

ASX RELEASE

26 February 2015

FIRST HALF 2014/2015 FINANCIAL YEAR RESULTS AND OPERATIONS UPDATE

The Directors of Lycopodium are pleased to report the results from the first half for the 2014/2015 financial year, achieving \$59.5 million of revenue and net profit after tax of \$1.6 million.

The Directors have resolved to pay an interim dividend of 1.5 cents per share fully franked, payable on 17 April 2015.

Corporate Overview

The Board has previously advised of the challenges in our sector and the resultant decrease in demand for Lycopodium's services.

During the first half Lycopodium has continued to adjust the business to the difficult prevailing market conditions, which in turn has impacted on our profitability. These market conditions are predicted to continue in the second half and for the foreseeable future.

Entering into the second half of the financial year we highlight the following:

- The design of the Cobré Project in Panama for FQML will continue through this second half at reduced levels in line with the client's project schedule.
- The Bouly Heap Leach Project in Burkina Faso for Bissa Gold has been awarded and the detailed design commenced.
- The Nammuldi Project infrastructure construction for Rio Tinto will continue.
- An upgrade of an acid handling facility in Victoria has been awarded and the detailed design commenced.
- Through our recent acquisition of a majority interest in ADP, a number of diamond and gold projects are under study or execution.
- A number of significant feasibility studies have been awarded encompassing a range of commodities, which will ultimately lead to projects in the future.
- Tendering activity is expected to remain steady, however many clients still remain capital constrained and as a result development timelines are being pushed out. We nevertheless remain focussed on new business opportunities and resources have been increased across all subsidiaries to increase our conversion rate.
- Overhead cost reduction and increasing efficiency will continue to remain a high priority.

Given the current market conditions and limited forward outlook, the full year revenue and profit forecast is uncertain. Accordingly the full year result remains dependent upon the timely award of new projects and

studies and the continuation of currently committed work. Consequently, management does not consider it appropriate to provide full year specific guidance at this time.

Further detail on Lycopodium's financial results during the first half can be found in the attached ASX Half Year Information. The first half results are also supplemented by our historical segment reporting format, which is appended to this update.

On behalf of the Board of Directors I would like to extend our appreciation to Lycopodium's management and staff for their continued contribution to the company.

We will continue to keep you informed of the Company's activities through the year and you can visit us through our website at www.lycopodium.com.au or feel free to call us if there is anything about the company and its activities you would like to discuss.

For further information:

ROD LEONARD
MANAGING DIRECTOR

Telephone: +61 (0)8 6210 5222

Lycopodium Ltd
Segment reporting (unaudited)
December 2014

	Segment revenues		Segment results	
	Dec-14	Dec-13	Dec-14	Dec-13
EPCM	6,879,631	37,514,699	935,105	5,485,804
Design & construct (lump sum)	9,392,403	1,466,278	677,596	713,192
Study services	9,152,167	11,923,132	159,719	1,968,407
Project services	32,979,962	43,952,681	6,817,337	5,544,047
	<u>58,404,163</u>	<u>94,856,790</u>	<u>8,589,757</u>	<u>13,711,451</u>
Unallocated revenue	1,461,404	986,531	0	0
	<u>59,865,567</u>	<u>95,843,322</u>	<u>8,589,757</u>	<u>13,711,451</u>
Unallocated revenue less unallocated expenses			<u>(7,057,158)</u>	<u>(3,982,465)</u>
Profit before income tax expense			1,532,599	9,728,986
Income tax expense			94,347	<u>(3,455,929)</u>
Profit for the half-year			<u>1,626,946</u>	<u>6,273,057</u>

Lycopodium Limited

ABN 83 098 556 159

**Interim Financial Report
31 December 2014**

Lycopodium Limited ABN 83 098 556 159
ASX Half-year information - 31 December 2014

Lodged with the ASX under Listing Rule 4.2A.
This information should be read in conjunction with the
30 June 2014 Annual report

Contents

Results for Announcement to the Market	Page 3
Half-year financial report	4

Results for announcement to the market

				\$
Revenue from ordinary activities <i>(Appendix 4D item 2.1)</i>	Down	37.5%	to	59,865,567
Profit from ordinary activities after tax attributable to members <i>(Appendix 4D item 2.2)</i>	Down	74.1%	to	1,626,946
Net profit for the period attributable to members	Down	74.1%	to	1,626,946

	cents	cents
	Amount per security	Franked amount per security
Dividends / distributions <i>(Appendix 4D item 2.4)</i>		
Final dividend <i>(Prior year)</i>	1.5	1.5
Interim dividend recommended but not provided for	1.5	1.5

Key ratios	2014	2013
	December	December
Net tangible assets per ordinary shares (cents)	145	155

Record date for determining entitlements to the interim dividend is 2 April 2015.

The Directors have recommended the payment of the interim dividend of 1.5 cents per fully paid ordinary share, fully franked based on a tax paid at 30% to be paid on 17 April 2015.

Lycopodium Limited ABN 83 098 556 159

Interim Financial Report - 31 December 2014

Contents

	Page
Directors' Report	5
Financial Statements	
Consolidated Statement of Profit or Loss and Other Comprehensive Income	8
Consolidated Balance Sheet	9
Consolidated Statement of Changes in Equity	10
Consolidated Statement of Cash Flows	11
Notes to the Consolidated Financial Statements	12
Directors' Declaration	23
Independent Auditor's Review Report	24

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by Lycopodium Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This interim financial report covers the consolidated entity consisting of Lycopodium Limited and its controlled entities. 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

Directors' Report

Your Directors present their report on the consolidated entity ("the group") consisting of Lycopodium Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2014.

Directors

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

Michael John Caratti
Lawrence William Marshall
Rodney Lloyd Leonard
Robert Joseph Osmetti
Bruno Ruggiero
Peter De Leo

Review of operations

A summary of consolidated revenues and results for the financial period by reportable operating segment is set out below:

	Segment revenues		Segment results	
	2014	2013	2014	2013
	\$	\$	\$	\$
Corporate Services	9,081,081	11,539,721	312,326	(666,985)
Minerals	51,988,501	92,387,623	281,199	8,283,058
Project Services - Africa	-	10,258,831	-	1,523,346
Other	13,441,379	19,689,766	961,574	612,067
Intersegment eliminations	(14,645,394)	(38,032,620)	(22,500)	(22,500)
Unallocated revenue less unallocated expenses			(22,500)	(22,500)
Total revenue / profit before income tax expense	59,865,567	95,843,321	1,532,599	9,728,986
Income tax (expense) / credit			94,347	(3,455,929)
Profit for the half-year			1,626,946	6,273,057
Profit attributable to non-controlling interests			10,194	28,759
Profit attributable to owners of Lycopodium Ltd			1,637,140	6,301,816

Project services Africa is aggregated within the Other segment for the half-year ended 31 December 2014, as it is below the quantitative thresholds of AASB 8.

- (a) *Corporate Services*
The Corporate Services segment consists of managerial, accounting and legal services provided to the Group in addition to strategic investment holdings.
- (b) *Minerals*
The Minerals segment consists of engineering and related services provided to the extractive mining industry. The clients, including junior exploration companies and major multi-national 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 and building works, control systems, services and infrastructure to small skid-mounted pilot plants.
- (c) *Project Services - Africa*
The Project Services Africa segment consists of project management, construction management and commissioning services provided to the extractive mining industry in Africa.
- (d) *Other*
All other operating segments of the Group are aggregated on the basis of them being individually immaterial for the purpose of reporting.

Significant changes in the state of affairs

The group acquired a 74% holding in ADP Holdings (Pty) Ltd during the half year ended 31 December 2014. The acquisition is considered consistent with the group's current organisation structure and provides further resources in Africa. Refer to Note 10 for further details.

On 6 October 2014, Lycopodium Limited completed the acquisition of the non-controlling interests' shares in its subsidiary Lycopodium Americas Pty Ltd and Lycopodium Rail Pty Ltd pursuant to the exercise of an existing option for a total consideration of \$2,000,000.

Other than the acquisitions, there have been no significant changes in the state of affairs of the group during the period.

Matters subsequent to the end of the financial period

Since half year end the directors have recommended the payment of an interim dividend on ordinary shares in respect of the 2015 financial year. The total amount of dividend is \$595,986 which represents a fully franked dividend of 1.5 cents per fully paid ordinary share.

With the exceptions of the above, no other matter or circumstance has arisen since 31 December 2014 that has significantly affected, or may significantly affect:

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

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 7.

Auditor

Grant Thornton Audit Pty Ltd continues in office in accordance with section 327 of the *Corporations Act 2001*.

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



Rodney Lloyd Leonard
Managing Director

Perth
26 February 2015

**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 review of Lycopodium Limited for the half-year ended 31 December 2014, 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 review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M J Hillgrove
Partner - Audit & Assurance

Perth, 26 February 2015

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.

Lycopodium Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 31 December 2014

	Half-year	
Notes	2014 \$	2013 \$
Revenue from operations	59,865,567	95,843,321
Employee benefits expense	(32,452,311)	(46,704,540)
Depreciation and amortisation expense	(919,733)	(1,257,151)
Project expenses	(1,910,227)	(2,651,518)
Equipment and materials used	(7,077,383)	(753,284)
Contractors	(11,046,237)	(29,087,371)
Occupancy expense	(3,999,980)	(3,690,145)
Other expenses	(2,774,545)	(3,624,255)
Loss on disposal of asset	(271,424)	-
Finance costs	(46,699)	(89,400)
Share of net profit of joint ventures accounted for using the equity method	2,165,571	1,743,329
Profit before income tax	1,532,599	9,728,986
Income tax benefit / (expense)	3 94,347	(3,455,929)
Profit for the half-year	1,626,946	6,273,057
Other comprehensive (loss)/income		
<i>Items that may be reclassified to profit or loss</i>		
Changes in the fair value of available-for-sale financial assets	5(a) (1,000)	(2,000)
Exchange differences on translation of foreign operations	5(a) 120,651	(351,578)
Income tax relating to components of other comprehensive income	300	600
Other comprehensive (loss)/income for the half-year, net of tax	119,951	(352,978)
Total comprehensive income for the half-year	1,746,897	5,920,079
Profit for the half-year is attributable to:		
Owners of Lycopodium Limited	1,637,140	6,301,816
Non-controlling interests	(10,194)	(28,759)
	1,626,946	6,273,057
Total comprehensive income for the half-year is attributable to:		
Owners of Lycopodium Limited	1,757,091	5,948,838
Non-controlling interests	(10,194)	(28,759)
	1,746,897	5,920,079
	Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the company:		
Basic earnings per share	4.2	16.3
Diluted earnings per share	4.1	16.3

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Lycopodium Limited
Consolidated Balance Sheet
As at 31 December 2014

	31 December 2014	30 June 2014
Notes	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	38,179,944	33,302,348
Trade and other receivables	28,372,974	22,069,393
Current tax receivables	3,730,583	3,908,711
Other current assets	2,291,731	1,990,291
Total current assets	<u>72,575,232</u>	<u>61,270,743</u>
Non-current assets		
Available-for-sale financial assets	2,000	3,000
Property, plant and equipment	3,303,277	3,485,811
Intangible assets	8,920,190	6,861,301
Other receivables	865,378	872,653
Deferred tax assets	5,124,451	4,693,362
Investments accounted for using the equity method	4,014,776	4,349,205
Total non-current assets	<u>22,230,072</u>	<u>20,265,332</u>
Total assets	<u>94,805,304</u>	<u>81,536,075</u>
LIABILITIES		
Current liabilities		
Trade and other payables	25,438,925	15,914,353
Borrowings	1,159,720	554,259
Current tax liabilities	875,248	848,020
Total current liabilities	<u>27,473,893</u>	<u>17,316,632</u>
Non-current liabilities		
Borrowings	180,060	351,167
Provisions	758,327	988,923
Total non-current liabilities	<u>938,387</u>	<u>1,340,090</u>
Total liabilities	<u>28,412,280</u>	<u>18,656,722</u>
Net assets	<u>66,393,024</u>	<u>62,879,353</u>
EQUITY		
Contributed equity	4 20,823,772	18,999,317
Reserves	5(a) 269,190	911,737
Retained profits	5(b) 42,049,130	42,390,395
Parent entity interest	63,142,092	62,301,449
Non-controlling interests	6 3,250,932	577,904
Total equity	<u>66,393,024</u>	<u>62,879,353</u>

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

Lycopodium Limited
Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2014

Notes	Contributed equity \$	Retained earnings \$	Foreign currency translation reserve \$	Available for sale investment revaluation reserve \$	Performance rights reserve \$	Non-con- trolling interests \$	Total equity \$
Balance at 1 July 2013	18,951,697	48,639,753	440,599	(79,100)	778,886	697,982	69,429,817
Profit for the half-year	-	6,301,816	-	-	-	(28,759)	6,273,057
Other comprehensive income	-	-	(351,578)	(1,400)	-	-	(352,978)
Total comprehensive income for the half-year	-	6,301,816	(351,578)	(1,400)	-	(28,759)	5,920,079
Transactions with owners in their capacity as owners:							
Foreign currency translation with non-controlling interest	-	-	-	-	-	47,829	47,829
Dividends provided for or paid	7	(8,180,572)	-	-	-	-	(8,180,572)
Performance rights - value of rights	5	-	-	-	286,271	-	286,271
	-	(8,180,572)	-	-	286,271	47,829	(7,846,472)
Balance at 31 December 2013	18,951,697	46,760,997	89,021	(80,500)	1,065,157	717,052	67,503,424
Balance at 1 July 2014	18,999,317	42,390,395	(27,898)	(81,900)	1,021,535	577,904	62,879,353
Profit for the half-year	-	1,637,140	-	-	-	(10,194)	1,626,946
Other comprehensive income	-	-	120,651	(700)	-	-	119,951
Total comprehensive income for the half-year	-	1,637,140	120,651	(700)	-	(10,194)	1,746,897
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax	4	824,455	-	-	-	-	824,455
Non-controlling interests on acquisition of subsidiary		1,000,000	(1,392,172)	-	-	(607,828)	(1,000,000)
Foreign currency translation with non-controlling interest		-	-	-	-	3,391	3,391
Dividends provided for or paid	7	-	(586,233)	-	-	-	(586,233)
Performance rights - value of rights	5	-	-	-	61,957	-	61,957
Performance rights - transfer on exercise	5	-	-	-	(824,455)	-	(824,455)
Newly consolidated operations		-	-	-	-	3,287,659	3,287,659
	-	1,824,455	(1,978,405)	-	(762,498)	2,683,222	1,766,774
Balance at 31 December 2014	20,823,772	42,049,130	92,753	(82,600)	259,037	3,250,932	66,393,024

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Lycopodium Limited
Consolidated Statement of Cash Flows
For the half-year ended 31 December 2014

	Notes	Half-year	
		2014	2013
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		59,282,070	109,657,758
Payments to suppliers and employees (inclusive of goods and services tax)		(51,670,227)	(98,821,704)
Dividends received from joint venture		2,500,000	1,900,000
Interest received		347,664	364,601
Interest paid		(12,088)	-
Income taxes paid		(131,086)	(2,322,884)
Net cash inflow from operating activities		10,316,333	10,777,771
Cash flows from investing activities			
Payment for purchase of business, net of cash received	10	(4,141,003)	-
Payment for acquisition of non-controlling interests	10	(1,000,000)	-
Payments for intangible assets		(10,040)	(137,496)
Payments for property, plant and equipment		(33,835)	(410,208)
Net cash outflow from investing activities		(5,184,878)	(547,704)
Cash flows from financing activities			
Proceeds from borrowings		895,027	621,062
Repayment of borrowings		(357,420)	(665,163)
Dividends paid to company's shareholders	7	(586,233)	(8,180,571)
Repayment of hire purchase and lease liabilities		(333,160)	(821,561)
Proceeds from repayment of loans under the senior manager share acquisition plan		7,275	107,200
Net cash outflow from financing activities		(374,511)	(8,939,033)
Net increase in cash and cash equivalents		4,756,944	1,291,034
Cash and cash equivalents at the beginning of the financial year		33,302,348	34,997,159
Effects of exchange rate changes on cash and cash equivalents		120,652	(351,578)
Cash and cash equivalents at end of period		38,179,944	35,936,615

During the half-year, \$33,835 (2013: \$410,208) of property, plant and equipment was acquired, of which no amount was financed through finance lease (2013: Nil).

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

1 Summary of significant accounting policies

This condensed consolidated interim financial report for the half year reporting period ended 31 December 2014 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by Lycopodium Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

(a) Basis of preparation

New and amended standards adopted by the Group

The accounting policies adopted in the preparation of the interim financial reports are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2014. A number of new or amended standards became applicable for the current reporting period, however, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

Impact of standards issued but not yet applied by the Group

There are no standards that are not yet effective and that are expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions. The Group has not early adopted any of the standards, interpretations or amendments that have been issued but are not yet effective.

2 Segment information

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by the Board 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 two (2013: three) are reportable in accordance with the requirements of AASB 8.

The Corporate Services segment consists of managerial, accounting 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 and building works, control systems, services and infrastructure to small skid-mounted pilot plants.

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.

2 Segment information (continued)

(b) Other segment information

The segment information provided to the Board of Directors for the reportable segments for the half-year ended 31 December 2014 and 2013 are as follows:

	Corporate Services	Minerals	Project services Africa	Other	Total
Half-year 2014					
	\$	\$	\$	\$	\$
Total segment revenue	9,081,081	51,988,501	-	13,441,380	74,510,962
Inter-segment revenue	<u>(8,634,667)</u>	<u>(1,740,829)</u>	<u>-</u>	<u>(4,269,899)</u>	<u>(14,645,395)</u>
Revenue from external customers	<u>446,414</u>	<u>50,247,672</u>	<u>-</u>	<u>9,171,481</u>	<u>59,865,567</u>
Profit / (loss) before tax	<u>312,326</u>	<u>281,199</u>	<u>-</u>	<u>961,574</u>	<u>1,555,099</u>
Total segment assets	<u>9,344,925</u>	<u>62,703,358</u>	<u>-</u>	<u>14,526,496</u>	<u>86,574,779</u>
	Corporate Services	Minerals	Project services Africa	Other	Total
Half-year 2013					
	\$	\$	\$	\$	\$
Total segment revenue	11,539,721	92,387,623	10,258,831	19,689,766	133,875,941
Inter-segment revenue	<u>(11,397,756)</u>	<u>(18,090,350)</u>	<u>(42,293)</u>	<u>(8,502,221)</u>	<u>(38,032,620)</u>
Revenue from external customers	<u>141,965</u>	<u>74,297,273</u>	<u>10,216,538</u>	<u>11,187,545</u>	<u>95,843,321</u>
Profit / (loss) before tax	<u>(666,985)</u>	<u>8,283,058</u>	<u>1,523,346</u>	<u>612,067</u>	<u>9,751,486</u>
Total segment assets - as at 30 June 2014	<u>14,108,834</u>	<u>51,307,135</u>	<u>1,980,360</u>	<u>15,269,131</u>	<u>82,665,460</u>

Project services Africa is aggregated within the Other segment for the half-year ended 31 December 2014, as it is below the quantitative thresholds of AASB 8.

2 Segment information (continued)

(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 statement of profit or loss and other comprehensive income.

Segment revenue reconciles to revenue from operations as per the statement of profit or loss and other comprehensive income as follows:

	Half-year	
	2014 \$	2013 \$
Reportable segment revenue	74,510,962	133,875,941
Intersegment eliminations	(14,645,395)	(38,032,620)
Revenue as per statement of profit or loss and other comprehensive income	59,865,567	95,843,321

(ii) Segment profit before tax

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

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

	Half-year	
	2014 \$	2013 \$
Reportable segment profit before tax	1,555,099	9,751,486
Amortisation of customer relationships	(22,500)	(22,500)
Profit before income tax as per statement of profit or loss and other comprehensive income	1,532,599	9,728,986

2 Segment information (continued)

(iii) Segment assets

The amounts provided to the Board with respect to total assets are measured in a manner consistent with that of the financial statements. 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 per the consolidated balance sheet as follows:

	31 December 2014 \$	30 June 2014 \$
Reportable segment assets	86,574,778	82,665,460
Intersegment eliminations	341,219	(6,711,877)
Intangibles arising on consolidation	7,909,557	5,609,492
Deferred tax arising on consolidation	(20,250)	(27,000)
Total assets as per the Consolidated Balance Sheet	94,805,304	81,536,075

3 Income tax expense

(a) Income tax expense

	Half-year	
	2014 \$	2013 \$
Current tax	315,331	1,080,362
Deferred tax	(430,735)	2,991,949
Adjustments for current tax of prior periods	21,057	(616,382)
	(94,347)	3,455,929

3 Income tax expense (continued)

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

	Half-year	
	2014	2013
	\$	\$
Profit before income tax expense	1,532,599	9,728,986
Tax at the Australian tax rate of 30% (2013: 30%)	459,780	2,918,696
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share-based payment	18,587	85,881
Sundry items	20,672	116,713
Non-assessable, non-exempt income and related non-deductible expenses	-	(958)
	499,039	3,120,332
Adjustments for current tax of prior periods - under / (over) provision of prior year income tax	21,057	(616,382)
Difference in overseas tax rates	20,745	210,574
Previously unrecognised tax losses now recouped to reduce current tax expense	(272,328)	-
Deferred tax asset not recognised	328,263	1,231,752
Movement in exchange rates	42,190	32,652
Share of net profit of joint ventures accounted for using the equity method	(733,313)	(522,999)
Income tax (benefit) / expense	(94,347)	3,455,929

(c) Amounts recognised directly in equity

	Half-year	
	2014	2013
	\$	\$
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss and other comprehensive income but directly debited or credited to equity:		
Current tax - credited directly to equity	(300)	(600)

4 Contributed equity

(a) Share capital

	31 December 2014 Shares	30 June 2014 Shares	31 December 2014 \$	30 June 2014 \$
Ordinary shares Fully paid	39,732,373	38,965,103	20,823,772	18,999,317

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issue price	\$
1 July 2013	Opening balance	38,955,103		18,951,697
31 May 2014	Exercise of Employee performance rights	10,000	\$4.76	47,620
30 June 2014	Closing balance	<u>38,965,103</u>		<u>18,999,317</u>
1 July 2014	Opening balance	38,965,103		18,999,317
1 September 2014	Exercise of Director performance rights	117,000	\$0.73	86,346
6 October 2014	Shares issued for Acquisition of Lycopodium Rail Pty Ltd Outside Interests	247,635	\$2.02	500,000
6 October 2014	Shares issued for Acquisition of Lycopodium Americas Pty Ltd Outside Interests	247,635	\$2.02	500,000
28 November 2014	Exercise of Employee performance rights	155,000	\$4.76	738,109
31 December 2014	Closing balance	<u>39,732,373</u>		<u>20,823,772</u>

5 Reserves

(a) Reserves

	31 December 2014	30 June 2014
	\$	\$
Available-for-sale investment revaluation reserve	(82,600)	(81,900)
Performance rights reserve	259,037	1,021,535
Foreign currency translation reserve	92,753	(27,898)
	269,190	911,737

	31 December 2014	30 June 2014
	\$	\$

Movements:

<i>Available-for-sale investment revaluation reserve</i>		
Balance 1 July	(81,900)	(79,100)
Revaluation - gross	(1,000)	(4,000)
Deferred tax	300	1,200
Balance 31 December / 30 June	(82,600)	(81,900)

<i>Performance rights reserve</i>		
Balance 1 July	1,021,535	778,886
Performance rights plan expense	61,957	290,269
Transfer to share capital - exercise of rights	(824,455)	(47,620)
Balance 31 December / 30 June	259,037	1,021,535

<i>Foreign currency translation reserve</i>		
Balance 1 July	(27,898)	440,599
Currency translation differences arising during the year	120,651	(468,497)
Balance 31 December / 30 June	92,753	(27,898)

5 Reserves (continued)

(b) Retained earnings

Movements in retained earnings were as follows:

	31 December 2014	30 June 2014
	\$	\$
Balance 1 July	42,390,395	48,639,753
Net profit for the half-year / year	1,637,140	3,878,969
Dividends paid or payable	(586,233)	(10,128,327)
Acquisition of non-controlling interests (i)	(2,000,000)	-
Transfer from non-controlling interests	607,828	-
Balance 31 December / 30 June	42,049,130	42,390,395

(i) On 6 October 2014, Lycopodium Limited purchased the remaining non controlling interest of Lycopodium Americas Pty Ltd and Lycopodium Rail Pty Ltd.

6 Non-controlling interests

	31 December 2014	30 June 2014
	\$	\$
Interest in:		
Share capital	14,911	28
Reserves	(20,224)	(23,615)
Retained earnings	3,864,073	601,491
Transfer to retained earnings	(607,828)	-
	3,250,932	577,904

7 Dividends

(a) Ordinary shares

	Half-year	
	31 December 2014	31 December 2013
	\$	\$
Final dividend for the year ended 30 June 2014 of 1.5 cents (2013: 21.0 cents) per fully paid share paid on 13 October 2014 Fully franked based on tax paid @ 30% (2013: 30%)	586,232	8,180,572

7 Dividends (continued)

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

Half-year	
31 December 2014	31 December 2013
\$	\$

In addition to the above dividends, since period end the Directors have recommended the payment of an interim dividend of 1.5 cents per fully paid ordinary share (2013: 5 cents), fully franked based on tax paid at 30% (2013: 30%). The aggregate amount of the proposed dividend expected to be paid on 17 April 2015 out of Group retained earnings at 31 December 2014, but not recognised as a liability at period end, is

	595,986	1,947,755
--	----------------	-----------

8 Contingencies

(a) Contingent liabilities

(i) Guarantees

Guarantees are given in respect of rental bonds \$1,662,434 (2013: \$1,521,328)

These guarantees may give rise to liabilities in the event that the company defaults on its obligations under the terms of the lease agreement for its premises at 1 Adelaide Terrace, East Perth; 156-163 Leichhardt Street, Spring Hill and 253-269 Wellington Road, Mulgrave.

No material losses are anticipated in respect of any of the above contingent liabilities (2013: Nil).

9 Related party transactions

(a) Transactions with other related parties

The following transactions occurred with related parties:

		Half-year	
		31 December 2014	31 December 2013
		\$	\$
<i>Sales of goods and services</i>			
Sales to joint venture	1,419,891	1,473,002	
<i>Purchases of goods and services</i>			
Purchases from joint venture	122,837	298,441	
<i>Other Revenue</i>			
Management fees to joint venture	300,000	-	

9 Related party transactions (continued)

(b) Terms and conditions

Purchases and sales of goods and services are made at cost.

10 Business combination

(a) Acquisition of ADP Holdings (Pty) Ltd

On 30 September 2014, Lycopodium acquired 74% of the issued share capital of ADP Holdings (Pty) Ltd ("ADP"). The company is based in South Africa, with operations relating to supplying engineering, procurement, construction and management ("EPCM") services and engineering, procurement and construction ("EPC") projects to the mining industry.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	\$
Purchase consideration (refer to (iv) below):	
Cash paid	<u>10,530,478</u>

The fair values of the identifiable net assets have been determined provisionally at 31 December 2014, the group is currently obtaining information necessary to finalise its valuation. The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value \$
Cash	6,389,475
Trade receivables	13,246,666
Inventories	317,178
Plant and equipment	580,135
Trade payables	(3,463,182)
Deferred Income	(2,868,669)
Provisions	(1,433,602)
Borrowings	(1,676,227)
Net identifiable assets acquired *	<u>11,091,774</u>
Less: non-controlling interests	(2,883,861)
Add: goodwill	<u>2,322,565</u>
Net assets acquired *	<u>10,530,478</u>

The goodwill is attributable to the workforce and the high profitability of the acquired business.

(i) Acquired receivables

The fair value of acquired trade receivables is \$13,404,464. The gross contractual amount for trade receivables due is \$14,071,119 of which \$666,655 is expected to be uncollectible.

10 Business combination (continued)

(a) Acquisition of ADP Holdings (Pty) Ltd (continued)

(ii) Non-controlling interests

The group recognises non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. For the non-controlling interest in ADP Holdings (Pty) Ltd, the group elected to recognise the non-controlling interests in at its proportionate share of the acquired net identifiable assets.

(iii) Revenue and profit contribution

The acquired business contributed revenues of \$13,039,605 and net profit of \$72,216 to the group for the period from 30 September 2014 to 31 December 2014.

If the acquisition had occurred on 1 July 2014, consolidated revenue and profit for the half-year ended 31 December 2014 would have be \$30,076,788 and \$99,736 respectively.

(iv) Purchase consideration - cash outflow

	2014 \$
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	10,530,478
Less: balances acquired	
Cash	<u>(6,389,475)</u>
Outflow of cash - investing activities	<u>4,141,003</u>

Acquisition-related costs

Acquisition related costs totalled \$311,917, of which \$265,881 was incurred in the financial period ended 30 June 2014 and \$46,036 in the current reporting period.

(b) Acquisition of non-controlling interests in Lycopodium Americas Pty Ltd and Lycopodium Rail Pty Ltd

On 6 October 2014, Lycopodium Limited completed the acquisition of the non-controlling interests' shares in its subsidiary Lycopodium Americas Pty Ltd and Lycopodium Rail Pty Ltd pursuant to the exercise of an existing option for a total consideration of \$2,000,000.

	2014 \$
Cash paid	1,000,000
Fully paid shares in Lycopodium Limited	<u>1,000,000</u>
Total purchase consideration	<u>2,000,000</u>

11 Events occurring after the reporting period

Since half year end the directors have recommended the payment of an interim dividend on ordinary shares in respect of the 2014 financial year. The total amount of dividend is \$595,986 which represents a fully franked dividend of 1.5 cents per fully paid ordinary share.

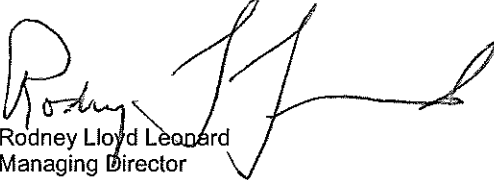
With the exceptions of the above, no other matter or circumstance that has arisen since 31 December 2014 that has significantly affected or may significantly affect:

- (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 the future financial periods.

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 8 to 22 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 consolidated entity's financial position as at 31 December 2014 and of its performance for the half-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, and

This declaration is made in accordance with a resolution of the Directors.


Rodney Lloyd Leonard
Managing Director

Perth
26 February 2015

Independent Auditor's Review Report To the Members of Lycopodium Limited

We have reviewed the accompanying half-year financial report of Lycopodium Limited ("Company"), which comprises the consolidated financial statements being the balance sheet as at 31 December 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Lycopodium Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Lycopodium Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M J Hillgrove
Partner - Audit & Assurance

Perth, 26 February 2015