finance division of KPMG. Mr Dawson is a Director of Lycopodium Process Industries, Lycopodium Infrastructure Pty Ltd and a Non-executive Director of ADP Holdings (Pty) Limited.

*Special responsibilities*

Member of the Corporate Governance Committee.

*Interests in shares and options*

Nil.

*Former directorships in the last 3 years*

None.

## Directors' Report *(continued)*

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### **Information on Directors (continued)**

#### **Lawrence William Marshall B.Bus (Acc) CPA. Non-executive Director. Age 65.**

##### *Experience and expertise*

Mr Marshall in his role as the former Chief Executive Officer of Lycopodium Limited and with over 40 years experience has played a major role in the development of the group's information, accounting and management and risk management systems.

##### *Special responsibilities*

Chairman of the Audit Committee.  
Member of the Corporate Governance Committee.  
Member of the Remuneration Committee.

##### *Interests in shares and options*

1,272,332 ordinary shares of Lycopodium Limited.

##### *Former directorships in the last 3 years*

None.

#### **Steven Chadwick B.ASc (Metallurgy). Non-executive Director. Age 64.**

##### *Experience and expertise*

Mr Chadwick has over 40 years experience in the mining industry, incorporating technical, operating and management roles, as well as a strong metallurgical background. Mr Chadwick is now a metallurgical consultant specialising in project management with a range of local and international clients. He was a founding Director of BC Iron and a former Managing Director of Coventry Resources, PacMin Mining and Northern Gold. Mr Chadwick is a Non-executive Director of Lycopodium Limited and Quantum Graphite Limited.

##### *Special responsibilities*

Member of the Corporate Governance Committee.  
Member of the Remuneration Committee.

##### *Former directorships in the last 3 years*

Coventry Resources.

### **Company secretary**

The company secretary is Keith John Bakker B.Bus (Acc), FCPA. Age 65.

Keith has in excess of 30 years experience in senior finance and company secretarial roles within the airline, human resource consulting and mining services sectors. He is the Chief Financial Officer of Lycopodium Limited.

### Meetings of Directors

The numbers of meetings of the Company's board of Directors and of each board committee held during the year ended 30 June 2018, and the numbers of meetings attended by each Director were:

	Full meetings of directors		Meetings of non-executive directors		Meetings of committees					
	A	B	A	B	Audit		Nomination		Remuneration	
	A	B	A	B	A	B	A	B	A	B
Michael Caratti	11	11	-	-	**	-	-	-	2	2
Peter De Leo	11	11	*	-	3	3	-	-	**	-
Rodney Leonard	10	11	*	-	1	3	-	-	**	-
Robert Osmetti	10	11	*	-	**	-	-	-	**	-
Bruno Ruggerio	10	11	*	-	**	-	-	-	**	-
Peter Dawson	9	9	*	-	**	-	-	-	**	-
Lawrence Marshall	9	11	-	-	3	3	-	-	2	2
Steven Chadwick	11	11	-	-	**	-	-	-	2	2

A = Number of meetings attended

B = Number of meetings held during the time the Director held office or was a member of the committee during the year

\* = Not a non-executive Director

\*\* = Not a member of the relevant committee

# Directors' Report *(continued)*

## Remuneration report - audited

The Directors are pleased to present your Company's 2018 remuneration report which sets out remuneration information for Lycopodium Limited's non-executive Directors, executive Directors and other key management personnel.

### **Directors and key management personnel disclosed in this report**

Name	Position
Michael Caratti	Chairman, Non-executive Director
Peter De Leo	Managing Director
Rodney Leonard	Executive Director
Robert Osmetti	Executive Director
Bruno Ruggiero	Executive Director
Peter Dawson	Executive Director
Lawrence Marshall	Non-executive Director
Steven Chadwick	Non-executive Director
Keith Bakker	Company Secretary, Chief Financial Officer

### **Role of the remuneration committee**

The remuneration committee is primarily responsible for making recommendations on:

- Remuneration levels of executive Directors and other key management personnel
- The over-arching executive remuneration framework and operation of any incentive plan, and
- Key performance indicators and performance hurdles for the executive team.

The objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of the company.

### **Non-executive Director remuneration policy**

Fees and payments to non-executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-executive Directors' fees and payments are reviewed annually by the Board to ensure that they are appropriate and in-line with the market.

Non-executive Directors are also paid an hourly rate for ad hoc services, as required.

Non-executive Directors do not receive performance-based pay.

### **Directors' fees**

The current base fees were last reviewed with effect from 1 July 2018. The fees are inclusive of committee fees. Details on Directors fees are disclosed under service agreements on page 17.

### **Executive remuneration policy and framework**

In determining executive remuneration, the Board aims to ensure that remuneration practices are:

- Competitive and reasonable, enabling the company to attract and retain key talent
- Aligned to the company's strategic and business objectives and the creation of shareholder value
- Transparent, and
- Acceptable to shareholders.

The executive remuneration framework has three components:

- Fixed annual remuneration, including superannuation, and
- Service bonus, and
- Equity.



**Remuneration report - audited (continued)**  
**Executive remuneration policy and framework (continued)**

Fixed annual remuneration is structured as a total employment cost package which is delivered as a combination of salary and prescribed non financial benefits partly at the executive's discretion. Fixed annual remuneration is reviewed at a minimum annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

A service or senior management bonus may be provided to certain senior salaried employees payable annually, at the discretion of the company.

**Voting and comments made at the company's 2017 Annual General Meeting**

The remuneration report for the 2017 financial year was unanimously approved by shareholders during the AGM. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

**Company performance**

The profit after income tax expense and basic earnings per share for the group for the last five years is as follows:

	2018	2017	2016	2015	2014
Revenue (\$)	194,568,891	216,616,442	124,460,218	122,811,332	154,765,985
Profit/(Loss) before income tax (\$)	25,290,475	14,307,620	5,215,629	(1,620,068)	7,682,592
Income tax expense/(benefit) (\$)	6,957,088	3,934,091	1,889,219	(604,655)	3,973,206
Profit/(Loss) after income tax (\$)	18,333,387	10,373,529	3,326,410	(1,015,413)	3,709,386
Basic EPS (cents)	45.7	25.9	8.0	(2.3)	10.0
Basic EPS growth, year on year (%)	76.4%	223.8%	447.8%	(123.0%)	(82.3%)
Fully franked dividends per share (cents)	30.0	18.0	5.5	1.5	6.5
Change in share price * (\$)	1.50	1.05	0.84	(0.84)	(2.17)
Return on equity (%)	24.68%	15.53%	5.22%	(1.61%)	5.61%

\*calculated as the difference between the closing share price at the start and end of the respective financial years.

## Directors' Report *(continued)*

### Remuneration report - audited (continued)

#### Details of remuneration

The following tables show details of the remuneration received by the Directors and the key management personnel of the group for the current and previous financial year.

2018	Short-term employee benefits				Post-employment benefits		Performance related
	Cash salary and fees	Cash bonus	Non-monetary benefits	Other	Super-annuation	Total	
	\$	\$	\$	\$	\$	\$	
<i>Non-executive Directors</i>							
Michael Caratti	54,794	-	11,764	-	5,206	71,764	-
Lawrence Marshall	94,416	-	11,764	-	25,000	131,180	-
Steven Chadwick	79,200	-	-	-	-	79,200	-
<b>Sub-total non-executive directors</b>	<b>228,410</b>	<b>-</b>	<b>23,528</b>	<b>-</b>	<b>30,206</b>	<b>282,144</b>	<b>-</b>
<i>Executive Directors</i>							
Peter De Leo	500,000	38,750	11,764	-	25,000	575,514	-
Rodney Leonard	425,000	32,500	11,764	-	25,000	494,264	-
Robert Osmetti	305,000	32,500	11,764	-	25,000	374,264	-
Bruno Ruggiero	381,641	-	11,764	-	25,000	418,405	-
Peter Dawson	332,410	-	9,235	-	16,657	358,302	-
<i>Other key management personnel</i>							
Keith Bakker	336,088	-	-	-	25,000	361,088	-
<b>Total key management personnel compensation (group)</b>	<b>2,508,549</b>	<b>103,750</b>	<b>79,819</b>	<b>-</b>	<b>171,863</b>	<b>2,863,981</b>	<b>-</b>

No element of the above remuneration is conditional upon meeting key performance indicators.

2017	Short-term employee benefits				Post-employment benefits		Performance related
	Cash salary and fees	Cash bonus*	Non-monetary benefits	Other	Super-annuation	Total	
	\$	\$	\$	\$	\$	\$	
<i>Non-executive Directors</i>							
Michael Caratti	54,794	-	11,378	-	5,206	71,378	-
Lawrence Marshall	94,470	-	11,378	-	35,000	140,848	-
Steven Chadwick	108,180	-	-	-	-	108,180	-
<b>Sub-total non-executive directors</b>	<b>257,444</b>	<b>-</b>	<b>22,756</b>	<b>-</b>	<b>40,206</b>	<b>320,406</b>	<b>-</b>
<i>Executive Directors</i>							
Peter De Leo	493,450	-	11,378	-	35,000	539,828	-
Rodney Leonard	427,700	-	11,378	-	34,000	473,078	-
Robert Osmetti	475,785	-	9,155	5,100	35,000	525,040	-
Bruno Ruggiero	384,278	-	11,378	-	35,000	430,656	-
<i>Other key management personnel</i>							
Keith Bakker	317,175	15,000	-	-	35,000	367,175	-
<b>Total key management personnel compensation (group)</b>	<b>2,355,832</b>	<b>15,000</b>	<b>66,045</b>	<b>5,100</b>	<b>214,206</b>	<b>2,656,183</b>	<b>-</b>

No element of the above remuneration is conditional upon meeting key performance indicators.

**Remuneration report - audited (continued)**  
**Service agreements**

Remuneration and other terms of employment for the Directors and key management personnel are formalised in employment contracts. Each contract deals with fixed annual remuneration. Other major provisions of the agreements relating to remuneration are set out below.

All employment contracts with Directors and executives may be terminated by either party with one month's notice. None of the directors or executives are provided with termination benefits.

<b>Name</b>	<b>Term of agreement</b>	<b>Fixed Remuneration including superannuation*</b>
Michael Caratti, <i>Chairman and Non-executive Director</i>	No fixed term	Directors fee of \$75,000 p.a.
Peter De Leo, <i>Managing Director</i>	No fixed term	\$590,000 p.a.
Rodney Leonard, <i>Executive Director</i>	No fixed term	\$540,000 p.a.
Robert Osmetti, <i>Executive Director</i>	No fixed term	\$415,000 p.a. Directors fee of \$75,000 p.a.
Bruno Ruggiero, <i>Executive Director</i>	No fixed term	\$415,000 p.a. Directors fee of \$75,000 p.a.
Peter Dawson, <i>Executive Director</i>	No fixed term	\$415,000 p.a. Directors fee of \$75,000 p.a.
Lawrence Marshall, <i>Non-executive Director</i>	No fixed term	Fixed hourly rate of \$216.15 Directors fee of \$75,000 p.a.
Steven Chadwick, <i>Non-executive Director</i>	No fixed term	Directors fee of \$75,000 p.a.
Keith Bakker, <i>Company Secretary and Chief Financial Officer</i>	No fixed term	\$370,000 p.a.

\* Fixed remuneration payable from 1 July 2018 and reviewed annually by the Remuneration Committee.

# Directors' Report *(continued)*

## Remuneration report - audited (continued)

### Service agreements (continued)

#### Equity instrument disclosures relating to key management personnel

The table below shows the number of:

(i) Shares in the company

that were held during the financial year by key management personnel of the group, including their close family members and entities related to them.

There were no shares granted during the reporting period as compensation.

(i) *Share holdings*

The numbers of shares in the Company held during the financial year by each Director of Lycopodium Limited and other key management personnel of the group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2018 Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at end of the year
<b>Directors of Lycopodium Limited</b>				
<b>Ordinary shares</b>				
Michael Caratti	9,104,367	-	-	9,104,367
Peter De Leo	1,171,711	-	-	1,171,711
Rodney Leonard	2,354,215	-	(200,000)	2,154,215
Robert Osmetti	1,808,148	-	(1,542,000)	266,148
Bruno Ruggiero	3,167,332	-	-	3,167,332
Peter Dawson	-	-	-	-
Lawrence Marshall	1,942,332	-	(670,000)	1,272,332
Steven Chadwick	-	-	-	-
<b>Other key management personnel of the group</b>				
<b>Ordinary shares</b>				
Keith Bakker	46,874	-	(6,000)	40,874

**Remuneration report - audited (continued)**

*Loans to key management personnel*

Details of loans made to Directors of Lycopodium Limited and other key management personnel of the group, including their personally related parties, are set out below.

(i) *Aggregates for key management personnel*

	<b>Balance at the start of the year \$</b>	<b>Interest paid and payable for the year \$</b>	<b>Interest not charged \$</b>	<b>Balance at end of the year \$</b>	<b>Number in group at the end of the year</b>
<b>2018</b>	<b>40,607</b>	-	-	<b>35,357</b>	<b>1</b>
2017	49,134	-	-	40,607	1

Loans outstanding at the end of the current and prior year include a loan to a key management personnel under the senior manager share acquisition plan.

All other loans to key management personnel are short-term advances in nature and are insignificant.

No write-downs or allowances for doubtful receivables have been recognised in relation to any loans made to key management personnel.

**End of remuneration report.**

# Directors' Report *(continued)*

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## **Shares under option**

There were no unissued ordinary shares of Lycopodium Limited under option at the date of this report.

## **Insurance of officers**

During the financial year, Lycopodium Limited took out insurance cover for the Directors, secretaries and senior officers of the company and its controlled entities.

The liabilities insured are costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company.

The directors have not included specific details of the premium paid as such disclosure is prohibited under the terms of the contract.

## **Indemnity of auditors**

Lycopodium Limited has agreed to indemnify their auditors, Grant Thornton Audit Pty Ltd, to the extent permitted by law, against any claim by a third party arising from Lycopodium Limited's breach of their agreement. The indemnity stipulates that Lycopodium Limited will meet the full amount of any such liabilities including a reasonable amount of legal costs.

## **Proceedings on behalf of the company**

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to 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 part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

### Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the group are important.

Details of the amounts paid or payable to the auditor (Grant Thornton Australia Ltd) for audit and non-audit services provided during the year are set out below.

The board of Directors has considered the position and, in accordance with advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

During the year the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Taxation services</b>		
Firm related to Grant Thornton Australia Ltd:		
Tax compliance services (including income tax returns)	<b>63,440</b>	32,300
Network firm of Grant Thornton Australia Ltd:		
Tax compliance services (including income tax returns)	<b>40,529</b>	56,926
Non-Grant Thornton Australia Ltd audit firms:		
Tax compliance services (including income tax returns)	<b>15,275</b>	33,951
<b>Total remuneration for taxation services</b>	<b>119,244</b>	123,177
<b>Other services</b>		
Firm related to Grant Thornton Australia Ltd:		
Other services	<b>39,870</b>	15,183
Non-Grant Thornton Australia Ltd audit firms:		
Other services	<b>57,168</b>	24,536
<b>Total remuneration for other services</b>	<b>97,038</b>	39,719
<b>Total remuneration for non-audit services</b>	<b>216,282</b>	162,896

## Directors' Report *(continued)*

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### **Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 23.

This report is made in accordance with a resolution of Directors.



Peter Anthony Dawson  
Director

Perth  
20 September 2018





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## Auditor's Independence Declaration

To the Directors of Lycopodium Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Lycopodium Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

M J Hillgrove  
Partner – Audit & Assurance

Perth, 20 September 2018

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# Corporate Governance Statement

## Corporate governance statement

The Board of Directors of Lycopodium Limited is responsible for the overall corporate governance of the company. The Board has implemented the Recommendations of the ASX Corporate Governance Council to the extent considered appropriate for the size and nature of the Company's current operations.

Lycopodium Limited's practices are consistent with the ASX Corporate Governance Council's Principles and Recommendations (3rd Edition) ('Principles') with any exceptions noted.

### 1.0 COUNCIL PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

#### 1.1 Council Recommendation 1.1:

*A listed entity should:*

- (a) *disclose the respective roles and responsibilities of the Board and Management*
- (b) *disclose those matters expressly reserved to the Board and those delegated to Management.*

The Company complies with this recommendation.

#### 1.2 Council Recommendation 1.2:

*A listed entity should:*

- (a) *undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election as a Director*
- (b) *provide security holders with all material information in its possession relevant to a decision whether or not to elect or re-elect a Director.*

The Company complies with this recommendation.

#### 1.3 Council Recommendation 1.3:

*A listed entity should have a written agreement with each Director and senior executive setting out the terms of their appointment.*

The Company complies with this recommendation.

#### 1.4 Council Recommendation 1.4:

*The Company Secretary of a listed entity should be accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.*

The Company complies with this recommendation.

#### 1.5 Council Recommendation 1.5:

*A listed entity should:*

- (a) *have a diversity policy which includes requirements for the Board or a relevant committee of the Board to set measurable objectives for achieving gender diversity and to access annually both the objectives and the entity's progress in achieving them;*
- (b) *disclose that policy or a summary of it; and*
- (c) *disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the Board or a relevant committee of the Board in accordance with the entity's diversity policy and its progress towards achieving them, and either:*
  - (i) *the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined 'senior executive' for these purposes); or*

**1.0 COUNCIL PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT  
(continued)**

**1.5 Council Recommendation 1.5: (continued)**

- (ii) *if the entity is a 'relevant employer' under the Workplace Gender Equality Act, the entity's most recent published 'Gender Equality Indicators', as defined in under the Act.*

The Company does not comply with recommendation 1.5(a) or 1.5(c)(i). As a global participant, the Company recruits staff from every continent and has an established policy of equal opportunity employment.

**1.6 Council Recommendation 1.6:**

*A listed entity should:*

- (a) *have and disclose a process for periodically evaluating the performance of the Board, its committees and individual Directors; and*
- (b) *disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.*

The Company complies with this recommendation.

**1.7 Council Recommendation 1.7:**

*A listed entity should:*

- (a) *have and disclose a process for periodically evaluating the performance of its senior executives; and*
- (b) *disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.*

The Company complies with this recommendation.

**2.0 COUNCIL PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE**

**2.1 Council Recommendation 2.1:**

*The Board of a listed entity should:*

- (a) *have a nomination committee which:*
  - (i) *has at least 3 members, a majority of which are independent directors; and*
  - (ii) *is chaired by an independent director; and disclose*
  - (iii) *the charter of the committee;*
  - (iv) *the members of the committee; and*
  - (v) *as at the end of each reporting period, the number of times the committee meet throughout the period and the individual attendances of the members at these meetings;*  
*or*
- (b) *if it does not have a nomination committee, disclose the fact and the process it employs to address Board succession issues and to ensure that the Board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.*

The Company does not comply with this recommendation. The role of the nomination committee is carried out by the full Board. The Board intends to reconsider the formation of a separate Nomination Committee as the Company's operations evolve.

# Corporate Governance Statement *(continued)*

## **2.0 COUNCIL PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE (continued)**

### **2.2 Council Recommendation 2.2:**

*A listed entity should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.*

The Company does not comply with this recommendation. The Board considers that each of its current directors possess skills and experience appropriate to managing and developing the Company. Any additional information or specific advice can be more appropriately and economically obtained by engaging independent external expert consultants.

### **2.3 Council Recommendation 2.3:**

*A listed entity should disclose:*

- (a) the names of directors considered by the Board to be independent directors;*
- (b) if a director has an interest, position, association or relationship that might cause doubt about the independence of the director but the Board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the Board is of that opinion; and*
- (c) the length of service of each director.*

The Company complies with this recommendation.

### **2.4 Council Recommendation 2.4:**

*A majority of the Board of a listed entity should be independent.*

The Company does not comply with this recommendation as only one director is independent. The Board considers that at this time the shareholders are better served by directors who have a vested interest in the Company.

### **2.5 Council Recommendation 2.5:**

*The Chair of the Board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.*

The Company does not fully comply with this recommendation as the Chairperson is not an independent director. The Board considers that at this stage in the development of the Company, an independent Chairperson would not add sufficient expertise to the Board to justify the associated cost and any additional information or specific advice required can be more appropriately and economically obtained from independent external expert consultants.

### **2.6 Council Recommendation 2.6:**

*A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform the role as directors effectively.*

The Company complies with this recommendation.

### 3.0 COUNCIL PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

#### 3.1 Council Recommendation 3.1:

*A listed entity should:*

- (a) *have a code of conduct for its directors, senior executives and employees; and*
- (b) *disclose that code or a summary of it.*

The Company complies with this recommendation.

### 4.0 COUNCIL PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING

#### 4.1 Council Recommendation 4.1:

*The board of a listed entity should:*

- (a) *have an audit committee which:*
  - (i) *has at least three members, of all whom are non-executive directors and a majority are independent directors; and*
  - (ii) *is chaired by an independent director, who is not the chair of the Board, and disclose;*
  - (iii) *the charter of the committee;*
  - (iv) *the relevant qualifications and experience of the members of the committee; and*
  - (v) *in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at these meetings; or*
- (b) *if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.*

The Company does not fully comply with this recommendation in that the Audit Committee consists of three directors only one of which is a non-executive and none are independent.

#### 4.2 Council Recommendation 4.2:

*The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.*

The Company complies with this recommendation.

#### 4.3 Council Recommendation 4.3:

*A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.*

The Company complies with this recommendation.

# Corporate Governance Statement *(continued)*

## **5.0 COUNCIL PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE**

### **5.1 Council Recommendation 5.1:**

*A listed entity should:*

- (a) have a written policy for complying with its continuous disclosure obligations under the listing Rules; and*
- (b) disclose that policy or a summary of it.*

The Company complies with this recommendation.

## **6.0 COUNCIL PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS**

### **6.1 Council Recommendation 6.1:**

*A listed entity should provide information about itself and its governance to investors via its website.*

The Company complies with this recommendation.

### **6.2 Council Recommendation 6.2:**

*A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.*

The Company complies with this recommendation.

### **6.3 Council Recommendation 6.3:**

*A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.*

The Company does not currently comply with this recommendation, although the matter will be assessed in the light of what emerges in the market and will be responded to as appropriate.

### **6.4 Council Recommendation 6.4:**

*A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.*

The Company complies with this recommendation.

## **7.0 COUNCIL PRINCIPLE 7: RECOGNISE AND MANAGE RISK**

### **7.1 Council Recommendation 7.1:**

*The Board of a listed entity should:*

- (a) have a committee or committees to oversee risk, each of which:
  - (i) has at least 3 members, a majority of whom are independent directors; and*
  - (ii) is chaired by an independent director, and disclose;*
  - (iii) the charter of the committee;*
  - (iv) the members of the committee; and*
  - (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or**
- (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.*

The Company complies with (b) of this recommendation.

**7.0 COUNCIL PRINCIPLE 7: RECOGNISE AND MANAGE RISK (continued)****7.1 Council Recommendation 7.1: (continued)**

The Board considers risk management as one of its primary responsibilities. The Board has adopted a Risk Management Policy, which provides that:

- All members of the Board are responsible for risk management and oversight of internal controls. The day to day responsibilities for risk management and internal controls rest with the Managing Director.
- The Managing Director reports on risk management and internal controls, using an exception reporting basis, to the full Board as part of a monthly written report to directors.

The Company has an internal control framework covering all areas of identified risk within the Company's operations and has documented these policies in order to centralise the controls and intends that the Risk Management Policy will be enhanced as its operations evolve. The areas of risk covered by the internal control framework are tenders / proposals, client contract negotiation and management, financial control and reporting, commercial / corporate control and reporting, operational control and reporting, personnel management, procurement and purchasing and supplier contract negotiation and management.

**7.2 Council Recommendation 7.2:**

*The Board or a committee of the Board should:*

- (a) *Review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and*
- (b) *Disclose, in relation to each reporting, whether such a review has taken place.*

The Company complies with this recommendation.

**7.3 Council Recommendation 7.3:**

*A listed entity should disclose:*

- (a) *if it has an internal audit function, how the function is structured and what role it performs; or*
- (b) *if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.*

The Company complies with (b) of this recommendation.

**7.4 Council Recommendation 7.4:**

*A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage these risks.*

The Company is of the view that it is not materially exposed to the risks outlined in this recommendation.

**8.0 COUNCIL PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY****8.1 Council Recommendation 8.1:**

*The Board of a listed entity should:*

- (a) *have a remuneration committee which:*
  - (i) *has at least three members, a majority of whom are independent directors; and*
  - (ii) *is chaired by an independent director, and disclose;*
  - (iii) *the charter of the committee;*
  - (iv) *the members of the committee; and*
  - (v) *as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*

# Corporate Governance Statement *(continued)*

## **8.0 COUNCIL PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY (continued)**

### **8.1 Council Recommendation 8.1: (continued)**

- (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

The Company does not fully comply with this recommendation as the Remuneration Committee does not have a majority of independent directors nor is it chaired by an independent director. The role of the Remuneration Committee is carried out by the full Board.

The Company has a remuneration committee charter which is published on its website. Statistics regarding participation at remuneration committee meetings are published in each Annual Report.

### **8.2 Council Recommendation 8.2:**

*A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.*

The Company complies with this recommendation.

### **8.3 Council Recommendation 8.3:**

*A listed entity which has an equity based remuneration scheme should:*

- (a) *have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and*
- (b) *disclose that policy or a summary of it.*

This recommendation does not apply as the Company has not entered into any scheme which enables participants to hedge or otherwise limit the economic risk of participation without prior disclosure and the approval of security holders at a general meeting.



# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2018

**Lycopodium**

	Notes	Consolidated	
		2018 \$	2017 \$
Revenue from operations	5	<b>194,568,891</b>	216,616,442
Employee benefits expense		<b>(67,562,580)</b>	(61,898,213)
Depreciation and amortisation expense	6	<b>(1,228,479)</b>	(1,171,764)
Project expenses		<b>(17,418,251)</b>	(9,843,966)
Equipment and materials		<b>(23,838,936)</b>	(74,207,912)
Contractors		<b>(41,753,703)</b>	(38,255,322)
Occupancy expense		<b>(8,577,494)</b>	(8,052,368)
Impairment of goodwill	16	<b>(1,095,048)</b>	(263,242)
Other expenses		<b>(8,793,785)</b>	(9,540,001)
Loss on disposal of asset		<b>(2,080)</b>	(1,634)
Finance costs	6	<b>(120,741)</b>	(93,651)
Share of net profit of associates and joint ventures accounted for using the equity method		<b>1,112,681</b>	1,019,251
<b>Profit before income tax</b>		<b>25,290,475</b>	14,307,620
Income tax expense	7	<b>(6,957,088)</b>	(3,934,091)
<b>Profit for the year</b>		<b>18,333,387</b>	10,373,529
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Changes in the fair value of available-for-sale financial assets	22(a)	<b>325,511</b>	7
Exchange gains/(losses) on translation of foreign operations	22(a)	<b>(26,508)</b>	111,932
Other comprehensive income for the year, net of tax		<b>299,003</b>	111,939
<b>Total comprehensive income for the year</b>		<b>18,632,390</b>	10,485,468
Profit for the year is attributable to:			
Owners of Lycopodium Limited		<b>18,170,186</b>	10,292,083
Non-controlling interests		<b>163,201</b>	81,446
		<b>18,333,387</b>	10,373,529
Total comprehensive income for the year is attributable to:			
Owners of Lycopodium Limited		<b>18,469,189</b>	10,404,022
Non-controlling interests		<b>163,201</b>	81,446
		<b>18,632,390</b>	10,485,468
		<b>Cents</b>	<b>Cents</b>
<b>Earnings per share for profit attributable to the ordinary equity holders of the Company:</b>			
Basic earnings per share	32(a)	<b>45.7</b>	25.9
Diluted earnings per share	32(b)	<b>45.7</b>	25.9

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

# Consolidated Balance Sheet

As at 30 June 2018

	Notes	Consolidated	
		2018	2017
		\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	74,287,788	85,334,768
Trade and other receivables	9	37,616,637	36,919,288
Inventories		819,844	327,430
Current tax receivables		1,334,151	1,344,040
Other current assets	10	1,740,851	2,149,687
Derivative financial assets	11(c)	-	164,994
<b>Total current assets</b>		<b>115,799,271</b>	<b>126,240,207</b>
<b>Non-current assets</b>			
Investments accounted for using the equity method	13	2,767,690	2,227,735
Available-for-sale financial assets	11(b)	1,256,106	102,963
Property, plant and equipment	14	3,434,487	3,174,174
Intangible assets	16	6,792,017	7,421,173
Other receivables	12	332,356	442,616
Deferred tax assets	15	8,350,798	3,797,930
<b>Total non-current assets</b>		<b>22,933,454</b>	<b>17,166,591</b>
<b>Total assets</b>		<b>138,732,725</b>	<b>143,406,798</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	17	31,749,229	64,080,966
Borrowings	11(d)	696,905	509,731
Derivative financial liabilities	11(c)	27,694	-
Current tax liabilities		9,568,881	3,978,266
Provisions	18	16,361,009	4,280,795
<b>Total current liabilities</b>		<b>58,403,718</b>	<b>72,849,758</b>
<b>Non-current liabilities</b>			
Borrowings	11(d)	562,066	832,912
Provisions	20	416,531	500,796
<b>Total non-current liabilities</b>		<b>978,597</b>	<b>1,333,708</b>
<b>Total liabilities</b>		<b>59,382,315</b>	<b>74,183,466</b>
<b>Net assets</b>		<b>79,350,410</b>	<b>69,223,332</b>
<b>EQUITY</b>			
Contributed equity	21	20,823,772	20,823,772
Reserves	22(a)	(689,039)	(988,042)
Retained earnings	22(b)	56,238,757	46,412,369
Parent entity interest		76,373,490	66,248,099
Non-controlling interests	23	2,976,920	2,975,233
<b>Total equity</b>		<b>79,350,410</b>	<b>69,223,332</b>

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

# Consolidated Statement of Changes in Equity

For the year ended 30 June 2018

		Attributable to members of Lycopodium Limited						
Consolidated	Notes	Contributed equity \$	Retained earnings \$	Foreign currency translation reserve \$	Available for sale investment revaluation reserve \$	Performance rights reserve \$	Non-controlling interests \$	Total equity \$
<b>Balance at 1 July 2016</b>		20,823,772	41,285,494	(1,016,051)	(83,930)	259,037	3,062,695	64,331,017
Profit for the year		-	10,292,083	-	-	-	81,446	10,373,529
Other comprehensive income / (expense)		-	-	111,932	7	-	-	111,939
<b>Total comprehensive income for the year</b>		-	<b>10,292,083</b>	<b>111,932</b>	<b>7</b>	-	<b>81,446</b>	<b>10,485,468</b>
<b>Transactions with owners in their capacity as owners:</b>								
Foreign currency translation with non-controlling interest	23	-	-	111,932	7	-	(168,908)	(168,908)
Dividends provided for or paid	24	-	(5,165,208)	-	-	-	-	(5,165,208)
Performance rights - expired	22	-	-	-	-	(259,037)	-	(259,037)
		-	(5,165,208)	-	-	(259,037)	(168,908)	(5,593,153)
<b>Balance at 30 June 2017</b>		<b>20,823,772</b>	<b>46,412,369</b>	<b>(904,119)</b>	<b>(83,923)</b>	-	<b>2,975,233</b>	<b>69,223,332</b>
<b>Balance at 1 July 2017</b>		20,823,772	46,412,369	(904,119)	(83,923)	-	2,975,233	69,223,332
Profit for the year		-	18,170,186	-	-	-	163,201	18,333,387
Other comprehensive income / (expense)		-	-	(26,508)	325,511	-	-	299,003
<b>Total comprehensive income for the year</b>		-	<b>18,170,186</b>	<b>(26,508)</b>	<b>325,511</b>	-	<b>163,201</b>	<b>18,632,390</b>
<b>Transactions with owners in their capacity as owners:</b>								
Foreign currency translation with non-controlling interest	23	-	-	-	-	-	(161,514)	(161,514)
Dividends provided for or paid	24	-	(8,343,798)	-	-	-	-	(8,343,798)
		-	(8,343,798)	-	-	-	(161,514)	(8,505,312)
<b>Balance at 30 June 2018</b>		<b>20,823,772</b>	<b>56,238,757</b>	<b>(930,627)</b>	<b>241,588</b>	-	<b>2,976,920</b>	<b>79,350,410</b>

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

# Consolidated Statement of Cash Flows

For the year ended 30 June 2018

		<b>Consolidated</b>	
	Notes	<b>2018</b>	<b>2017</b>
		\$	\$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of goods and services tax)		<b>170,346,647</b>	237,498,193
Payments to suppliers and employees (inclusive of goods and services tax)		<b>(168,124,948)</b>	(187,908,401)
		<b>2,221,699</b>	49,589,792
Interest received		<b>1,847,145</b>	1,557,922
Income taxes paid		<b>(5,909,452)</b>	(1,814,985)
<b>Net cash (outflow)/inflow from operating activities</b>	31	<b>(1,840,608)</b>	49,332,729
<b>Cash flows from investing activities</b>			
Dividends received from joint ventures and associate		<b>572,726</b>	560,267
Payments for property, plant and equipment	14	<b>(1,053,110)</b>	(335,812)
Proceeds from sale of property, plant and equipment		<b>20,240</b>	6,311
Payments for intangible assets	16	<b>(631,529)</b>	(50,116)
Proceeds from sale of available-for-sale financial assets		<b>1,187,036</b>	-
Payment for available-for-sale financial assets	11(b)	<b>(75,000)</b>	-
<b>Net cash (outflow)/ from investing activities</b>		<b>20,363</b>	180,650
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		<b>1,274,258</b>	1,231,311
Repayments of borrowings		<b>(1,203,222)</b>	(1,229,832)
Repayments of hire purchase and lease liabilities		<b>(504,329)</b>	(227,765)
Loans advanced to joint venture		<b>(884,000)</b>	(336,000)
Repayment of loans from associate		<b>387,500</b>	-
Dividends paid to company's shareholders		<b>(8,343,798)</b>	(5,165,208)
Proceeds from repayment of loans under the senior manager share acquisition plan		<b>110,261</b>	79,282
<b>Net cash outflow from financing activities</b>		<b>(9,163,330)</b>	(5,648,212)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(10,983,575)</b>	43,865,167
Cash and cash equivalents at the beginning of the financial year		<b>85,334,768</b>	41,547,756
Effects of exchange rate changes on cash and cash equivalents		<b>(63,405)</b>	(78,155)
<b>Cash and cash equivalents at the end of financial year</b>	8	<b>74,287,788</b>	85,334,768

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

# Notes to the Consolidated Financial Statements

30 June 2018

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# Notes to the Consolidated Financial Statements

30 June 2018 (continued)

## 1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of this consolidated financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report comprises the financial statements for the group consisting of Lycopodium Limited and its subsidiaries.

### (a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Lycopodium Limited is a for-profit entity for the purpose of preparing the financial report.

#### (i) Compliance with IFRS

The consolidated financial report of the Lycopodium Limited group complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### (ii) New and amended standards adopted by the group

There were no new or amended standards issued by the Australian Accounting Standards Board that were material to the Group and need be disclosed in this financial report. All standards applicable for the period were therefore adopted with no material impact on the Group.

#### (iii) Early adoption of standards

The group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2017.

#### (iv) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets at fair value through profit and loss.

#### (v) Critical accounting estimates

The preparation of financial report requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial report, are disclosed in note 3.

## 1 Summary of significant accounting policies (continued)

### (b) Principles of consolidation

#### (i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group (refer to note 1(h)).

Intercompany transactions, balances and unrealised gains on transactions between companies in the group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated balance sheet, respectively.

#### (ii) Employee Share Trust

The group has formed a trust to administer the group's employee share scheme. This trust is consolidated, as the substance of the relationship is that the trust is controlled by the group.

#### (iii) Joint arrangements

Under AASB 11 *Joint Arrangement* investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than legal structure of the joint arrangement. Lycopodium Limited has a joint venture arrangement.

#### Joint ventures

Interest in joint ventures are accounted for using the equity method (see (v) below), after initially being recognised at cost in the consolidated balance sheet.

#### (iv) Associates

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (v) below), after initially being recognised at cost.

#### (v) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

# Notes to the Consolidated Financial Statements

30 June 2018 (continued)

## 1 Summary of significant accounting policies (continued)

### (b) Principles of consolidation (continued)

#### (v) Equity method (continued)

Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transactions provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributed to owners of Lycopodium Limited.

#### (vi) Changes in ownership interests

When the group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

### (c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

### (d) Foreign currency translation

#### (i) Functional and presentation currency

Items included in the financial report of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial report are presented in Australian dollars, which is Lycopodium Limited's functional and presentation currency.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit and loss.

Translation differences on financial assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

#### (iii) Consolidated entities

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:



## 1 Summary of significant accounting policies (continued)

### (d) Foreign currency translation (continued)

#### (iii) Consolidated entities (continued)

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign operations, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, associated exchange differences are recognised in the profit and loss, as part of the gain or loss on sale where applicable.

### (e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

#### (i) Rendering of services

Revenue from consulting services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised under the percentage of completion method, based on the actual service provided as a proportion of the total services to be provided.

If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

#### (ii) Rental revenue

Rental revenue is accounted for on a straight-line basis over the lease term as this matches the profile of the manner in which rental is earned. Contingent rental income is recognised as income in the periods in which it is earned.

#### (iii) Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

#### (iv) Dividends

Dividends are recognised as revenue when the right to receive payment is established.

# Notes to the Consolidated Financial Statements

30 June 2018 (continued)

## 1 Summary of significant accounting policies (continued)

### (f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial report. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Lycopodium Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation effective 1 July 2013. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial report.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

### (g) Leases

Leases of property, plant and equipment where the group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases (note 27). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

## 1 Summary of significant accounting policies (continued)

### (h) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition-date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

### (i) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

### (j) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities 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, and bank overdrafts.

### (k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

# Notes to the Consolidated Financial Statements

30 June 2018 (continued)

## 1 Summary of significant accounting policies (continued)

### (k) Trade receivables (continued)

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the profit and loss within 'administration and management costs'. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against 'administration and management costs' in the profit and loss.

### (l) Inventories

#### *Contract work in progress*

Contract work in progress is stated at the aggregate of contract costs incurred to date plus recognised profits less recognised losses and progress billings. If there are contracts where progress billings exceed the aggregate costs incurred plus profits less losses, the net amount is presented under other liabilities.

Contract costs include all costs directly related to specific contracts, costs that are specifically chargeable to the customer under the terms of the contract and an allocation of overhead expenses incurred in connection with the group's contract activities in general.

### (m) Investments and other financial assets

#### **Classification**

The group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

#### *(i) Financial assets at fair value through profit or loss*

Financial assets at fair value through profit and loss are financial assets held-for-trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held-for-trading unless they are designated as hedges. Assets in this category are classified as current assets.

#### *(ii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

#### *(iii) Available-for-sale financial assets*

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long-term.

## 1 Summary of significant accounting policies (continued)

### (m) Investments and other financial assets (continued)

#### **Financial assets - reclassification**

The group may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

#### **Recognition and derecognition**

Regular way purchases and sales of financial assets are recognised on trade-date - the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

#### **Measurement**

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in profit or loss within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of revenue from continuing operations when the group's right to receive payments is established. Interest income from these financial assets is included in the net gains/(losses).

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

Details on how the fair value of financial instruments is determined are disclosed in note 2.

# Notes to the Consolidated Financial Statements

30 June 2018 (continued)

## 1 Summary of significant accounting policies (continued)

### (m) Investments and other financial assets (continued)

#### *Impairment*

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

#### *(i) Assets carried at amortised cost*

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Impairment testing of trade receivables is described in note 1(k).

#### *(ii) Assets classified as available-for-sale*

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

### (n) Derivatives financial instruments

The Group enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate risk. Further details of derivative financial instruments are disclosed in Note 11(c).

Derivatives are initially recognised at fair value at the date of the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which even the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

### (o) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

## 1 Summary of significant accounting policies (continued)

### (o) Property, plant and equipment (continued)

Depreciation on plant and equipment is calculated using the straight line or diminishing value method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

- Plant and equipment	3 - 10 years
- Vehicles	5 - 7 years
- Furniture, fittings and equipment	3 - 8 years
- Leasehold improvements	3 - 6 years
- Leased plant and equipment	3 - 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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 (note 1(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit and loss.

### (p) Intangible assets

#### (i) Goodwill

Goodwill is measured as described in note 1(h). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (note 4).

#### (ii) Customer contracts

Customer contracts acquired as part of a business combination are recognised separately from goodwill. The customer contracts are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of projected cash flows of the contracts over their estimated useful lives, which currently vary from 1 to 5 years.

#### (iii) Software

Intangible assets also comprise capitalised computer software. Computer software has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost of the computer software over their estimated useful lives, being 3 years.

### (q) Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

### (r) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

# Notes to the Consolidated Financial Statements

30 June 2018 (continued)

## 1 Summary of significant accounting policies (continued)

### (r) Borrowings (continued)

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

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 period.

### (s) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

### (t) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

### (u) Employee benefits

#### (i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits expected to be settled wholly within 12 months after the end of the period in which the employees render the related services are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. All other short-term employee benefit obligations are presented as payables.

#### (ii) Other long-term employee benefits obligations

The liability for long service leave and annual leave which is not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service is therefore recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period 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 end of the reporting period of high quality corporate bonds with terms and currency that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the consolidated balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.



## 1 Summary of significant accounting policies (continued)

### (u) Employee benefits (continued)

#### (iii) Retirement benefit obligations

Contributions to defined contribution funds are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

#### (iv) Share-based payments

Share-based compensation benefits are provided to certain executive directors and other designated employees via the Performance Rights Plans. Information relating to this scheme is set out in note 33.

The fair value of rights granted under the Performance Rights Plans are recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Binomial Tree option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

#### (v) Senior manager share acquisition plan

The senior manager share acquisition plan was approved at the company's Annual General Meeting on 24 November 2009. The aim of the plan was to allow the Board to assist managers, who in the Board's opinion have demonstrated the qualities and dedication to become the next generation of senior managers, to take up a significant shareholding so as to ensure their commitment and the future of the company.

Eligible Senior Managers include both full-time senior managers and executive directors of the group or such other persons as the Board determines.

A broad outline of the plan is summarised below:

- The company will loan funds to participating Senior Managers to purchase Lycopodium Limited shares via the Lycopodium Share Plan Trust.
- The loan will be a limited recourse loan provided the Senior Manager stays with the group for greater than 3 years.
- The loan will be interest free if the Senior Manager remains employed by the group for greater than 3 years.
- In the event that the Senior Manager leaves within 3 years, interest will be charged equal to the market rate of interest that would have accrued on the loan from the date of advance of the funds to the repayment date.
- During the term of the loan, dividends will be offset against the outstanding loan balance.
- The shares are allocated to the Senior Managers at a 1 cent discount to the volume weighted average of the prices at which the shares of Lycopodium Limited were traded on the ASX during the one week period up to and including the date of allocation.

The group has the following as the result of this transaction:

#### *Share based payment*

The difference between the value of the shares purchased and the value of the shares allocated to the senior managers represents the cost to the company for providing the loan to the employees. This amount is expensed in the profit and loss.

# Notes to the Consolidated Financial Statements

30 June 2018 (continued)

## 1 Summary of significant accounting policies (continued)

### (u) Employee benefits (continued)

(v) Senior manager share acquisition plan (continued)

#### Embedded derivative

The senior manager loan receivable is a loan with an embedded derivative with the senior manager having an option to put back the share to the group in full settlement of the loan after the 3 year period. As the embedded derivative is closely related to the senior manager loan, the financial instrument is measured at fair value through profit or loss.

### (v) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

### (w) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

### (x) Earnings per share

#### (i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

#### (ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

### (y) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

## 1 Summary of significant accounting policies (continued)

### (z) New accounting standards not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting periods. The group's assessment of the impact of these new standards and interpretations is set out below.

#### (i) AASB 9 *Financial Instruments*

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.

The effective date is for annual reporting periods beginning on or after 1 January 2018.

The company has performed its detailed assessment. When this standard is first adopted for the year ending 30 June 2019, there will be no material impact on the transactions and balances recognised in the financial statements.

#### (ii) AASB 15 *Revenue from Contracts with Customers*

AASB 15 replaces AASB 118: Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations. In summary, AASB 15:

- establishes a new revenue recognition model;
- changes the basis for deciding whether revenue is to be recognised over time at a point in time;
- provides a new and more detailed guidance on specific topics (eg multiple element arrangements, variable pricing, rights of return and warranties); and
- expands and improves disclosures about revenue.

The company has performed its detailed assessment. When this standard is first adopted for the year ending 30 June 2019, there will be no material impact on the transactions and balances recognised in the financial statements.

#### (iii) AASB 16 *Leases*

AASB 16 replaces AASB 117 Leases and some lease-related Interpretations. In summary, AASB 16:

- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases;
- provides new guidance on the application of the definition of lease and on sale and lease back accounting;
- largely retains the existing lessor accounting requirements in AASB 117; and
- requires new and different disclosures about leases.

Based on the entity's preliminary assessment, the likely impact on the first time adoption of the Standard for the year ending 30 June 2020 includes:

- a significant increase in lease assets and financial liabilities recognised on the balance sheet;
- the reported equity will reduce as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities;
- EBIT in the statement of profit or loss and other comprehensive income will be higher as the implicit interest in lease payments for former off balance sheet leases will be presented as part of finance costs rather than being included in operating expenses;

# Notes to the Consolidated Financial Statements

30 June 2018 (continued)

## 1 Summary of significant accounting policies (continued)

### (z) New accounting standards not yet effective (continued)

#### (iii) (continued)

- operating cash outflows will be lower and financing cash flows will be higher in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities. Interest can also be included within financing activities.

### (aa) Parent entity financial information

The financial information for the parent entity, Lycopodium Limited, disclosed in note 34 has been prepared on the same basis as the consolidated financial report, except as set out below.

#### (i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial report of Lycopodium Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

#### (ii) Share based payments

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

## 2 Financial risk management

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 whilst protecting future financial security.

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 rates and foreign exchange. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk, and liquidity risk is monitored through the development of future rolling cash flow forecasts.

The primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified above.

### (a) Market risk

#### (i) Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar (USD) and Philippine Peso (PHP). Exchange rate exposures are managed with approved policy parameters utilising forward exchange contracts.

Foreign exchange risk arises when future commercial transactions and recognised financial assets and financial liabilities are denominated in a currency that is not the entity's functional currency.

The group's exposure to foreign currency risk at the reporting period, expressed in Australian dollar, was as follows:

	30 June 2018		30 June 2017	
	USD \$	PHP \$	USD \$	PHP \$
Cash and cash equivalents	4,340,880	197,520	26,491,471	203,126
Trade and other receivables	-	35,411	-	32,356
Other current assets	-	623,895	-	184,017
Trade and other payables	(2,660,357)	(207,859)	(10,621,049)	(161,669)
Net exposure	1,680,523	648,967	15,870,422	257,830

#### Group sensitivity

Based on the financial instruments held at 30 June 2018, had the Australian dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, the group's post-tax profit and equity for the year would have been \$168,052 higher/\$168,052 lower (2017: \$1,587,042 higher/\$1,587,042 lower), mainly as a result of foreign exchange gains/losses on translation of US dollar denominated financial instruments as detailed in the above table. Profit is less sensitive to movements in the Australian dollar/US dollar exchange rates in 2018 than 2017 because of the lower amount of US dollar denominated cash and cash equivalents.

Based on the financial instruments held at 30 June 2018, had the Australian dollar weakened/strengthened by 10% against the Philippine Peso with all other variables held constant, the group's post-tax profit and equity for the year would have been \$64,897 higher/\$64,897 lower (2017: \$25,783 higher/\$25,783 lower), mainly as a result of foreign exchange gains/losses on translation of Philippine Peso denominated financial instruments as detailed in the above table. Profit is more sensitive to movements in the Australian dollar/Philippine Peso exchange rates in 2018 than 2017 mainly because of the higher amount of Philippine Peso denominated cash and cash equivalents.

# Notes to the Consolidated Financial Statements

30 June 2018 (continued)

## 2 Financial risk management (continued)

### (a) Market risk (continued)

#### (i) Foreign exchange risk (continued)

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

#### (ii) Price risk

The group is exposed to equity securities price risk with the exposure, however, being minimal. Equity securities price risk arises from investments in equity securities. The equity investments are publicly traded on the Australian Securities Exchange ("ASX"). The price risk for the listed securities is immaterial in terms of a possible impact on profit and loss or total equity and as such a sensitivity analysis has not been completed. The group does not have a risk management policy surrounding price risk in place as the Board considers the risk minimal.

#### (iii) Interest rate risk

The group is exposed to interest rate risk arising mainly from borrowings and cash balances held. The risk is considered minimal as the group's borrowings are minimal. The group does not enter into any specific swaps or hedges to cover any interest rate volatility and does not have a risk management policy surrounding cash flow and interest rate risk as the Board considers these risks to be minimal.

#### Group sensitivity

At 30 June 2018, if interest rates had changed by +/-50 basis points from the year end rates with all other variables held constant, post-tax profit and equity for the year would have been \$259,482 lower/higher (2017: +/-50 basis points: \$298,419 lower/higher), as a result of lower/higher interest income from cash and cash equivalents.

### (b) Credit risk

Credit risk arises from the financial assets of the group, which comprise cash and cash equivalents, trade and other receivables and other current assets. The group's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Other receivables comprises of the loan under the senior management share acquisition plan. The group is not exposed to credit risk as the loan is secured under the terms of the loan (note 1(u)).

## 2 Financial risk management (continued)

### (b) Credit risk (continued)

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	<b>Consolidated</b>	
	<b>2018</b>	2017
	\$	\$
Cash and cash equivalents	<b>74,287,788</b>	85,334,768
Trade and other receivables	<b>37,616,637</b>	36,919,288
Deposits held with banks (note 10)	<b>778,401</b>	569,742
	<b><u>112,682,826</u></b>	<u>122,823,798</u>

#### *Cash and cash equivalents*

The credit risk on cash and cash equivalents is limited because the group's primary bank is rated AA- by an international credit-rating agency.

#### *Trade and other receivables*

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk.

The group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the group's policy to securitise its trade and other receivables. All receivables at balance date that are neither past due nor impaired comply with the group's policy on credit quality.

It is the group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation.

In addition, receivable balances are monitored on an ongoing basis with the result that the group's exposure to bad debts is minimised.

There are no significant concentrations of credit risk within the group. The group minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a number of customers that operate predominantly in the mining and extractive industry sector including the major players in the industry and the junior/emerging players. There are multiple contracts with our significant customers, across a number of their subsidiaries, divisions within those subsidiaries and locations.

#### *Deposits held with banks*

The credit risk on deposits held with banks are limited as they comprise deposits held with banks with high credit ratings assigned by international credit-rating agencies.

### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. The group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

# Notes to the Consolidated Financial Statements

30 June 2018 (continued)

## 2 Financial risk management (continued)

### (c) Liquidity risk (continued)

#### Financing arrangements

The group had access to the following undrawn borrowing facilities at the reporting date:

	Consolidated	
	2018	2017
	\$	\$
Leasing facility	1,523,000	1,850,000
Standby credit facility	10,784,328	11,658
Insurance bonds	14,119,239	3,238,479
<b>Total</b>	<b>26,426,567</b>	<b>5,100,137</b>

#### Maturities of financial liabilities

The following tables detail the group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the group can be required to pay. The table includes both interest and principal cash flows.

	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount liabilities
<b>Consolidated - At 30 June 2018</b>	\$	\$	\$	\$	\$	\$
<b>Non-derivatives</b>						
Trade payables	-	-	-	-	-	12,980,390
Insurance premium funding	218,689	-	-	-	218,689	218,689
Finance lease liabilities	526,584	516,251	69,693	-	1,112,528	1,040,282
<b>Total</b>	<b>745,273</b>	<b>516,251</b>	<b>69,693</b>	<b>-</b>	<b>1,331,217</b>	<b>14,239,361</b>

	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount liabilities
<b>Consolidated - At 30 June 2017</b>	\$	\$	\$	\$	\$	\$
<b>Non-derivatives</b>						
Trade payables	23,401,728	-	-	-	23,401,728	23,401,728
Insurance premium funding	121,247	-	-	-	121,247	121,247
Finance lease liabilities	450,053	450,053	439,719	-	1,339,825	1,221,396
<b>Total</b>	<b>23,973,028</b>	<b>450,053</b>	<b>439,719</b>	<b>-</b>	<b>24,862,800</b>	<b>24,744,371</b>



## 2 Financial risk management (continued)

### (c) Liquidity risk (continued)

In assessing and managing liquidity risks of its derivative financial instruments the Group considers both contractual inflows and outflows. The contractual cash flows of the Group's derivative financial assets and liabilities are all current (within 12 months).

Derivative financial instruments reflect forward exchange contracts (see Note 11(c)) that will be settled on a gross basis.

## 3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

### (a) Critical accounting estimates and assumptions

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### (i) Impairment testing of goodwill

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(i). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to note 16 for details of these assumptions and the potential impact of changes to the assumptions.

#### (ii) Service and equipment warranties

In accordance with the accounting policy stated in note 1(t), the group has recognised warranty provisions at the end of the financial year in respect of potential claims for rectification work on some of its EPC contracts. Refer to note 18 in relation to the service warranty provisions provided at period end. The amounts provided takes into account the percentage completion of the project, forecast to complete costs plus any close-out obligations and potential contractual liabilities during the warranty period.

#### (iii) Fixed-price contracts

The group uses the percentage of completion method in accounting for its revenue from fixed-sum contracts. The stage of completion is measured by reference to the contract costs incurred to date compared to the estimated total costs for the contract.

Significant assumptions are required to estimate the total contract costs and the recoverable variations work that will affect the stage of completion and the contract revenue respectively. In making these estimates, the group has relied on past experience and best available information.

# Notes to the Consolidated Financial Statements

30 June 2018 (continued)

## 4 Segment information

### (a) Description of segments

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

The Board considers the business from both a product and geographic perspective and has identified nine operating segments of which four (2017: four) are reportable in accordance with the requirements of AASB 8.

The Corporate Services segment consists of managerial and legal services provided to the group in addition to strategic investment holdings.

The Minerals segment consists of engineering and related services provided to the extractive mining industry. The clients, including junior exploration companies and major multinational producers, are developing projects for a wide range of commodities. These projects range in scope from large greenfield projects involving process plant and equipment, civil, building works, control systems, services and infrastructure to small skid-mounted pilot plants.

The Process Industries segment consists of engineering and related services provided to the manufacturing and renewable energy facilities throughout Australia and South East Asia.

The Project Services - Africa segment consists of project management, construction management and commissioning services provided to the extractive mining industry in Africa.

All other operating segments are not reportable operating segments, as they fall under the quantitative thresholds of AASB 8. The results of these operations are included in the 'Other' column.

The remaining operating segments that are not reportable consists of:

Infrastructure: asset management, engineering, architectural and project delivery services to a wide range of private and public clients across Australia.

Metallurgical: metallurgical consulting providing a range of services to the mineral processing community, primarily in the field of comminution, hydrometallurgy and mineral processing design.

Project Services Asia: provision of drafting services to offshore Lycopodium entities.

### (b) Segment information provided to the Board of Directors

The segment information provided to the Board of Directors for the reportable segments for the year ended 30 June 2018 and 30 June 2017 are as follows:

#### 4 Segment information (continued)

##### (b) Segment information provided to the Board of Directors (continued)

2018	Corporate Services	Minerals			Project Services - Africa	Industrial Process	Other	Total
		Asia Pacific	North America	Africa				
Total segment revenue	\$ 14,216,665	\$ 117,526,791	\$ 17,163,303	\$ 32,692,363	\$ 22,382,754	\$ 9,840,954	\$ 24,019,294	\$ 237,842,124
Inter-segment revenue	(13,580,951)	(4,659,510)	(6,777,315)	-	(8,665,611)	(334,146)	(9,255,700)	(43,273,233)
<b>Revenue from external customers</b>	<b>635,714</b>	<b>112,867,281</b>	<b>10,385,988</b>	<b>32,692,363</b>	<b>13,717,143</b>	<b>9,506,808</b>	<b>14,763,594</b>	<b>194,568,891</b>
<b>Profit / (Loss) before tax</b>	<b>(378,949)</b>	<b>18,004,649</b>	<b>1,167,134</b>	<b>1,705,232</b>	<b>4,559,880</b>	<b>(76,389)</b>	<b>1,403,966</b>	<b>26,385,523</b>
Interest in the profit of equity accounted joint ventures	696,487	416,194	-	-	-	-	-	1,112,681
Depreciation and amortisation	153	716,478	70,962	219,818	1,653	59,249	160,166	1,228,479
Income tax benefit / (expense)	443,258	(4,916,146)	(302,819)	(776,598)	(1,179,354)	(52,701)	(172,728)	(6,957,088)
<b>Total segment assets</b>	<b>22,478,193</b>	<b>65,123,623</b>	<b>9,446,818</b>	<b>17,106,363</b>	<b>7,641,097</b>	<b>5,118,600</b>	<b>11,782,914</b>	<b>138,697,608</b>
Total assets includes: Investment in joint ventures	1,493,641	1,274,049	-	-	-	-	-	2,767,690
Additions to non-current assets (other than financial assets and deferred tax)	-	864,816	129,863	256,563	-	142,493	543,909	1,937,644
<b>Total segment liabilities</b>	<b>1,502,239</b>	<b>39,225,091</b>	<b>5,982,709</b>	<b>5,876,314</b>	<b>5,772,947</b>	<b>2,753,378</b>	<b>4,308,836</b>	<b>65,421,514</b>

# Notes to the Consolidated Financial Statements

30 June 2018 (continued)

## 4 Segment information (continued)

### (b) Segment information provided to the Board of Directors (continued)

2017	Corporate Services	Minerals			Project Services - Africa	Industrial Process	Other	Total
		Asia Pacific	North America	Africa				
Total segment revenue	\$ 14,854,323	\$ 137,132,984	\$ 21,649,588	\$ 41,116,856	\$ 16,834,804	\$ 4,179,161	\$ 21,989,969	\$ 257,757,685
Inter-segment revenue	(14,741,676)	(3,427,752)	(7,614,681)	(114,273)	(5,316,980)	(353,497)	(9,572,384)	(41,141,243)
<b>Revenue from external customers</b>	<b>112,647</b>	<b>133,705,232</b>	<b>14,034,907</b>	<b>41,002,583</b>	<b>11,517,824</b>	<b>3,825,664</b>	<b>12,417,585</b>	<b>216,616,442</b>
<b>Profit / (Loss) before tax</b>	<b>788,088</b>	<b>9,080,813</b>	<b>(746,232)</b>	<b>984,779</b>	<b>2,784,941</b>	<b>(199,343)</b>	<b>1,877,816</b>	<b>14,570,862</b>
Interest in the profit of equity accounted joint ventures	927,295	91,956	-	-	-	-	-	1,019,251
Depreciation and amortisation	153	593,629	76,075	309,152	3,831	31,048	157,876	1,171,764
Income tax benefit / (expense)	711,881	(2,910,830)	80,616	(650,065)	(402,807)	59,258	(822,144)	(3,934,091)
<b>Total segment assets</b>	<b>22,748,913</b>	<b>66,636,322</b>	<b>4,725,219</b>	<b>17,556,315</b>	<b>14,545,417</b>	<b>4,082,881</b>	<b>10,070,508</b>	<b>140,365,575</b>
Total assets includes: Investment in joint ventures	1,369,880	857,855	-	-	-	-	-	2,227,735
Additions to non-current assets (other than financial assets and deferred tax)	-	1,482,555	16,935	58,764	-	1,398	205,939	1,765,591
<b>Total segment liabilities</b>	<b>3,749,923</b>	<b>49,142,644</b>	<b>2,461,174</b>	<b>6,374,583</b>	<b>11,501,412</b>	<b>1,588,570</b>	<b>3,386,944</b>	<b>78,205,250</b>

## 4 Segment information (continued)

### (c) Other segment information

#### (i) Segment revenue

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties reported to the board of Directors is measured in a manner consistent with that in the consolidated statement of profit or loss and other comprehensive income.

The entity is domiciled in Australia. The result of its revenue from external customers in Australia is \$59,271,697 (2017: \$24,016,675), and the total of revenue from external customers from other countries is \$135,297,193 (2017: \$192,599,767). Segment revenues are allocated based on the country in which the customer is located.

Revenues of approximately \$70,186,213 (2017: \$91,090,536) are derived from the top 3 customers. These revenues are attributable to the Minerals segment.

#### (ii) Segment profit before tax

The board of Directors assesses the performance of the operating segments based on a measure of adjusted profit before tax.

A reconciliation of segment profit before tax to the profit before tax in the consolidated statement of profit or loss and other comprehensive income is provided as follows:

	Consolidated	
	2018	2017
	\$	\$
<b>Segment profit before tax</b>	<b>26,385,523</b>	14,570,862
Goodwill impairment	<b>(1,095,048)</b>	(263,242)
<b>Profit before income tax as per statement of comprehensive income</b>	<b>25,290,475</b>	14,307,620

#### (iii) Segment assets

The amounts provided to the board of Directors with respect to total assets are measured in a manner consistent with that of the financial report. These assets are allocated based on the operations of the segment and the physical location of the asset.

Reportable segments' assets are reconciled to total assets as follows:

	Consolidated	
	2018	2017
	\$	\$
<b>Segment assets</b>	<b>138,697,608</b>	140,365,575
Intersegment eliminations	<b>(6,091,111)</b>	(4,180,052)
Intangibles arising on consolidation	<b>6,126,228</b>	7,221,276
<b>Total assets as per the consolidated balance sheet</b>	<b>138,732,725</b>	143,406,799

The total of non-current assets other than financial instruments and deferred tax assets in Australia is \$13,303,765 (2017: \$9,968,180), and other countries is \$1,278,891 (2017: \$3,400,482).

# Notes to the Consolidated Financial Statements

30 June 2018 (continued)

## 4 Segment information (continued)

### (c) Other segment information (continued)

#### (iv) Segment liabilities

The amounts provided to the board of Directors with respect to total liabilities are measured in a manner consistent with that of the financial report. These liabilities are allocated based on the operations of the segment.

Reportable segments' liabilities are reconciled to total liabilities as follows:

	Consolidated	
	2018	2017
	\$	\$
<b>Segment liabilities</b>	<b>65,421,514</b>	78,205,250
Intersegment eliminations	(6,039,199)	(4,021,783)
<b>Total liabilities as per the consolidated balance sheet</b>	<b>59,382,315</b>	<u>74,183,467</u>

## 5 Revenue

	Consolidated	
	2018	2017
	\$	\$
<b>From operations</b>		
<i>Sales revenue</i>		
Contract revenue	<b>192,016,864</b>	214,817,550
<i>Other revenue</i>		
Rents and sub-lease rentals	<b>68,888</b>	59,803
Bank interest	<b>1,883,705</b>	1,639,559
Other revenue	<b>599,434</b>	99,530
	<b>2,552,027</b>	<u>1,798,892</u>
Total revenue from operations	<b>194,568,891</b>	<u>216,616,442</u>

## 6 Expenses

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Profit before income tax includes the following specific expenses:</b>		
<i>Depreciation</i>		
Fixtures and fittings	<b>528,652</b>	649,407
Leasehold improvements	<b>52,830</b>	60,331
Leased plant and equipment	<b>454,110</b>	160,172
Motor vehicles	<b>9,956</b>	18,826
Total depreciation	<b>1,045,548</b>	888,736
<i>Amortisation</i>		
Computer software	<b>182,931</b>	283,028
Total depreciation and amortisation	<b>1,228,479</b>	1,171,764
<i>Finance costs</i>		
Interest and finance charges paid/payable	<b>120,741</b>	93,651
Net foreign exchange (gains)/losses	<b>(543,812)</b>	433,067
Net loss on disposal of property, plant and equipment	<b>2,080</b>	1,634
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	<b>8,577,494</b>	8,052,368
Defined contribution superannuation expense	<b>2,791,804</b>	2,604,288

# Notes to the Consolidated Financial Statements

30 June 2018 (continued)

## 7 Income tax expense

### (a) Income tax expense

	Consolidated	
	2018	2017
	\$	\$
Current tax	11,841,388	4,879,361
Deferred tax	(4,533,986)	(1,184,980)
Adjustments for current tax of prior periods	(350,314)	239,710
	<u>6,957,088</u>	<u>3,934,091</u>
Deferred income tax expense/(benefit) included in income tax expense comprises:		
Increase in deferred tax assets (note 15)	(4,345,535)	(1,464,815)
(Decrease)/increase in deferred tax liabilities (note 19)	(188,451)	279,835
	<u>(4,533,986)</u>	<u>(1,184,980)</u>

### (b) Numerical reconciliation of income tax expense to prima facie tax payable

	Consolidated	
	2018	2017
	\$	\$
Profit before income tax expense	25,290,475	14,307,620
Tax at the Australian tax rate of 30% (2017: 30%)	7,587,143	4,292,286
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Goodwill impairment	328,514	78,973
Sundry items	191,858	278,688
	<u>8,107,515</u>	<u>4,649,947</u>
Adjustments for current tax of prior periods - under/(over) provision of prior year income tax	(350,314)	239,710
Difference in overseas tax rates	(567,357)	(267,374)
Previously unrecognised tax losses now recouped to reduce current tax expense	-	(466,812)
Deferred taxes not recognised	101,048	84,395
Share of net profit of joint ventures accounted for using the equity method	(333,804)	(305,775)
Total income tax expense/(benefit)	<u>6,957,088</u>	<u>3,934,091</u>



## 7 Income tax expense (continued)

### (c) Amounts recognised directly in equity

Consolidated	
2018	2017
\$	\$

Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:

Current tax - debited directly to equity

<b>139,505</b>	<b>3</b>
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### (d) Tax consolidation

The company and its 100% owned Australian entities formed a tax consolidated group on 1 July 2013. Members of the consolidated group have entered into a tax sharing agreement in order to allocate income tax expense to the wholly owned Australian entities on a pro-rata basis. The agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At balance date, the possibility of default is remote. The head entity of the tax consolidated group is Lycopodium Limited.

#### Tax effect accounting by members of the tax consolidated group

Members of the tax consolidated group have entered into a tax funding agreement effective from 1 July 2013. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group. Deferred taxes are allocated to members of the tax consolidated group in accordance with the group allocation approach, which is consistent with the principles of AASB 112 Income Taxes.

The allocation of taxes under the tax funding agreement is recognised as an increase/(decrease) in the member entities' intercompany accounts with the tax consolidated group head company, Lycopodium Limited. In this regard, the company has assumed the benefit of tax losses from the member entities as of the balance date. The nature of the tax funding agreement is such that no tax consolidated contributions by or distributions to participant's equity are required.

# Notes to the Consolidated Financial Statements

30 June 2018 (continued)

## 8 Current assets - Cash and cash equivalents

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Cash at bank and in hand	<b>74,287,788</b>	85,334,768

### (a) Risk exposure

The group's exposure to interest rate risk is discussed in note 2. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

## 9 Current assets - Trade and other receivables

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	<b>32,933,663</b>	36,833,250
Allowance for impairment of receivables (a)	<b>(877,744)</b>	(2,342,738)
	<b>32,055,919</b>	34,490,512
GST and other receivables	<b>4,305,390</b>	1,593,490
Cash advanced to employees	<b>35,328</b>	62,420
Loan to associates	<b>1,220,000</b>	772,866
	<b>5,560,718</b>	2,428,776
	<b>37,616,637</b>	36,919,288

### (a) Impaired trade receivables

As at 30 June 2018, current trade receivables of the group with the value of \$877,743 (2017: \$2,342,738) were impaired, with the amounts being fully provided for.

The ageing of these receivables are as follows:

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
61 to 90 days	-	43,475
91 to 120 days	-	207,520
121 to 210 days	-	381,674
211 days or over	<b>877,743</b>	1,710,069
	<b>877,743</b>	2,342,738

## 9 Current assets - Trade and other receivables (continued)

### (a) Impaired trade receivables (continued)

Movements in the provision for impairment of receivables are as follows:

	Consolidated	
	2018	2017
	\$	\$
At 1 July	2,342,737	859,424
Provision for impairment recognised during the year	65,567	1,527,262
Receivables written off during the year as uncollectable	(546,798)	(288,079)
Unused amounts reversed	(988,877)	244,625
Exchange difference	5,114	(495)
At 30 June	<u>877,743</u>	<u>2,342,737</u>

The other classes within trade and other receivables do not contain impaired assets.

### (b) Past due but not impaired

As of 30 June 2018, trade receivables of \$9,118,811 (2017: \$6,634,696) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Consolidated	
	2018	2017
	\$	\$
31 to 60 days	3,109,089	4,236,362
61 to 90 days	4,325,781	503,733
91 to 120 days	540,835	1,183,188
121 to 210 days	671,938	330,939
211 days and over	471,168	380,474
	<u>9,118,811</u>	<u>6,634,696</u>

### (c) Risk exposure

Information about the group's exposure to foreign exchange risk and interest rate risk is provided in note 2.

### (d) Fair value and credit risk

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

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The group does not hold any collateral as security. Refer to note 2 for more information on the risk management policy of the group.

# Notes to the Consolidated Financial Statements

30 June 2018 (continued)

## 10 Current assets - Other current assets

	Consolidated	
	2018	2017
	\$	\$
Other current assets (a)	778,401	569,742
Prepayments	962,450	1,579,945
	<b>1,740,851</b>	<b>2,149,687</b>

### (a) Other current assets

Other current assets consist of deposits held with licensed banks as security/bond on the various properties leased by the group.

## 11 Financial assets and liabilities

### (a) Categories of financial assets and liabilities

Note 1(m) provides a description of each category of financial assets and liabilities and the related accounting policies. The carrying amounts of financial assets and liabilities in each category are as follows:

Financial assets		Available for sale	Derivatives used for hedging	Loans and receivables at amortised cost	Total
	Note	\$	\$	\$	\$
<b>Consolidated - At 30 June 2018</b>					
Cash and cash equivalents	8	-	-	74,287,788	74,287,788
Trade and other receivables	9	-	-	37,616,637	37,616,637
Deposits held with banks	10	-	-	778,401	778,401
Available-for-sale financial assets	11(b)	1,256,106	-	-	1,256,106
Other Receivables	12	-	-	332,356	332,356
		<b>1,256,106</b>	<b>-</b>	<b>113,015,182</b>	<b>114,271,288</b>
<b>Consolidated - At 30 June 2017</b>					
Cash and cash equivalents	8	-	-	85,334,769	85,334,769
Trade and other receivables	9	-	-	36,919,288	36,919,288
Deposits held with banks	10	-	-	569,742	569,742
Derivative financial assets		-	164,994	-	164,994
Available-for-sale financial assets	11(b)	102,963	-	-	102,963
Other Receivables	12	-	-	442,616	442,616
		<b>102,963</b>	<b>164,994</b>	<b>123,266,415</b>	<b>123,534,372</b>

## 11 Financial assets and liabilities (continued)

### (a) Categories of financial assets and liabilities (continued)

Financial liabilities		Liabilities at fair value through profit or loss \$	Derivatives used for hedging \$	Liabilities at amortised cost \$	Total \$
<b>Consolidated - At 30 June 2018</b>	<b>Note</b>				
Trade and other payables		-	-	12,980,393	12,980,393
Borrowings	11(d)	-	-	1,258,971	1,258,971
Derivative financial liabilities		-	27,694	-	27,694
		-	27,694	14,239,364	14,267,058
<b>Consolidated - At 30 June 2017</b>					
Trade and other payables		-	-	23,401,725	23,401,725
Borrowings	11(d)	-	-	1,342,643	1,342,643
		-	-	24,744,368	24,744,368

A description of the Group's financial instrument risks, including risk management objectives and policies is given in Note 2.

The methods used to measure financial assets and liabilities reported at fair value are described in Note 2.

### (b) Available for sale financial assets

The details and carrying amounts of AFS financial assets are as follows:

	Consolidated	
	2018 \$	2017 \$
Balance at the beginning of the year	102,963	102,953
Revaluation gain transferred to equity	465,015	10
Sale of available-for-sale financial assets	(265,747)	-
Shares received in lieu of payment of services	878,875	-
Purchases of available-for-sale financial assets	75,000	-
Balance at end of year	1,256,106	102,963

# Notes to the Consolidated Financial Statements

30 June 2018 (continued)

## 11 Financial assets and liabilities (continued)

### (c) Derivative financial instruments

The Group's derivative financial instruments are measured at fair value and are summarised below:

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Current assets</b>		
Other hedging instruments	-	164,994
Total current derivative financial instrument assets	<u>-</u>	<u>164,994</u>
<b>Current liabilities</b>		
Other hedging instruments	<u>27,694</u>	-
Total current derivative financial instrument liabilities	<u>27,694</u>	-
	<u>(27,694)</u>	<u>164,994</u>

The Group uses forward foreign exchange contracts to mitigate exchange rate exposure arising predominantly from forecast sales in US dollars. All forward exchange contracts are considered by management to be part of economic hedge arrangements but have not been formally designated. The Group's US-dollar forward contracts relate to cash flows that have been forecasted for July 2018 to December 2018. All forecast transactions are expected to occur.

During 2018 a loss of \$483,288 (2017: loss of \$257,091) was recognised in profit and loss as a result of fair-valuing the derivative instrument at year end.

### (d) Borrowings

Borrowings include the following financial liabilities:

	<b>Consolidated</b>					
	<b>2018</b>		<b>2017</b>			
<b>Carrying amount at amortised costs:</b>	<b>Current</b>	<b>Non-current</b>	<b>Total</b>	<b>Current</b>	<b>Non-current</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Secured</b>						
Lease liabilities	478,216	562,066	1,040,282	388,484	832,912	1,221,396
Total secured borrowings	<u>478,216</u>	<u>562,066</u>	<u>1,040,282</u>	<u>388,484</u>	<u>832,912</u>	<u>1,221,396</u>
<b>Unsecured</b>						
Other loans	218,689	-	218,689	121,247	-	121,247
Total unsecured borrowings	<u>218,689</u>	<u>-</u>	<u>218,689</u>	<u>121,247</u>	<u>-</u>	<u>121,247</u>
<b>Total borrowings</b>	<u>696,905</u>	<u>562,066</u>	<u>1,258,971</u>	<u>509,731</u>	<u>832,912</u>	<u>1,342,643</u>

All borrowings are denominated in AUD.

Bank borrowings are secured by plant and equipment owned by the Group. Current interest rates are variable and average 5.57% (2017: 7.22%). The carrying amount of bank borrowings is considered to be a reasonable approximation of fair value.

## 11 Financial assets and liabilities (continued)

### (e) Fair value measurement

Financial assets and liabilities measured at fair value in the Balance Sheet are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability.

The following table shows the Levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 30 June 2018 and 30 June 2017.

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Consolidated - At 30 June 2018</b>				
<b>Financial assets / (liabilities)</b>				
Listed Securities	1,256,106	-	-	1,256,106
Foreign currency forward contracts	-	(27,694)	-	(27,694)
<b>Net fair value</b>	<b>1,256,106</b>	<b>(27,694)</b>	<b>-</b>	<b>1,228,412</b>
<b>Consolidated - At 30 June 2017</b>				
<b>Financial assets / (liabilities)</b>				
Listed Securities	102,963	-	-	102,963
Foreign currency forward contracts	-	164,994	-	164,994
<b>Net fair value</b>	<b>102,963</b>	<b>164,994</b>	<b>-</b>	<b>267,957</b>

There were no transfers between Level 1 and Level 2 in 2018 and 2017.

### Measurement of fair value of financial instruments

The Group's finance team performs valuations of financial items for financial reporting purposes, in consultation with third party valuation specialists for complex valuations, where required. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. The financial team reports directly to the Chief Financial Officer and to the audit committee.

The valuation techniques used for instruments categorised in Level 2 are described below:

#### Foreign currency forward contracts (Level 2)

The Group's foreign currency forward contracts are not traded in active markets. These have been fair valued using observable forward exchange rates and interest rates corresponding to the maturity of the contract. The effects of non-observable inputs are not significant for foreign currency forward contracts.

## 12 Non-current assets - Other receivables

	Notes	Consolidated 2018 \$	2017 \$
Loans under senior management share acquisition plan	33(a)	<b>332,356</b>	442,616

### (a) Impaired receivables and receivables past due

None of the non-current receivables are impaired or past due but not impaired.

# Notes to the Consolidated Financial Statements

30 June 2018 (continued)

## 13 Non-current assets - Investments accounted for using the equity method

	Consolidated	
	2018	2017
	\$	\$
Investment in joint ventures	1,274,049	857,856
Investment in associates	1,493,641	1,369,879
	<b>2,767,690</b>	<b>2,227,735</b>

### (a) Investment in joint ventures

The group has one material joint venture, Pilbara EPCM Pty Ltd ("PEPL").

Name of Joint Venture	Country of Incorporation & Principal Place of Business	Principal Activities	Proportion of Ownership Interest Held by the Group	
			2018	2017
Pilbara EPCM Pty Ltd	Australia	Engineering, procurement, construction management services	50%	50%

The investment in PEPL is accounted for using the equity method in accordance with AASB 128.

Summarised financial information for PEPL is set out below:

	2018	2017
	\$	\$
Current assets (a)	2,636,218	2,661,470
Non-current assets	-	-
<b>Total assets</b>	<b>2,636,218</b>	<b>2,661,470</b>
Current liabilities (b)	65,125	333,855
Non-current liabilities (c)	-	611,908
<b>Total liabilities</b>	<b>65,125</b>	<b>945,763</b>
a. Includes cash and cash equivalents	2,636,218	2,653,672
b. Includes current financial liabilities (excluding trade and other payables and provisions)	-	-
c. Includes non-current financial liabilities (excluding trade and other payables and provisions)	-	-



**13 Non-current assets - Investments accounted for using the equity method  
(continued)**

	2018 \$	2017 \$
Revenue	37,428	1,605,130
Profit for the year	<u>23,001</u>	<u>183,912</u>
Depreciation and amortisation	-	-
Interest income	37,428	30,973
Interest expense	-	-
Tax expense	-	66,784

A reconciliation of the above summarised financial information to the carrying amount of the investment in PEPL is set out below:

	2018 \$	2017 \$
Total net assets of PEPL	2,548,098	1,715,707
Proportion of ownership interest held by the Group	50%	50%
Carrying amount of the investment in PEPL	1,274,049	857,856

No dividends were received during the year from PEPL (2017: \$250,000).

PEPL is a Private Company; therefore no quoted market prices are available for its shares. The investment is currently in the process of being wound-up.

In 2017, Lycopodium (40%) and Monadelphous Group Ltd (60%) formed an incorporated joint venture, Mondium Pty Ltd ("Mondium").

Mondium's purpose is to target and deliver engineering, procurement and construction (EPC) projects in the minerals processing sector, domestically and within selected international markets.

Mondium is a private company, with no quoted market prices available for its shares. The investment is currently carried at a nil value (2017: Nil).

# Notes to the Consolidated Financial Statements

30 June 2018 (continued)

## 13 Non-current assets - Investments accounted for using the equity method (continued)

### (b) Investment in associates

The Group has one material investment in associate, ECG Engineering Pty Ltd, an electrical engineering consultancy based in Perth, Australia.

Name of Joint Venture	Country of Incorporation & Principal Place of Business	Principal Activities	Proportion of Ownership Interest Held by the Group	
			2018	2017
ECG Engineering Pty Ltd	Australia	Electrical engineering	31%	31%

Summarised financial information of the Group's share in the associates:

	2018 \$	2017 \$
Profit from continuing operations	696,487	927,295
Other comprehensive income	-	-
Total comprehensive income	<u>696,487</u>	<u>927,295</u>
Carrying amount of the Group's interest in associates	1,493,641	1,369,879

## 14 Non-current assets - Property, plant and equipment

	Fixtures and fittings \$	Motor vehicles \$	Leasehold improvements \$	Leased plant and equipment \$	Total \$
<b>At 1 July 2016</b>					
Cost or fair value	6,798,763	212,142	783,485	-	7,794,390
Accumulated depreciation	(5,035,009)	(143,096)	(272,489)	-	(5,450,594)
<b>Net book amount</b>	<b>1,763,754</b>	<b>69,046</b>	<b>510,996</b>	<b>-</b>	<b>2,343,796</b>
<b>Year ended 30 June 2017</b>					
Opening net book amount	1,763,754	69,046	510,996	-	2,343,796
Additions	297,450	-	38,362	1,379,663	1,715,475
Disposal	(4,180)	(4,904)	-	-	(9,084)
Depreciation charge	(649,407)	(18,826)	(60,331)	(160,172)	(888,736)
Transfers to intangible assets	(9,650)	-	-	-	(9,650)
Exchange differences	29,477	1,800	(8,904)	-	22,373
<b>Closing net book amount</b>	<b>1,427,444</b>	<b>47,116</b>	<b>480,123</b>	<b>1,219,491</b>	<b>3,174,174</b>
<b>At 30 June 2017</b>					
Cost or fair value	6,935,104	186,962	798,331	1,379,663	9,300,060
Accumulated depreciation	(5,507,660)	(139,846)	(318,208)	(160,172)	(6,125,886)
<b>Net book amount</b>	<b>1,427,444</b>	<b>47,116</b>	<b>480,123</b>	<b>1,219,491</b>	<b>3,174,174</b>
<b>Year ended 30 June 2018</b>					
Opening net book amount	1,427,444	47,116	480,123	1,219,491	3,174,174
Additions	981,618	-	71,490	253,006	1,306,114
Disposal	(2,482)	-	-	-	(2,482)
Depreciation charge	(528,652)	(9,956)	(52,830)	(454,110)	(1,045,548)
Exchange differences	(2,674)	(141)	5,044	-	2,229
<b>Closing net book amount</b>	<b>1,875,254</b>	<b>37,019</b>	<b>503,827</b>	<b>1,018,387</b>	<b>3,434,487</b>
<b>At 30 June 2018</b>					
Cost	7,480,514	179,528	862,332	1,632,668	10,155,042
Accumulated depreciation	(5,605,260)	(142,509)	(358,505)	(614,281)	(6,720,555)
<b>Net book amount</b>	<b>1,875,254</b>	<b>37,019</b>	<b>503,827</b>	<b>1,018,387</b>	<b>3,434,487</b>

# Notes to the Consolidated Financial Statements

30 June 2018 (continued)

## 15 Non-current assets - Deferred tax assets

	Consolidated	
	2018	2017
	\$	\$
<b>The balance comprises temporary differences attributable to:</b>		
Unused tax losses	138,371	37,422
Employee benefits	2,513,522	2,177,976
Doubtful debts	24,688	408,877
Accrued expenses	107,421	110,965
Deferred revenue	649,359	209,886
Other provisions	5,446,746	1,516,230
Finance leases	312,084	366,419
	<u>9,192,191</u>	<u>4,827,775</u>
Set-off of deferred tax liabilities pursuant to set-off provisions (note 19)	<u>(841,393)</u>	<u>(1,029,845)</u>
Net deferred tax assets	<u>8,350,798</u>	<u>3,797,930</u>
Deferred tax assets expected to be recovered within 12 months	8,385,756	4,108,718
Deferred tax assets expected to be recovered after more than 12 months	806,435	719,057
	<u>9,192,191</u>	<u>4,827,775</u>

Movements	Doubtful debts	Employee Benefits	Deferred revenue	Accrued expenses	Other provisions	Finance Leases	Unused tax losses	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>At 1 July 2016</b>	142,442	2,089,752	160,935	174,696	(4,299)	-	969,025	3,532,551
Credited/(charged)								
- to profit or loss	266,435	88,224	48,951	(63,731)	1,520,532	366,419	(762,016)	1,464,814
- directly to equity	-	-	-	-	(3)	-	-	(3)
Utilisation of recognised losses	-	-	-	-	-	-	(161,657)	(161,657)
Exchange rate differences	-	-	-	-	-	-	(7,930)	(7,930)
<b>At 30 June 2017</b>	<u>408,877</u>	<u>2,177,976</u>	<u>209,886</u>	<u>110,965</u>	<u>1,516,230</u>	<u>366,419</u>	<u>37,422</u>	<u>4,827,775</u>
<b>At 1 July 2017</b>	408,877	2,177,976	209,886	110,965	1,516,230	366,419	37,422	4,827,775
(Charged)/credited								
- to profit or loss	(384,189)	335,546	439,473	(3,544)	4,070,021	(54,335)	(57,437)	4,345,535
- directly to equity	-	-	-	-	(139,505)	-	-	(139,505)
Reversal of recognised losses	-	-	-	-	-	-	158,386	158,386
<b>At 30 June 2018</b>	<u>24,688</u>	<u>2,513,522</u>	<u>649,359</u>	<u>107,421</u>	<u>5,446,746</u>	<u>312,084</u>	<u>138,371</u>	<u>9,192,191</u>

## 16 Non-current assets - Intangible assets

	Goodwill \$	Software \$	Customer contracts \$	Total \$
<b>At 1 July 2016</b>				
Cost	8,885,406	1,934,790	315,000	11,135,196
Accumulated amortisation and impairment	(1,319,822)	(1,592,621)	(315,000)	(3,227,443)
<b>Net book amount</b>	<b>7,565,584</b>	<b>342,169</b>	<b>-</b>	<b>7,907,753</b>
<b>Year ended 30 June 2017</b>				
Opening net book amount	7,565,564	342,169	-	7,907,733
Additions	-	50,116	-	50,116
Amortisation charge *	-	(283,028)	-	(283,028)
Impairment loss recognised	(263,242)	-	-	(263,242)
Transfers from property, plant and equipment	-	9,650	-	9,650
Exchange differences	-	(56)	-	(56)
<b>Closing net book amount</b>	<b>7,302,322</b>	<b>118,851</b>	<b>-</b>	<b>7,421,173</b>
Cost	8,885,406	1,878,728	315,000	11,079,134
Accumulated amortisation and impairment	(1,583,084)	(1,759,877)	(315,000)	(3,657,961)
<b>Net book amount</b>	<b>7,302,322</b>	<b>118,851</b>	<b>-</b>	<b>7,421,173</b>
	Goodwill \$	Software \$	Customer contracts \$	Total \$
<b>Year ended 30 June 2018</b>				
Opening net book amount	7,302,322	118,851	-	7,421,173
Additions	-	631,529	-	631,529
Amortisation charge *	-	(182,931)	-	(182,931)
Impairment loss recognised	(1,095,048)	-	-	(1,095,048)
Disposal	-	17,895	-	17,895
Exchange differences	-	(601)	-	(601)
<b>Closing net book amount</b>	<b>6,207,274</b>	<b>584,743</b>	<b>-</b>	<b>6,792,017</b>
<b>At 30 June 2018</b>				
Cost	8,885,406	2,478,811	315,000	11,679,217
Accumulated amortisation	(2,678,132)	(1,894,068)	(315,000)	(4,887,200)
<b>Net book amount</b>	<b>6,207,274</b>	<b>584,743</b>	<b>-</b>	<b>6,792,017</b>

\* Group amortisation of \$182,931 (2017: \$283,028) is included in depreciation and amortisation expense in the statement of comprehensive income.

# Notes to the Consolidated Financial Statements

30 June 2018 (continued)

## 16 Non-current assets - Intangible assets (continued)

### (a) Impairment tests for goodwill

Goodwill is allocated to the group cash-generating units (CGUs) identified according to business segment and country of operation.

A segment-level summary of the goodwill allocation is presented below.

	Australia \$	Other countries \$	Total \$
<b>2018</b>			
Minerals	3,622,991	2,465,026	6,088,017
Metallurgical	119,257	-	119,257
	<b>3,742,248</b>	<b>2,465,026</b>	<b>6,207,274</b>

	Australia \$	Other countries \$	Total \$
<b>2017</b>			
Minerals	3,622,991	2,465,026	6,088,017
Infrastructure (previously Maintenance)	1,095,048	-	1,095,048
Metallurgical	119,257	-	119,257
	<b>4,837,296</b>	<b>2,465,026</b>	<b>7,302,322</b>

### (b) Key assumptions used for value-in-use calculations

The recoverable amount of each CGU within the business segment is determined on the basis of value-in-use ('VIU'). The following describes the assumptions on which management has based its cash flow projections when determining value in use:

	Growth rates		Discount rates	
	2018 %	2017 %	2018 %	2017 %
Minerals	<b>2.5</b>	2.5	<b>3.2</b>	4.0
Process Industries	-	-	-	4.0
Infrastructure	<b>1.0</b>	2.5	<b>3.2</b>	4.0
Metallurgical	<b>2.5</b>	2.5	<b>3.2</b>	4.0

#### Growth rate

The growth rate represents a steady indexation rate which does not exceed management's expectations of the long term average growth rate for the business in which each CGU operates.

#### Discount rate

For the Australian CGUs, the pre-tax discount rate applied to cash flow projections is 3.2% (2017: 4.0%) and for the Minerals CGUs in other countries, the pre-tax discount rate is 9.2% (2017: 9.0%).

#### Cash flows

VIU calculations use cash flow projections from approved budgets based on past performance and its expectations for the future covering a three year period.

## 16 Non-current assets - Intangible assets (continued)

### (b) Key assumptions used for value-in-use calculations (continued)

#### *Revenue*

Value-in-use model is based on budget approved by the Board. The forecast budget process was developed based on revenue expectations for the year built around existing customer contracts along with the potential to develop new markets and sustain growth.

#### *Sensitivities*

The Board has performed sensitivities around all key assumptions disclosed above. There are no fluctuations to any of the assumptions that could reasonably occur that would cause the recoverable amount of the CGU to be equivalent to that of the carrying amount of the CGUs assets.

### (c) Cash flow assumptions

#### *Minerals, Infrastructure and Metallurgical*

The forecast was adjusted in 2018 for the decline in asset management services in the Infrastructure segment due to increased competition in the sector. As a result, the Board expects lower growth and declining profit margins for this segment.

Impairment testing, taking into account these latest developments, resulted in a reduction in goodwill in 2018 of \$1,095,048. The related goodwill impairment loss of \$1,095,048 was included within impairment of non-financial assets.

Apart from the consideration described in determining the value-in-use of the cash-generating units described above, the Board is not currently aware of any other probable changes that would necessitate changes in its key estimates.

# Notes to the Consolidated Financial Statements

30 June 2018 (continued)

## 17 Current liabilities - Trade and other payables

	Consolidated	
	2018	2017
	\$	\$
Trade payables	<b>6,198,804</b>	10,225,530
Revenue received in advance	<b>8,602,053</b>	32,659,785
Goods and services tax (GST) payable	<b>2,330,610</b>	708,415
Sundry creditors and accrued expenses	<b>6,781,586</b>	13,176,194
Employee benefit obligations (a)	<b>7,836,176</b>	7,311,042
	<b>31,749,229</b>	64,080,966

Included in the above are financial liabilities of \$12,980,390 (2017: \$23,401,725).

### (a) Amounts not expected to be settled within the next 12 months

Employee benefit obligations include accruals for annual leave and unconditional entitlements of long service leave. The entire obligation is presented as current, since the group does not have an unconditional right to defer settlement. However, based on past experience, the group does not expect all employees to take the full amount of accrued leave within the next 12 months.

The following amounts reflect leave that is not expected to be taken within the next 12 months:

	Consolidated	
	2018	2017
	\$	\$
Annual leave obligation expected to be settled after 12 months	<b>1,142,739</b>	922,499
Long service leave obligation expected to be settled after 12 months	<b>1,118,000</b>	973,563
	<b>2,260,739</b>	1,896,062

### (b) Risk exposures

Details of the group's exposure to foreign exchange risk is provided in note 2.



## 18 Current liabilities - Provisions

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Service and equipment warranties	<b>16,361,009</b>	4,280,795
<b>(a) Movements in provisions</b>		
	<b>Service and equipment warranties</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>
<b>2018</b>		
Carrying amount at beginning of year	4,280,795	4,280,795
Provisions recognised	12,080,214	12,080,214
<b>Carrying amount at end of year</b>	<b>16,361,009</b>	<b>16,361,009</b>

The group recognises service and equipment warranty provisions in accordance with its current policy. The amount provided takes into account the percentage completion of the project, forecast to complete costs plus any close-out obligations and potential contractual liabilities during the warranty period. The increase in the balance for the financial year ended 30 June 2018 reflects multiple major projects nearing completion or having been completed.

# Notes to the Consolidated Financial Statements

30 June 2018 (continued)

## 19 Non-current liabilities - Deferred tax liabilities

	Consolidated	
	2018	2017
	\$	\$
<b>The balance comprises temporary differences attributable to:</b>		
Accrued income	299,562	318,275
Other provisions	15,973	145,049
Depreciation & Amortisation	485,481	525,882
Prepaid expenses	40,377	40,639
	<u>841,393</u>	<u>1,029,845</u>
Set-off of deferred tax liabilities pursuant to set-off provisions (note 15)	<u>(841,393)</u>	<u>(1,029,845)</u>
Net deferred tax liabilities	<u>-</u>	<u>-</u>
Deferred tax liabilities expected to be settled within 12 months	355,912	503,963
Deferred tax liabilities expected to be settled after more than 12 months	485,481	525,882
	<u>841,393</u>	<u>1,029,845</u>

Movements	Depreciation & amortisation \$	Accrued income \$	Other provisions \$	Prepaid expenses \$	Total \$
<b>At 1 July 2016</b>	235,475	321,126	169,388	24,021	750,010
Charged/(credited) - profit or loss	290,407	(2,851)	(24,339)	16,618	279,835
<b>At 30 June 2017</b>	<u>525,882</u>	<u>318,275</u>	<u>145,049</u>	<u>40,639</u>	<u>1,029,845</u>
<b>At 1 July 2017</b>	525,882	318,275	145,049	40,639	1,029,845
Charged/(credited) - profit or loss	(40,401)	(18,713)	(129,076)	(262)	(188,452)
<b>At 30 June 2018</b>	<u>485,481</u>	<u>299,562</u>	<u>15,973</u>	<u>40,377</u>	<u>841,393</u>

## 20 Non-current liabilities - Provisions

	Consolidated	
	2018	2017
	\$	\$
Employee benefits - long service leave	<u>416,531</u>	<u>500,796</u>

## 21 Contributed equity

### (a) Share capital

	2018 Shares	2017 Shares	2018 \$	2017 \$
Ordinary shares Fully paid	<u>39,732,373</u>	39,732,373	<u>20,823,772</u>	20,823,772

### (b) Movements in ordinary share capital

Date	Details	Number of shares	Issue price	\$
1 July 2016	Opening balance	39,732,373		20,823,772
	No movements during the period	-		-
30 June 2017	Closing balance	<u>39,732,373</u>		<u>20,823,772</u>
1 July 2017	Opening balance	39,732,373		20,823,772
	No movements during the period	-		-
30 June 2018	Closing balance	<u>39,732,373</u>		<u>20,823,772</u>

### (c) Ordinary shares

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

### (d) Capital risk management

The group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'borrowings' and 'trade and other payables' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet (including non-controlling interests) plus net debt.

# Notes to the Consolidated Financial Statements

30 June 2018 (continued)

## 21 Contributed equity (continued)

### (d) Capital risk management (continued)

During 2018, the group's strategy was to maintain a gearing less than 40%. The gearing ratios at 30 June 2018 and 30 June 2017 were as follows:

	Consolidated	
	2018	2017
	\$	\$
Total borrowings (including payables)	33,008,203	65,423,613
Less: cash and cash equivalents	(74,287,788)	(85,334,768)
Net debt	<u>(41,279,585)</u>	<u>(19,911,155)</u>
Total equity	76,373,486	66,248,097
Total capital	<u>35,093,901</u>	<u>46,336,942</u>
Gearing ratio	(54)%	(30)%

## 22 Reserves and retained earnings

### (a) Other reserves

	Consolidated	
	2018	2017
	\$	\$
Available-for-sale investment revaluation reserve	241,588	(83,923)
Foreign currency translation reserve	(930,627)	(904,119)
	<u>(689,039)</u>	<u>(988,042)</u>

	Consolidated	
	2018	2017
	\$	\$
<b>Movements:</b>		
<i>Available-for-sale investment revaluation reserve</i>		
Balance 1 July	(83,923)	(83,930)
Revaluation - gross	465,015	10
Deferred tax	(139,504)	(3)
Balance 30 June	<u>241,588</u>	<u>(83,923)</u>
<i>Performance rights reserve</i>		
Balance 1 July	-	259,037
Expiry of performance rights	-	(259,037)
Balance 30 June	<u>-</u>	<u>-</u>
<i>Foreign currency translation reserve</i>		
Balance 1 July	(904,119)	(1,016,051)
Currency translation differences arising during the year	(26,508)	111,932
Balance 30 June	<u>(930,627)</u>	<u>(904,119)</u>

## 22 Reserves and retained earnings (continued)

### (b) Retained earnings

	Consolidated	
	2018	2017
	\$	\$
Balance 1 July	46,412,369	41,285,494
Profit for the year	18,170,186	10,292,083
Dividends paid or payable	(8,343,798)	(5,165,208)
Balance 30 June	<u>56,238,757</u>	<u>46,412,369</u>

### (c) Nature and purpose of other reserves

#### (i) Available-for-sale investments revaluation reserve

Changes in the fair value and exchange differences arising on translation of investments, such as equities, classified as available-for-sale financial assets, are recognised in other comprehensive income as described in note 1(m) and accumulated in a separate reserve within equity. Amounts are reclassified to profit or loss when the associated assets are sold or impaired.

#### (ii) Performance rights reserve

The performance rights reserve is used to recognised the fair value of rights issued to certain Directors or employees during the year.

#### (iii) Foreign currency translation reserve

Exchange differences arising on translation of foreign controlled entities are recognised in other comprehensive income as described in note 1(d) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

## 23 Non-controlling interests

	Consolidated	
	2018	2017
	\$	\$
Share capital	14,937	14,937
Reserves	(1,986)	4,230
Non-controlling interest on acquisition	2,833,808	2,833,808
Retained earnings	130,161	122,258
	<u>2,976,920</u>	<u>2,975,233</u>

# Notes to the Consolidated Financial Statements

30 June 2018 (continued)

## 24 Dividends

### (a) Ordinary shares

	Parent entity	
	2018	2017
	\$	\$
Final dividends for year ended 30 June 2017 of 9.0 cents (2017: 4.0 cents) per fully paid share paid on 10 October 2017 (2017: 13 October 2016) Fully franked based on tax paid @ 30% (2017: 30%)	3,575,914	1,589,295
Interim dividend for the year ended 30 June 2018 of 12.0 cents (2017: 9.0 cents) per fully paid share paid on 10 April 2018 (2017: 13 April 2017) Fully franked based on tax paid @ 30% (2017: 30%)	4,767,885	3,575,914
Total dividends provided for or paid	<u>8,343,799</u>	<u>5,165,209</u>

### (b) Dividends not recognised at the end of the reporting period

	Parent entity	
	2018	2017
	\$	\$
In addition to the above dividends, since year end the Directors have recommended the payment of a final dividend of 18.0 cents per fully paid ordinary share (2017: 9.0 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 12 October 2018 out of retained earnings at 30 June 2018, but not recognised as a liability at year end, is	<u>7,151,827</u>	<u>3,575,914</u>

### (c) Franked dividends

	Consolidated	
	2018	2017
	\$	\$
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2017: 30%)	<u>19,842,221</u>	<u>10,713,752</u>

The above amounts represent the balance of the franking account as at the end of the reporting period, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

The impact on the franking account of the dividend recommended by the directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of \$3,065,069 (2017: \$1,532,534).

## 25 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

### (a) Grant Thornton Australia Ltd

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<i>Audit and other assurance services</i>		
Audit and review of financial reports	<b>190,000</b>	190,000
<i>Taxation services</i>		
Tax compliance services (including income tax returns)	<b>63,440</b>	32,300
Total remuneration for taxation services	<b>63,440</b>	32,300
<i>Other services</i>		
Other services	<b>39,870</b>	15,183
Total remuneration	<b>293,310</b>	237,483

### (b) Network firms of Grant Thornton Australia Ltd

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<i>Audit and other assurance services</i>		
Audit and review of financial statements	<b>110,072</b>	106,687
<i>Taxation services</i>		
Tax compliance services (including income tax returns)	<b>40,529</b>	56,926
Total remuneration of network firms of Grant Thornton Australia Ltd	<b>150,601</b>	163,613

# Notes to the Consolidated Financial Statements

30 June 2018 (continued)

## 25 Remuneration of auditors (continued)

### (c) Non-Grant Thornton Australia Ltd

	Consolidated	
	2018 \$	2017 \$
<i>Audit and other assurance services</i>		
Audit and review of financial statements	49,087	48,804
<i>Taxation services</i>		
Tax compliance services (including income tax returns)	15,275	33,951
Total remuneration for taxation services	15,275	33,951
<i>Other services</i>		
Other services	57,168	24,536
Total remuneration of non-Grant Thornton Australia Ltd audit firms	121,530	107,291
<b>Total auditors' remuneration</b>	<b>565,441</b>	<b>508,387</b>

It is the group's policy to employ Grant Thornton Australia Ltd on assignments additional to their statutory audit duties where Grant Thornton Australia Ltd expertise and experience with the group are important. These assignments are principally tax advice and due diligence reporting on acquisitions, or where Grant Thornton Australia Ltd is awarded assignments on a competitive basis. It is the group's policy to seek competitive tenders for all major consulting projects.

## 26 Contingencies

The group had contingent liabilities at 30 June 2018 and 30 June 2017 in respect of:

### (a) Contingent liabilities

#### (i) Guarantees

Guarantees are given in respect of rental bonds for \$1,830,584 (2017: \$1,910,888).

These guarantees may give rise to liabilities in the event that the group defaults on its obligations under the terms of the lease agreement for its premises at 1 Adelaide Terrace, East Perth, 60 Leichhardt Street, Spring Hill, 253-269 Wellington Road, Mulgrave, 138-140 Beaumont Street, Hamilton, Centennial Place, Century Boulevard, Century City, Cape Town, South Africa and Golf Park, Cape Town, South Africa.

No material losses are anticipated in respect of any of the above contingent liabilities (2017: Nil).

## 27 Commitments

### (a) Capital commitments

There were no capital expenditures contracted for at the reporting date which have not been recognised as liabilities (2017: Nil).



## 27 Commitments (continued)

### (b) Lease commitments: group as lessee

#### (i) Non-cancellable operating leases

The Perth property under operating lease by Lycopodium Minerals Pty Ltd is a non cancellable lease with a 120 month term ending 31 January 2021. Minimum lease payments are contingent upon both 4% fixed annual increases and market-based reviews during the term of the lease. The lease allows for sub letting of all lease areas, subject to the consent of the landlord.

The Melbourne property under operating lease by Lycopodium Process Industries Pty Ltd is a non cancellable lease with a 36 month term ending 25 September 2018, with an option to renew the lease at the end of the term for a further 36 months. The agreement provides for an annual increase in the rental payments of 3.5% over the previous year's rental.

The Manila property under operating lease by Lycopodium (Philippines) Pty Ltd is a non cancellable lease with a 60 month term ending 20 August 2023. The agreement provides for an increase in the rental payments of 5% per annum.

The Brisbane property under operating lease by Lycopodium Minerals Pty Ltd is a non-cancellable lease with a 36 month term ending 28 February 21, with an option to renew for 36 months. The lease agreement provides for annual increase in the rental payments of 3.25% over the previous year's rental. The lease allows for sub-letting of all lease areas subject to prior consent of the landlord.

The Perth property under operating lease by Lycopodium Infrastructure Pty Ltd is a non cancellable lease with a 96 month term ending 31 January 2021, with an option to renew a further 60 month term. Minimum lease payments are contingent upon a 4.5% fixed annual increase. The lease allows for sub letting of all lease areas, subject to the consent of the landlord.

The Toronto property under lease by Lycopodium Minerals Canada Ltd is a non-cancellable lease with a 63 month term ending 31 October 2022. No provision for increase in base rental.

The Newcastle property under operating lease by Lycopodium Infrastructure Pty Ltd is a non-cancellable lease with a 36 month term ending 1 November 2020, with an option to renew the lease at the end of its term for a further 72 months. Minimum lease payments are contingent upon annual CPI movements during the terms of its lease.

The Century City property under lease by ADP Holdings (Pty) Limited is a non-cancellable lease with a 37 month term ending 31 May 2021. The agreement provides for an annual increase in the rental payments of 8% over the previous year's rental. The lease allows for sub-letting of all lease areas subject to prior consent of the landlord.

The Golf Park property under lease by ADP Holdings (Pty) Limited is a non-cancellable lease with a 36 month term ending 31 May 2021.

<b>Consolidated</b>	
<b>2018</b>	<b>2017</b>
\$	\$

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Within one year	<b>7,554,801</b>	7,807,360
Later than one year but not later than five years	<b>14,822,359</b>	17,492,391
	<b>22,377,160</b>	25,299,751

# Notes to the Consolidated Financial Statements

30 June 2018 (continued)

## 27 Commitments (continued)

### (b) Lease commitments: group as lessee (continued)

#### (ii) Finance leases and hire purchase commitments

The group has finance leases and hire purchase contracts for various items of plant and equipment with a carrying amount of \$1,018,386 (2017: \$1,219,491). These lease contracts expire within 1 to 5 years. Under the terms of the leases, the group has the option to acquire the leased assets.

	Consolidated	
	2018	2017
	\$	\$
Commitments in relation to finance leases are payable as follows:		
Within one year	526,584	450,053
Later than one year but not later than five years	585,944	889,772
Minimum lease payments	1,112,528	1,339,825
Future finance charges	(72,246)	(118,429)
Total lease liabilities	1,040,282	1,221,396
Representing lease liabilities:		
Current (note 11(d))	478,216	388,484
Non-current (note 11(d))	562,066	832,912
	1,040,282	1,221,396

The weighted average interest rate implicit in the leases and hire purchases is 5.57% (2017: 7.22%).

## 28 Related party transactions

### (a) Parent entities

The parent entity within the group is Lycopodium Limited, which is incorporated in Australia.

### (b) Subsidiaries

Interests in subsidiaries are set out in note 29.

### (c) Key management personnel

	Consolidated	
	2018	2017
	\$	\$
Short-term employee benefits	2,692,118	2,441,977
Post-employment benefits	171,863	214,206
	2,863,981	2,656,183

Detailed remuneration disclosures are provided in the remuneration report on pages 14 to 19.

## 28 Related party transactions (continued)

### (d) Transactions with other related parties

The following transactions occurred with related parties:

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Purchases of goods and services		
Purchases from associates	<b>8,188,821</b>	4,927,903
Sale of goods and services		
Sales to associates and joint ventures	-	337,291

### (e) Outstanding balances arising from sales/purchases of goods and services

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<i>Current payables</i>		
Associates	<b>18,007</b>	278,393

### (f) Loans to/from related parties

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<i>Loans to associates</i>		
Beginning of the year	<b>723,500</b>	387,500
Loans advanced	<b>884,000</b>	336,000
Repayments made	<b>(387,500)</b>	-
End of year	<b><u>1,220,000</u></b>	<u>723,500</u>

There is no allowance account for impaired receivables in relation to any outstanding balances, and no expense has been recognised in respect of impaired receivables due from related parties.

### (g) Terms and conditions

Purchases and sales of goods and services with statutory joint ventures are made at cost.

Purchases and sales of goods and services with the associate are made at arms-length.

Loans advanced to the joint venture and associate are interest-free and repayable within 12 months.

Outstanding balances are unsecured and are repayable in cash.

# Notes to the Consolidated Financial Statements

30 June 2018 (continued)

## 29 Subsidiaries

### (a) Significant investments in subsidiaries

The consolidated financial report incorporate the assets, liabilities and results of the following principal subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	Country of incorporation / Principal activity	Class of shares	Equity holding	
			2018 %	2017 %
Lycopodium Minerals Pty Ltd	Australia (1)	Ordinary	100	100
Lycopodium Process Industries Pty Ltd	Australia (1)	Ordinary	100	100
Orway Mineral Consultants (WA) Pty Ltd	Australia (1)	Ordinary	100	100
Lycopodium Ghana Ltd	Ghana (2)	Ordinary	100	100
Lycopodium Asset Management Pty Ltd	Australia (1)	Ordinary	100	100
Lycopodium Burkina Faso SARL	Burkina Faso (2)	Ordinary	100	100
Lycopodium Infrastructure Pty Ltd	Australia (1)	Ordinary	100	100
Lycopodium Minerals Canada Ltd	Canada (1)	Ordinary	100	100
Lycopodium Mauritius	Mauritius (2)	Ordinary	100	100
Lycopodium Philippines Pty Ltd	Australia (1)	Ordinary	100	100
Metco Global Limited	Angola (2)	Ordinary	74	74
Orway Mineral Consultants (Canada) Ltd	Canada (1)	Ordinary	100	100
Lycopodium Rail Pty Ltd	Australia (1)	Ordinary	100	100
ADP Holdings (Pty) Limited	South Africa (1)	Ordinary	74	74

(1) Engineering, procurement, construction management services

(2) Offshore project support services

## 30 Events occurring after the reporting period

Since year end the directors have recommended the payment of a final dividend on ordinary shares in respect of the 2018 financial year. The total amount of the dividend is \$7,151,827 (2017: \$3,575,914), which represents a fully franked dividend of 18.0 (2017: 9.0) cents per fully paid ordinary share.

With the exception of the above, no other matter or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect:

- the group's operations in future financial years, or
- the results of those operations in future financial years, or
- the group's state of affairs in future financial years.

### 31 Reconciliation of profit after income tax to net cash inflow from operating activities

	Consolidated	
	2018	2017
	\$	\$
Profit for the year	18,333,387	10,373,528
Depreciation and amortisation	1,228,479	1,171,764
Impairment of goodwill	1,095,048	263,242
Loans advanced to joint venture (incl at cash flows from financing activities)	884,000	336,000
Repayment of loans from associate (incl at cash flow from financing activities)	(387,500)	-
Proceeds from available-for-sale financial assets (incl at cash flow from investing activities)	(1,187,036)	-
Non-cash employee benefits expense - share-based payments	-	(259,037)
Non-cash shares received in lieu of payment for services	(878,875)	-
Net (gain)/loss on sale of non-current assets	(35,653)	1,634
Share of net profit of associate and joint venture accounted for using the equity method	(1,112,681)	(1,019,251)
Interest relating to financing activities	96,617	56,377
Finance lease expense	-	43,011
Change in operating assets and liabilities:		
Increase in trade debtors and other receivables	(697,349)	(10,393,981)
(Increase)/decrease in inventories	(492,414)	376,256
Increase in deferred tax assets	(4,552,868)	(866,965)
Decrease/(increase) in other operating assets	408,836	(356,658)
(Decrease)/increase in trade creditors	(32,331,738)	42,644,013
Increase in provision for income taxes payable	5,600,504	2,986,072
Increase in other provisions	11,995,947	4,141,718
Decrease/(increase) in derivative financial assets	192,688	(164,994)
Net cash inflow from operating activities	<u>(1,840,608)</u>	<u>49,332,729</u>

### 32 Earnings per share

#### (a) Basic earnings per share

	Consolidated	
	2018	2017
	Cents	Cents
Basic earnings per share attributable to the ordinary equity holders of the company	<u>45.7</u>	<u>25.9</u>

#### (b) Diluted earnings per share

	Consolidated	
	2018	2017
	Cents	Cents
Diluted earnings per share attributable to the ordinary equity holders of the company	<u>45.7</u>	<u>25.9</u>

# Notes to the Consolidated Financial Statements

30 June 2018 (continued)

## 32 Earnings per share (continued)

### (c) Reconciliation of earnings used in calculating earnings per share

	Consolidated	
	2018	2017
	\$	\$
<i>Basic earnings per share</i> Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	<u>18,170,186</u>	<u>10,292,083</u>
Diluted earnings per share Used in calculating diluted earnings per share	<u>18,170,186</u>	<u>10,292,083</u>

### (d) Weighted average number of shares used as denominator

	Consolidated	
	2018	2017
	Number	Number
<i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share</i>	<u>39,732,373</u>	<u>39,732,373</u>

## 33 Share-based payments

### (a) Senior manager share acquisition plan

The senior manager share acquisition plan was introduced in November 2009. Under the plan eligible senior managers are provided with an interest free limited recourse loan for a period of 3 years to acquire shares in Lycopodium Limited. The purchase of the shares will be done via the employee share trust. The loan will be interest free if the participating senior manager stays with the group for more than 3 years. In the event the participating senior manager leaves within 3 years, interest will be charged equal to market rate of interest that would have accrued on the loan from the date of advance of the funds to the repayment date. Eligibility will be decided by the board of Directors.

The value of the loan to each participating senior manager is based on the value of the shares allocated to the respective senior manager. The shares are allocated at a 1 cent discount to the volume weighted average of the prices at which the shares were traded on the ASX during the one week period up to and including the date of allocation. During the financial year ended 30 June 2010, 607,500 shares were acquired on and off market.

The difference between the price of the shares acquired and the value of shares allocated to the participating senior managers was expensed in the financial year ended 30 June 2010. This amounted to \$125,855.

### (b) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were nil.

### 34 Parent entity financial information

#### (a) Summary financial information

The individual financial report for the parent entity show the following aggregate amounts:

	2018 \$	2017 \$
<b>Balance sheet</b>		
Current assets	20,254,065	20,757,301
Non-current assets	30,065,700	29,956,945
Total assets	50,319,765	50,714,246
Current liabilities	1,484,003	3,705,820
Non-current liabilities	18,236	44,102
Total liabilities	1,502,239	3,749,922
Net assets	48,817,526	46,964,324
<i>Shareholders' equity</i>		
Contributed equity	20,823,772	20,823,772
Retained earnings	27,993,754	26,140,552
	48,817,526	46,964,324
<b>Profit for the year</b>	10,197,001	11,916,083
<b>Total comprehensive income</b>	10,197,001	11,916,083

#### (b) Guarantees entered into by the parent entity

In 2016, the parent entity entered into an arrangement with a insurer for a standby insurance bonding facility of \$15.0m. In return, the parent entity and Lycopodium Minerals Pty Ltd jointly executed a cross guarantee and indemnity as security for the facility. This facility was increased to \$20.0m during the year ended 30 June 2018.

#### (c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2018 or 30 June 2017.

#### (d) Contractual commitments for the acquisition of property, plant or equipment

The parent entity did not have any contractual commitments for the acquisition of property, plant and equipment as at 30 June 2018 or 30 June 2017.

# Directors' Declaration

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In the Directors' opinion:

- (a) the financial report and notes set out on pages 31 to 93 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the group's financial position as at 30 June 2018 and of its performance for the year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Managing Director and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This report is made in accordance with a resolution of Directors.



Peter Anthony Dawson  
Director

Perth  
20 September 2018



## Audit Report



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## Independent Auditor's Report

To the Members of Lycopodium Limited

Report on the audit of the financial report

### Opinion

We have audited the financial report of Lycopodium Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

- a giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for opinion

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

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

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# Audit Report *(continued)*



## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
<p>Revenue recognition Note 1(e)(i) and Note 5</p> <p>For the year ended 30 June 2018, the Group recognised \$194,568 million in revenues from its contracts.</p> <p>The Group recognises revenues from contracts in accordance with <i>AASB 111 Construction Contracts</i>, which includes the use of the percentage-of-completion accounting method.</p> <p>There is heightened risk around the application of percentage-of-completion accounting as it requires management to estimate margins and contract progress which impact revenue recognised.</p> <p>This area is a key audit matter due to the degree of management estimation and judgement required with regard to revenue recognised under the percentage-of-completion method.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• obtaining an understanding of the revenue recognition policies applied and assess their compliance with <i>AASB 111 Construction Contracts</i>;</li> <li>• testing the operating effectiveness of controls over the recording of revenues from contracts;</li> <li>• testing a sample of contracts by reading contracts for key terms to assess for compliance <i>AASB 111</i> and evaluate the accuracy of management's schedule of contracts;</li> <li>• testing a sample of costs incurred by tracing to underlying support such as payroll records and vendor invoices in order to understand the nature of the item and whether the expenditure was attributable to the related contract.;</li> <li>• assessing management's ability to estimate expected costs to completion and the related contract margins by:             <ul style="list-style-type: none"> <li>○ inquiring with contract management oversight to gain an understanding of the progress and remaining costs for a sample of contracts;</li> <li>○ evaluating corroborating evidence; and</li> <li>○ reviewed details of contracts post year-end to assess the accuracy of management's forecasts of cost to complete;</li> </ul> </li> <li>• performing analytical procedures to assess the budgeting accuracy and corroborated results through discussions with employees outside of the finance team; and</li> <li>• assessing the appropriateness of financial statement disclosures.</li> </ul>



#### Goodwill valuation

##### Note 16

As at 30 June 2018, the Group has \$6.792 million in Goodwill across various cash-generating units.

Goodwill is required to be assessed for impairment annually by management as required by *AASB 138 – Intangible Assets* and *AASB 136 – Impairment of Assets*.

The Group estimates the fair value of its cash-generating units by employing a discounted cash flow model and, in doing so, must determine the following key inputs and assumptions:

- forecasted cash flows from operations
- working capital adjustments
- capital expenditure estimates
- discount and growth rates
- a terminal value

This area is a key audit matter due to the significance of related balances and the management estimation and judgement involved in the assessment.

Our procedures included, amongst others:

- obtaining management's discounted cash flow model and assessed and challenged:
  - the FY18 budget by comparing the budget to the FY17 actuals;
  - the assumptions used for the growth rate by comparing the historical average growth rate from FY13 to FY17 to the growth rate adopted in the impairment model;
  - the key assumptions for long term growth in the forecast cash flows by comparing them to historical results; and
  - the discount rate applied by reference to the cost of capital of the Group.
- testing the mathematical accuracy of the cash flow model;
- agreeing the inputs in the cash flow models to relevant data including approved budgets and latest forecasts;
- performing sensitivity analysis in relation to key assumptions including discount rate, growth rate and terminal value; and
- assessing the adequacy of the Group's related disclosures within the financial report.

#### Current provisions

##### Note 18

As at 30 June 2018, the Group has recorded provisions of \$16.361 million pertaining to obligations under its contracts which represent warranty and rectification liabilities.

The Group records its provisions under *AASB 137 – Provisions, Contingent Liabilities and Contingent Assets*, which requires that management determine whether the Group has an obligation as at 30 June 2018 as a result of past events and that it is more than probable that an outflow of resources will be required to settle that obligation. The Group must also be able to reasonably estimate the amount of the obligation before recording a liability.

This area is a key audit matter due given that the computation of the provisions requires both management estimates and judgments

Our procedures included, amongst others:

- review of customer contracts to determine degree of liability exposure to the Group;
- re-calculation of management's provision with reference to the contract terms, using estimated percentages applied to benchmark contract prices;
- held corroborating discussions with management outside of the finance staff around the assumptions used in the estimates and accuracy of the computations; and
- assessing the adequacy of the Group's related disclosures within the financial report.

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

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

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

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

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

# Audit Report *(continued)*



## Responsibilities of the Directors for the financial report

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

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

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

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf). This description forms part of our auditor's report.

## Report on the remuneration report

### Opinion on the remuneration report

We have audited the Remuneration Report included in pages 14 to 19 of the Directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Lycopodium Limited, for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

## Responsibilities

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

A stylized signature of Grant Thornton in cursive script.

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

A handwritten signature in cursive script, likely belonging to M J Hillgrove.

M J Hillgrove  
Partner – Audit & Assurance

Perth, 20 September 2018

## Shareholder Information

The shareholder information set out below was applicable as at 31 August 2018.

### A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

Holding	Total Holders
1 - 1000	338
1,001 - 5,000	464
5,001 - 10,000	135
10,001 - 100,000	163
100,001 and over	28
	<u>1,128</u>

There were 76 holders of less than a marketable parcel of ordinary shares.

### B. Equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

Name	Ordinary shares	
	Number held	Percentage of Units
1 Reesh Pty	9,104,367	22.91
2 HSBC Custody Nominees (Australia) Limited	4,981,300	12.54
3 BNP Paribas Nominees Pty Limited	3,235,157	8.14
4 Luala Pty Ltd	3,167,332	7.97
5 JP Morgan Nominees Australia Limited	3,067,569	7.72
6 Caddy Fox Pty Ltd	2,154,215	5.42
7 Accede Pty Ltd	1,272,332	3.20
8 Citicorp Nominees Pty Ltd	821,000	2.07
9 Monadelphous Group Limited	603,511	1.52
10 Mr David James Taylor	447,635	1.13
11 De Leo Nominees Pty Ltd (The De Leo Investment A/C)	407,900	1.03
12 Mr Peter De Leo & Mrs Tiana De Leo	407,071	1.02
13 De Leo Nominees Pty Ltd (The De Leo Family A/C)	348,800	0.88
14 Selso Pty Ltd	266,148	0.67
15 Citicorp Nominees Pty Ltd (Colonial First State Inv A/C)	265,475	0.67
16 RBC Investor Services Australia Nominees Pty Ltd	252,484	0.63
17 Lycopodium Share Plan Pty Ltd	235,000	0.59
18 Fifty Second Celebration Pty Ltd	202,947	0.51
19 Botech Pty Ltd	188,959	0.48
20 Nancris Pty Ltd	175,000	0.44
	<u>31,604,202</u>	<u>79.54</u>

## Shareholder Information *(continued)*

### C. Substantial holders

Substantial holders in the company are set out below:

Name	Number held	Percentage of Units
1 Reesh Pty Ltd	9,104,367	22.91
2 HSBC Custody Nominees (Australia) Limited	4,981,300	12.54
3 BNP Parabis Nominees Pty Ltd	3,235,157	8.14
4 Luala Pty Ltd	3,167,332	7.97
5 JP Morgan Nomineed Australia Limited	3,067,569	7.72

### D. Voting rights

The voting rights attaching to each class of equity securities are set out below:

- (a) Ordinary shares  
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

# Corporate Directory

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**Directors**

Michael John Caratti  
Peter De Leo  
Rodney Lloyd Leonard  
Robert Joseph Osmetti  
Bruno Ruggiero  
Peter Anthony Dawson  
Lawrence William Marshall  
Steven John Micheil Chadwick

**Company Secretary**

Keith John Bakker

**Registered and Principal Office**

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**Share Registry**

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