

# **Lycopodium Limited**

ABN 83 098 556 159

## **Annual report 30 June 2013**

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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 24 September 2013. 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

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 2013.

### 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  
 Lawrence William Marshall  
 Rodney Lloyd Leonard  
 Robert Joseph Osmetti  
 Bruno Ruggiero  
 Peter De Leo

### Principal activities

The principal activities of the group during the financial year consisted of engineering consulting in the mining, metallurgical 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:

	2013	2012
	\$	\$
Final fully franked dividend for the year ended 30 June 2012 of 21.0 cents (2011: 20.0 cents) per fully paid share paid on 15 October 2012	<b>8,138,572</b>	7,731,021
Interim fully franked dividend for the year ended 30 June 2013 of 15.0 cents (2012: 12.0 cents) per fully paid share paid on 15 April 2013	<b>5,843,265</b>	4,638,612
	<b><u>13,981,837</u></b>	<u>12,369,633</u>

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 \$8,180,572 (21.0 cents per fully paid share) to be paid on 15 October 2013 out of retained earnings at 30 June 2013 (2012: \$8,138,572 being 21.0 cents per fully paid share). This brings the total dividend declared for the year ended 30 June 2013 to 36.0 cents (2012: 33.0 cents).

### Review of operations

The results for the 2012/13 financial year reflects the peak in construction and commissioning activities prevailing across the major projects and the strong demand for our services across the group. Our minerals workload remains balanced across a range of commodities, notably copper, gold, nickel and iron ore, and includes both domestic and international projects.

Our core strategy continues to concentrate on the delivery of EPCM consulting services. This focus has enabled the company to develop a world class capability in delivering large projects for leading multi-national companies. Our aim with this strategy is to consistently deliver quality and value in all aspects of our clients' projects. Lycopodium enjoys a strong repeat client base as a result of this singular focus on project excellence.

**Review of operations (continued)**

*Full year results*

During the financial year ended 30 June 2013, Lycopodium realised revenues of \$245.9 million, a 5.9% increase on the \$232.3 million in the previous financial year. Net profit after tax was \$22.5 million, as compared to \$22.4 million in the previous financial year, a 1% increase. The minor reduction in margin reflects the tightening of market conditions being largely offset by the recovery of prior year tax losses and the full year's equity accounting of the profit component of our 50% owned Pilbara EPCM joint venture.

Basic earnings per share were 56.5 cents. The Directors have resolved to pay a final dividend of 21 cents fully franked reflecting the strong profit result.

The total dividend for the year is 36 cents fully franked compared to 33 cents for the previous financial year.

	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Revenue (\$ Millions)	245.9	232.3	169.8	120.3	146.8	120.5
NPAT (\$ Millions)	22.5	22.4	17.1	16.0	14.8	12.4
Dividend/share (cents)	36.0	33.0	30.0	27.0	25.0	25.0

*Outlook*

As previously advised, there are strong headwinds in our sector and the demand for Lycopodium's services in 2013/14 is anticipated to be lower than in the past two financial years.

The reduction in demand is attributable to the following dynamics:

- Lower commodity prices across a wider range of commodities, which now includes gold.
- Major mining companies belt tightening across their operations, optimising existing assets and limiting capital expenditure to brownfield optimisations rather than major greenfield project developments.
- Junior mining companies finding it difficult to raise capital for studies and projects.
- The manufacturing sector continuing its decline within Australia.
- Increasing competition between service providers, increasing appetite for risk, as well as lowering margin expectations.

Coupled with the dynamics above, our three major projects - Tropicana, Akyem and Marandoo - are nearing construction completion and commissioning activities are in progress. Whilst these have insulated Lycopodium through the past financial year, each of these projects will be completed in the first half of the current financial year. Equivalent greenfield EPCM opportunities have not yet been secured to replace these major projects, resulting in a shortfall in revenue opportunities.

On the positive side, we are extremely pleased to announce the award of detailed design services in relation to the processing plant and selected infrastructure for First Quantum Minerals' world class, Cobre Panama Project. This extends our long term association with First Quantum Minerals and represents our first project in the region.

At this point in time we have updated our guidance, but believe a range is more appropriate given the reduced visibility coming into this financial year. Our guidance for the 2013/14 financial year reflects revenues of \$140-170 million and a net profit after tax of \$11.4-13.8 million. We will continue to actively monitor our forecasts, particularly given the range in revenues and anticipated lower margins.

*Corporate overview*

Our organic growth initiatives matured during the year, with Lycopodium Minerals Canada, Orway Mineral Consultants Canada and Lycopodium Rail each continuing to build their client base in their respective geographic region or industry segment. Each of the initiatives was trading profitably at year end.

During the past year there was a high level of capital investment in core infrastructure for the existing operating entities in order to support the high level of activity and to limit sustaining capital demands as the peak in workload subsides into the new financial year.

#### Review of operations (continued)

- Lycopodium Minerals in Perth installed a new IT data centre and off-site disaster recovery server.
- Lycopodium Minerals in Brisbane and Lycopodium Process Industries in Melbourne upgraded their IT data centres.
- Lycopodium Asset Management relocated to reduce office leasing costs and to tie into the Perth IT infrastructure.
- A major upgrade to the latest release of the Oracle E-Business Suite, the enterprise resource planner used across the group, was completed.

With core infrastructure across the group having now been upgraded we anticipate low capital expenditure levels for 2013/14.

#### *Operational highlights*

As noted, this year has been highlighted by peak construction and commissioning activities across the group on a large number of projects.

Provided below are updates for a number of representative projects across the group, commencing with the three major projects which have been reported on previously.

- The Akyem Project in Ghana West Africa for Newmont is nearing construction completion and commissioning is in progress. The majority of the project infrastructure has been handed over to Newmont's operations and the main focus is now on the commissioning of the main process plant. In July 2013 permanent grid power was energised and first ore was put through the primary crusher and onto the overland conveyor. These represent the first major commissioning milestones associated with the process plant. Introduction of ore into the balance of the processing plant is forecast to occur within the 1Q of the new financial year.
- The Marandoo Project in Western Australia for Rio Tinto is well advanced from a construction perspective. The project infrastructure is operational including hand over of the mine dewatering to the Rio Tinto operations. The mine dewatering is a major component of the project and includes a borefield, overland piping, a large water storage dam, and irrigated agricultural facilities to produce hay for livestock. The main processing facilities are forecast to be commissioned and handed over in the first half of the current financial year.
- The Tropicana Project in Western Australia for the Tropicana Joint Venture (AngloGold Ashanti - 70%, Independence Group - 30%) is nearing construction completion and commissioning activities are advanced. The project infrastructure is complete with permanent power and water from the borefield available to the operations. The first major commissioning milestone was achieved when first ore was introduced into the primary crusher in July 2013. The project is forecast to achieve the first gold pour in September of the current financial year followed by the ramp up of the operations to achieve commercial production.

Lycopodium's mineral operations, via the Brisbane, Perth and Toronto offices, has also progressed or completed the following projects during the year:

- A crushing plant upgrade was constructed and handed over to the Hidden Valley Operations in Papua New Guinea as part of the debottlenecking and improvement activities. The Hidden Valley Operations is a joint venture between Newcrest Mining and Harmony Gold.
- Construction and commissioning were successfully completed ahead of schedule and under budget for the greenfield Bissa Gold Project in Burkina Faso on behalf of Bissa Gold SA.
- Detailed design of the copper concentrator facilities for First Quantum Minerals' large Sentinel Project in Zambia achieved practical completion at year end. During the year First Quantum Minerals also awarded detailed design work for the large Kansanshi Copper Concentrator Expansion in Zambia and the Guelb Moghrein Upgrade Project in Mauritania. At year end First Quantum Minerals awarded Lycopodium the detailed design for the world class Cobre Panama Project in Panama.

#### Review of operations (continued)

- Pilbara EPCM, a 50:50 JV between Lycopodium and URS, is well advanced with the detailed design of the permanent infrastructure associated with the Nammuldi Project in Western Australia for Rio Tinto. Early infrastructure is under construction on site.
- A brownfield upgrade at the Tasiast Gold Mine in Mauritania was completed for Kinross.

Lycopodium Process Industries remained active in the chemicals and manufacturing sectors. Again the year was project delivery centric with the following key projects completed:

- The Taganito Hydrogen Sulphide Project for Sumitomo Metals achieved first gas production following a successful pre-commissioning. Commissioning is ongoing within the overall project.
- Four separate brownfield briefs within an existing chemical manufacturing facility were completed on behalf of Thales Australia in New South Wales.
- Lycopodium Process Industries was engaged to undertake remedial works to repair damage sustained to the loading bay and several storage tanks at the Largs Bay biodiesel production facility in South Australia on behalf of Australian Renewable Fuels Limited.

Lycopodium Asset Management continued to provide services to long term clients during the year, based on major reliability and maintenance engineering briefs with Woodside in the oil and gas sector and BHP Billiton and Citic Pacific in the minerals sector.

Orway Mineral Consultants provided comminution circuit design and optimisation services across a wide range of commodities, with the gold and iron ore sectors being particularly buoyant. Hydrometallurgical services were provided in uranium, manganese, cobalt and nickel.

Lycopodium Infrastructure provided design services to several of the major greenfield projects being undertaken in the minerals sector, both directly to clients and as part of major projects being undertaken by Lycopodium Minerals.

Lycopodium Rail provided ongoing services relating to rail infrastructure management (RIM) to major coal producers within the Hunter Valley in New South Wales. RIM services have also expanded to include private rail sidings outside the Hunter Valley and across a wider range of commodities and products.

#### *HSE and Community*

There has been a continued focus on health, safety and the environment as the construction activities reach record levels within the company and the industry. To this end additional management capability has been added to ensure a proactive and hands on approach to HSE across the domestic and international sites.

In 2012/13 there were 13.8 million manhours (prior 8.6 million) worked across the Lycopodium managed projects with a LTIFR of 0.07 (prior 0.82) against a 13.17 construction industry average. There was a high focus during the year on management of high risk activities given the peak manning levels during construction and into commissioning.

On the community side, Lycopodium continued as an active sponsor and supporter of The Clontarf Foundation, a charitable not-for-profit organisation improving the education, discipline, self-esteem, life skills and employment prospects of young Aboriginal men. Lycopodium again held our annual Jeans for Genes fund raising, with a record result achieved for the year. Lycopodium continues to provide support to a number of universities. The company also supports a number of charitable initiatives championed by staff.

**Review of operations (continued)**

*Acknowledgement*

Lycopodium is extremely proud of the achievements of our personnel over the last year, particularly given the high demands across our project sites. The Board of Directors acknowledges that the company's ability to continue to deliver 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.

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.

The Board of Directors would like to take this opportunity to sincerely thank all personnel for their highly valued contribution over the last year.

**Review of operations (continued)**

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

	<b>Segment revenues</b>		<b>Segment results</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Corporate services	<b>21,148,404</b>	15,598,839	<b>(1,264,278)</b>	(1,374,737)
Minerals	<b>192,882,374</b>	203,828,953	<b>17,966,938</b>	25,872,769
Project services - Africa	<b>28,987,639</b>	29,852,527	<b>4,086,969</b>	4,712,855
Other	<b>52,243,557</b>	29,042,949	<b>7,789,560</b>	2,605,890
Intersegment eliminations	<b>(49,321,882)</b>	(46,036,286)	-	-
Unallocated revenue less unallocated expenses	-	-	<b>(45,000)</b>	(45,000)
Total revenue / profit before income tax expense	<b>245,940,092</b>	232,286,982	<b>28,534,189</b>	31,771,777
Income tax expense			<b>(5,993,750)</b>	(9,416,678)
Profit for the year			<b>22,540,439</b>	22,355,099
Profit attributable to non-controlling interest			<b>(608,493)</b>	(212,065)
Profit attributable to owners of Lycopodium Ltd			<b>21,931,946</b>	22,143,034

**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 2013 financial year. The total amount of dividend is \$8,180,572 which represents a fully franked dividend of 21.0 cents per fully paid ordinary share.

With the exception of the above, no other matter or circumstance has arisen since 30 June 2013 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.

Further information on likely developments in the operations of the group and the expected results of operations have not been included in this annual report because the Directors believe it would be likely to result in unreasonable prejudice to the group.

**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.



### Information on directors

None of the directors have held directorships in other listed companies in the last three years.

#### **Michael John Caratti BE (Elec) (Hons). Non-executive Chairman. Age 63.**

##### *Experience and expertise*

Former Managing Director of Lycopodium Minerals Pty Ltd, Mr Caratti has over 30 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.

##### *Special responsibilities*

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

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

9,104,367 ordinary shares of Lycopodium Limited.

#### **Lawrence William Marshall B.Bus (Acc) CPA. Non-executive Director. Age 60.**

##### *Experience and expertise*

Mr Marshall in his role as the former Chief Executive Officer of Lycopodium Limited and with over 30 years experience has played a major role in the development of the group's information, accounting and management and risk management systems. Mr Marshall is a non-executive director of Lycopodium Minerals Qld Pty Ltd and Lycopodium Process Industries Pty Ltd.

##### *Special responsibilities*

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

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

1,942,332 ordinary shares of Lycopodium Limited.

#### **Rodney Lloyd Leonard BE (Hons), MSc, MAusIMM. Managing Director. Age 52.**

##### *Experience and expertise*

Mr Leonard has in excess of 20 years experience in the mineral processing industry and is the Managing Director of Lycopodium Limited.

##### *Special responsibilities*

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

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

2,612,332 ordinary shares of Lycopodium Limited.  
167,000 performance rights over ordinary shares of Lycopodium Limited.

**Information on directors (continued)**

**Robert Osmetti BE (Civ), MIEAust, CPEng. Executive Director. Age 57.**

*Experience and expertise*

Mr Osmetti has approximately 30 years experience in the project management and construction of minerals, oil refining and manufacturing projects. Mr Osmetti is a non-executive director of Lycopodium Minerals QLD Pty Ltd.

*Special responsibilities*

Member of the Corporate Governance Committee.

*Interests in shares and options*

2,058,148 ordinary shares of Lycopodium Limited.  
67,000 performance rights over ordinary shares of Lycopodium Limited.

**Bruno Ruggiero BE (Mech), Grad Dip Min Sc, Grad Cert Eng Tech, MIEAust, MAusIMM. Executive Director. Age 49.**

*Experience and expertise*

Mr Ruggiero has over 20 years experience in the minerals industry. His role is varied in that he fills senior positions in the areas of Study, Project and Design Management on a project by project basis. He is an executive director of Lycopodium Minerals Pty Ltd and a non-executive director of Lycopodium Asset Management Pty Ltd.

*Special responsibilities*

Member of the Corporate Governance Committee.

*Interests in shares and options*

3,167,332 ordinary shares in Lycopodium Limited.  
67,000 performance rights over ordinary shares of Lycopodium Limited.

**Peter De Leo BE (Civ) CPEng FIEAust. Executive Director. Age 47.**

*Experience and expertise*

Mr De Leo has some 20 years experience in the construction and engineering fields and is the Managing Director of Lycopodium Minerals Pty Ltd.

*Special responsibilities*

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

*Interests in shares and options*

1,054,771 ordinary shares of Lycopodium Limited.  
167,000 performance rights over ordinary shares of Lycopodium Limited.

**Company secretary**

The company secretary is Keith John Bakker B.Bus (Acc), FCPA. Age 60.

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 2013, 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	12	12	-	-	**	-	1	1	1	***
Lawrence Marshall	12	12	-	-	2	2	1	1	1	***
Rodney Leonard	12	12	*	-	2	2	1	1	1	***
Robert Osmetti	10	12	*	-	**	-	1	1	1	***
Bruno Ruggiero	11	12	*	-	**	-	1	1	1	***
Peter De Leo	11	12	*	-	2	2	-	1	1	***

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

\*\*\* = Remuneration reviewed during a normal monthly meeting of the full board rather than as a separate committee meeting.

The following directors missed full meetings of the Board because of absence on company business.

Name	Number of meetings
Robert Osmetti	2
Bruno Ruggiero	1
Peter De Leo	1

## Remuneration report

The Directors are pleased to present your company's 2013 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**

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

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

The remuneration committee comprises all members of the Board. It 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 the 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 2013. The fees are inclusive of committee fees. Details on Directors fees are disclosed under service agreements on page 12.

### **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.

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.

**Remuneration report (continued)**

**Executive remuneration policy and framework (continued)**

1,450,000 rights were granted to certain executive directors under the Executive Director Performance Rights Plan in the financial year ended 30 June 2009. These rights were granted for nil consideration and are exercisable upon certain performance hurdles and vesting conditions being achieved. This is the only element of remuneration that is linked to company performance. Refer to page 13 for details.

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 2012 Annual General Meeting**

The remuneration report for the 2012 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:

	2013	2012	2011	2010	2009
Revenue (\$)	245,940,092	232,286,982	169,842,916	120,334,515	146,835,647
Profit before income tax (\$)	28,534,189	31,771,777	24,907,889	18,711,780	20,202,742
Income tax expense (\$)	5,993,750	9,416,678	7,795,136	2,653,312	5,425,487
Profit after income tax (\$)	22,540,439	22,355,099	17,112,753	16,058,468	14,777,255
Basic EPS (cents)	56.5	57.3	44.4	41.6	37.4
Basic EPS growth, year on year (%)	(1.4%)	29.1%	6.7%	11.2%	13.3%
Fully franked dividends per share (cents)	36.0	33.0	30.0	27.0	25.0
Change in share price * (\$)	(2.40)	0.92	2.61	1.77	(3.38)
Return on equity (%)	34.86%	40.81%	36.25%	38.03%	40.17%

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

**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.

2013	Short-term employee benefits			Post-em	Share-	Total	Performance related
	Cash salary and fees	Cash bonus	Non-monetary benefits	employment benefits	based payments		
Name	\$	\$	\$	Super-annuation	Rights <sup>^</sup>	\$	%
<i>Non-executive Directors</i>							
Michael Caratti	142,384	-	9,414	25,000	-	176,798	-
Lawrence Marshall	243,646	-	9,414	25,000	-	278,060	-
<b>Sub-total non-executive directors</b>	<b>386,030</b>	<b>-</b>	<b>18,828</b>	<b>50,000</b>	<b>-</b>	<b>454,858</b>	<b>-</b>
<i>Executive Directors</i>							
Rodney Leonard	731,687	-	9,414	25,000	(12,426)	753,675	(1.6)
Robert Osmetti	579,110	-	9,414	25,000	(12,426)	601,098	(2.1)
Bruno Ruggiero	577,738	-	9,414	25,000	(12,426)	599,726	(2.1)
Peter De Leo	677,738	-	9,414	25,000	(12,426)	699,726	(1.8)
<i>Other key management personnel</i>							
Keith Bakker	394,653	34,906	14,667	25,000	-	469,226	-
<b>Total key management personnel compensation (group)</b>	<b>3,346,956</b>	<b>34,906</b>	<b>71,151</b>	<b>175,000</b>	<b>(49,704)</b>	<b>3,578,309</b>	<b>(1.4)</b>

Other than the performance rights, no element of the above remuneration is conditional upon meeting key performance indicators.

<sup>^</sup> Amount in credit due to rights forfeited as a result of actual performance hurdle levels not met.

**Remuneration report (continued)**  
**Details of remuneration (continued)**

Name	Short-term employee benefits			Post-em- ployment benefits	Share- based payments	Total \$	Perfor- mance related %
	Cash salary and fees \$	Cash bonus \$	Non- monetary benefits \$	Super- annuation \$	Rights \$		
<i>Non-executive Directors</i>							
Michael Caratti	108,200	-	8,679	49,750	-	166,629	-
Lawrence Marshall	232,532	-	8,679	49,992	-	291,203	-
<b>Sub-total non-executive directors</b>	<b>340,732</b>	<b>-</b>	<b>17,358</b>	<b>99,742</b>	<b>-</b>	<b>457,832</b>	<b>-</b>
<i>Executive Directors</i>							
Rodney Leonard	673,620	-	8,679	45,000	41,015	768,314	5.3
Robert Osmetti	518,620	-	8,679	50,000	41,015	618,314	6.6
Bruno Ruggiero	523,444	-	8,679	25,000	41,015	598,138	6.9
Peter De Leo	643,620	-	8,679	25,000	50,240	727,539	6.9
<i>Other key management personnel</i>							
Keith Bakker	315,284	36,000	14,105	50,000	-	415,389	-
<b>Total key management personnel compensation (group)</b>	<b>3,015,320</b>	<b>36,000</b>	<b>66,179</b>	<b>294,742</b>	<b>173,285</b>	<b>3,585,526</b>	<b>4.8</b>

Other than the performance rights, no element of the above remuneration is conditional upon meeting key performance indicators.

**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.

Name	Term of agreement	Fixed Remuneration including superannuation*
Michael Caratti, <i>Chairman and Non-executive Director</i>	No fixed term	Directors fee of \$152,206 p.a.
Lawrence Marshall, <i>Non-executive Director</i>	No fixed term	Fixed hourly rate of \$290.36 Directors fee of \$76,104 p.a.
Rodney Leonard, <i>Managing Director</i>	No fixed term	\$684,308 p.a.
Robert Osmetti, <i>Executive Director</i>	No fixed term	\$547,944 p.a.
Bruno Ruggiero, <i>Executive Director</i>	No fixed term	\$547,944 p.a.
Peter De Leo, <i>Executive Director</i>	No fixed term	\$638,853 p.a.
Keith Bakker, <i>Company Secretary and Chief Financial Officer</i>	No fixed term	\$391,305 p.a.

\* Fixed remuneration payable as at 1 July 2013 and reviewed annually by the Remuneration Committee.

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

**Share-based compensation**

*Executive Director Performance Rights*

Performance rights were granted to certain executive directors as disclosed in the Notice of Annual General Meeting dated 16 October 2008. The rights were designed to give incentive to the executive directors to provide dedicated and ongoing commitment and effort to the company and aligning the interest of both employees and shareholders.

Vesting of the above rights are subject to the following performance hurdles:

Performance Rights Plan	Grant date	Tranche	Vesting date and Performance hurdles
Executive Director	24 December 2008	Tranche 1	1 July 2011 if EPS for 30 June 2009 exceeds EPS for 30 June 2008 by 10%
Executive Director	24 December 2008	Tranche 2	1 July 2012 if EPS for 30 June 2010 exceeds EPS for 30 June 2009 by 10%
Executive Director	24 December 2008	Tranche 3	1 July 2013 if EPS for 30 June 2011 exceeds EPS for 30 June 2010 by 10%
Executive Director	24 December 2008	Tranche 4	1 July 2014 if EPS for 30 June 2012 exceeds EPS for 30 June 2011 by 10%
Executive Director	24 December 2008	Tranche 5	1 July 2015 if EPS for 30 June 2013 exceeds EPS for 30 June 2012 by 10%

The above rights were granted for no consideration.

The terms and conditions of each grant of options affecting remuneration in the current or a future reporting period are as follows:

Grant date	Vesting and exercise date	Expiry date	Exercise price	Value per option at grant date	Performance achieved	% Vested
24 December 2008	1 July 2011	30 June 2016	\$-	\$0.74	Achieved	100%
24 December 2008	1 July 2012	30 June 2016	\$-	\$0.74	Achieved	100%
24 December 2008	1 July 2013	30 June 2016	\$-	\$0.74	34%	100%
24 December 2008	1 July 2014	30 June 2016	\$-	\$0.74	Achieved	0%
24 December 2008	1 July 2015	30 June 2016	\$-	\$0.74	0%	0%

The rights granted carry no dividend or voting rights.

Further information on rights over ordinary shares on issue is set out in note 37 to the financial statements.

**Remuneration report (continued)**  
**Share-based compensation (continued)**

*Details of remuneration: Executive Directors Performance Rights*

All of the above rights vest after three years, provided the vesting conditions are met. No rights will vest if the conditions are not satisfied, hence the minimum value of the right yet to vest is nil. The maximum value of the rights yet to vest has been determined as the amount of the grant date fair value of the rights and is yet to be expensed.

Name	Shared-based compensation benefits (Options)				
	Year granted	Vested %	Forfeited %	Financial years in which options may vest	Maximum total value of grant yet to vest \$
Peter De Leo	2009	100	-	30 June 2011	-
	2009	100	-	30 June 2012	-
	2009	100	66	30 June 2013	-
	2009	-	-	30 June 2014	\$36,900
	2009	-	100	30 June 2015	-
Robert Osmetti	2009	100	-	30 June 2011	-
	2009	100	-	30 June 2012	-
	2009	100	66	30 June 2013	-
	2009	-	-	30 June 2014	\$36,900
	2009	-	100	30 June 2015	-
Bruno Ruggiero	2009	100	-	30 June 2011	-
	2009	100	-	30 June 2012	-
	2009	100	66	30 June 2013	-
	2009	-	-	30 June 2014	\$36,900
	2009	-	100	30 June 2015	-
Rodney Leonard	2009	100	-	30 June 2011	-
	2009	100	-	30 June 2012	-
	2009	100	66	30 June 2013	-
	2009	-	-	30 June 2014	\$36,900
	2009	-	100	30 June 2015	-

*Senior manager share acquisition plan*

Interest free loans were provided to eligible senior managers to acquire shares in Lycopodium Limited under the Senior Manager Share Acquisition Plan. The plan was designed to provide alignment of the senior managers with the shareholders of the company by assisting the senior managers to acquire shares in Lycopodium Limited under the plan. None of the directors of Lycopodium Limited are eligible to participate in this plan. Further information on the plan is set out in note 37 to the financial statements.



### Shares under option

Unissued ordinary shares of Lycopodium Limited under option at the date of this report are as follows:

Date options granted	Expiry date	Issue price of shares	Number under option
24 December 2008*	30 June 2016	\$-	468,000
1 October 2011	30 September 2014	\$-	165,000

\* Details of options granted to key management personnel are disclosed on pages 13 to 14.

### 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.

### 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 (PwC) 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>2013</b>	<b>2012</b>
	\$	\$
<b>Taxation services</b>		
PwC Australian firm:		
Tax compliance services (including income tax returns)	<b>46,185</b>	40,207
International tax advice	<b>8,145</b>	2,000
Network firm of PwC Australia:		
Tax compliance services (including income tax returns)	<b>42,241</b>	58,606
Non-PwC audit firms:		
Tax compliance services (including income tax returns)	<b>26,750</b>	6,867
International tax advice	<b>91,450</b>	11,025
<b>Total remuneration for taxation services</b>	<b>214,771</b>	118,705
<b>Other services</b>		
Non-PwC audit firms		
Other services	<b>9,889</b>	4,032
<b>Total remuneration for non-audit services</b>	<b>224,660</b>	122,737

**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 18.

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



Rodney Lloyd Leonard  
Managing Director

Perth  
24 September 2013



## Auditor's Independence Declaration

As lead auditor for the audit of Lycopodium Limited for the year ended 30 June 2013, 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.

This declaration is in respect of Lycopodium Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to be 'P. Dreyer', written in a cursive style.

Pierre Dreyer  
Partner  
PricewaterhouseCoopers

Perth  
24 September 2013

## **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 Second Edition of the ASX Corporate Governance Council's Principles and Recommendations ('Principles') as amended in June 2010 with any exceptions noted.

### **Principle 1: Lay solid foundations for management and oversight**

The Board's primary role is the protection and enhancement of medium to long term shareholder value. In order to fulfil this role, the Board is responsible for the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of these goals. Management of the day-to-day business of the Company is conducted by or under the supervision of the Board, and by those other officers and employees to whom the management function is properly delegated by the Board.

The Statement of Board and Management functions is contained within the Corporate Governance Charter which is published in the Company's website, [www.lycopodium.com.au](http://www.lycopodium.com.au).

Senior executives are subject to formal performance review on an annual basis. The focus of the review is to establish key accountabilities and objectives and monitor actual performance against these. The performance of senior executives was formally assessed during the financial year.

### **Principle 2: Structure the board to add value**

The skills, experience and expertise relevant to the position held by each Director in office at the date of this report are included in the Directors' Report. The Board continues to be well served by the current mix of technical commercial and financial competences of its current membership. This diversity in skills together with strong industry exposure is considered to be the optimum structure for the Board at this time.

The Directors in office and the term in office held by each Director at the date of this report are as follows:

<b>Name</b>	<b>Position</b>	<b>Term in Office</b>
Mr Michael Caratti	Non-executive Chairman	8 years, 9 months
Mr Lawrence Marshall	Non-executive Director	8 years, 9 months
Mr Rodney Leonard	Managing Director	8 years, 9 months
Mr Robert Osmetti	Executive Director	8 years, 9 months
Mr Bruno Ruggiero	Executive Director	8 years, 9 months
Mr Peter De Leo	Executive Director	6 years, 8 months

Directors are considered to be independent when they are independent of management, are not a substantial shareholder and are free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

In accordance with the definition of independence above, none of the six Directors in office at the date of this report were independent. The Board considers that its structure has been, and continues to be, appropriate in the context of the Company's current operations. The Board considers that each of the non-independent Directors possesses skills and experience required for managing and developing the Company and believes any additional information or advice can be more appropriately and economically obtained from independent external expert consultants. Furthermore, the Board considers that the Company's shareholders are better served by Directors who have a vested interest in the Company. The composition of the Board will be reviewed from time to time as the Company evolves and the appointment of independent Directors will be considered.

The Company has a chairperson who is not an independent Director. The Board considers that at this stage in the growth of the Company, an independent chairperson would not add sufficient expertise to the Board. The Board intends to reconsider the independence of the Chairperson as the Company's operations evolve and may appoint an independent Chairperson when appropriate.

**Principle 2: Structure the board to add value (continued)**

The role of the Nomination Committee is carried out by the full Board. This arrangement is considered appropriate given the importance of the task of appointing Directors. Furthermore, the Board does not believe that any efficiencies or enhancements to the selection process would be achieved by the creation of a separate Nomination Committee at this time although the matter will be reconsidered as the Company's operations evolve.

The Company provides the capacity for any Director to obtain separate professional advice on any matter relevant to the Director's duties at the Company's expense. Before the engagement is made, the Director is required to obtain the Chairman of the Board's approval. Approval will not be unreasonably denied and the Director will be expected to provide the Board with a copy of that advice.

The performance of the Board, Board Committees and individual Directors is reviewed regularly by the Board as a whole. No formal review was undertaken during the reporting period although the matter is the subject of ongoing assessment.

**Principle 3: Promote ethical and responsible decision making**

The Board has adopted a Corporate Code of Conduct which all Directors, executives and employees of the Company are required to comply with in carrying out their duties and responsibilities, to guide compliance with legal and other obligations and to maintain confidence in the Company's integrity.

The Board has adopted a Code of Conduct for Dealing in the Securities of the Company. The purpose of this code is to provide guidance to Directors and employees, and their associates, when dealing in the Company's securities. The policy provides that Directors and employees:

- Must not deal in any security of the Company whilst in possession of inside information
- Should never engage in short term trading of any securities of the Company, and
- Should advise the Company Secretary, or in his absence, a Director, of any purchase or sale of securities of the Company within 2 business days.

The Corporate Code of Conduct and the Code of Conduct for Dealing in the Securities of the Company are both published on the Company's website.

As a global participant, the Company recruits staff from every continent. The Company has an established policy on equal employment opportunity. The issues covered by a Diversity Policy such as age, gender, ethnicity and cultures are practiced in accordance with this policy.

As at 30 June the gender mix across Lycopodium is as follows:

Parent entity / Subsidiaries	2013		2012	
	Female	Male	Female	Male
Board	4%	96%	0%	100%
Managers and senior staff	9%	91%	8%	92%
Organisation	39%	61%	30%	70%
Total	25%	75%	24%	76%

#### **Principle 4: Safeguard integrity in financial reporting**

The Board has established an Audit Committee which operates under a charter approved by the Board. The Board has delegated to this Committee the responsibility for assurance regarding its financial reporting, internal controls, reporting structure and external audit responsibilities.

The Committee's members are:

- Mr Lawrence Marshall - Chairman
- Mr Rodney Leonard
- Mr Peter De Leo

The qualifications, experience and tenure of these Directors is set out in the Directors' Report. The number of meetings and details of attendance are also set out in the Directors' Report.

The Committee is chaired by a non-executive Director who is a qualified accountant and the other members have extensive experience in senior management positions within the industry.

#### **Principle 5: Make timely and balanced disclosures**

The Company has established written policies and procedures to ensure compliance with ASX Listing Rule disclosure requirements which are published on the Company's website. All ASX announcements are handled by the Managing Director or Company Secretary.

#### **Principle 6: Respect the rights of shareholders**

The Board is committed to ensuring that shareholders are informed of all major developments affecting the Company's state of affairs. Shareholder communication is conducted in accordance with the Company's Continuous Disclosure Policy and Shareholder Communication Policy both of which are published on the Company's website.

The Board encourages full participation of the shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. The external auditor attends the AGM and is available to answer any questions with regard to the conduct of the audit and the content of the auditor's report.

#### **Principle 7: Recognise and manage risk**

The Board has adopted a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Company's objectives and activities are aligned with these risks and opportunities. The Board believes that it is crucial for all Directors to be a part of this process and as such the Board has not established a separate risk management committee. The day to day responsibilities for risk management and internal controls rest with the Managing Director. The Managing Director is required to report on risk management and internal controls, using an exception reporting basis, to the full Board as part of the monthly report.

The Company has an internal control framework covering all areas of identified risk within the Company's operations and has documented these as policies in order to centralise the controls. These controls are reviewed as the operations of the Company evolve. Areas of risk covered by this framework include:

- tenders and proposals
- client contract negotiation
- financial control and reporting
- commercial/corporate control and reporting
- operational control and reporting
- human resource management
- procurement, purchasing and supplier contract negotiation

The Managing Director and Chief Financial Officer have provided written assurance that, to the best of their knowledge, the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material aspects.

**Principle 8: Remunerate fairly and responsibly**

The role of the Remuneration Committee is carried out by the full Board. Details of the number of meetings of the Remuneration Committee held during the year and attendees at these meetings, are set out in the Directors' Report.

The Company has adopted a Remuneration Committee Charter with the expected outcomes which include:

- Retention and motivation of key executives
- Attraction of high quality executives, and
- Performance incentives that allow executives to share in the success of the Company.

A copy of the Remuneration Committee Charter is available on the Company's website.

Details of remuneration received by Directors and key executives in the reporting period are disclosed in the Remuneration Report which is contained within the Directors' Report.



**Lycopodium Limited**  
**Consolidated statement of comprehensive income**  
**For the year ended 30 June 2013**

		<b>Consolidated</b>	
	Notes	<b>2013</b>	2012
		\$	\$
Revenue from operations	5	<b>245,940,092</b>	232,286,982
Employee benefits expense		<b>(118,107,866)</b>	(111,944,909)
Depreciation and amortisation expense	6	<b>(2,192,104)</b>	(1,784,442)
Project expenses		<b>(9,748,777)</b>	(10,581,901)
Equipment and materials		<b>(5,665,636)</b>	(839,435)
Contractors		<b>(68,181,612)</b>	(58,881,655)
Administration and management costs		<b>(18,667,684)</b>	(16,431,351)
Loss on disposal of asset		<b>(235,536)</b>	(1,503)
Finance costs	6	<b>(232,023)</b>	(330,272)
Share of net profit of joint ventures accounted for using the equity method		<b>5,625,335</b>	280,263
<b>Profit before income tax</b>		<b>28,534,189</b>	31,771,777
Income tax expense	7	<b>(5,993,750)</b>	(9,416,678)
<b>Profit for the year</b>		<b>22,540,439</b>	22,355,099
<b>Other comprehensive income/(expense)</b>			
<i>Items that may be reclassified to profit or loss</i>			
Changes in the fair value of available-for-sale financial assets	24(a)	<b>(2,000)</b>	(23,000)
Exchange differences on translation of foreign operations	24(a)	<b>1,045,265</b>	(336,980)
Income tax relating to components of other comprehensive income		<b>600</b>	6,900
Other comprehensive income/(expense) for the year, net of tax		<b>1,043,865</b>	(353,080)
<b>Total comprehensive income for the year</b>		<b>23,584,304</b>	22,002,019
Profit for the year is attributable to:			
Owners of Lycopodium Limited		<b>21,931,946</b>	22,143,034
Non-controlling interests		<b>608,493</b>	212,065
		<b>22,540,439</b>	22,355,099
Total comprehensive income for the year is attributable to:			
Owners of Lycopodium Limited		<b>22,975,811</b>	21,789,954
Non-controlling interests		<b>608,493</b>	212,065
		<b>23,584,304</b>	22,002,019
		<b>Cents</b>	Cents
<b>Earnings per share for profit attributable to the ordinary equity holders of the company:</b>			
Basic earnings per share	36	<b>56.5</b>	57.3
Diluted earnings per share	36	<b>55.4</b>	56.0

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

**Lycopodium Limited**  
**Consolidated balance sheet**  
**As at 30 June 2013**

		<b>Consolidated</b>	
		<b>2013</b>	<b>2012</b>
Notes		<b>\$</b>	<b>\$</b>
<b>ASSETS</b>			
<b>Current assets</b>			
	8	<b>34,997,159</b>	27,768,444
	9	<b>53,254,129</b>	52,590,370
		<b>1,199,056</b>	-
	10	<b>4,549,506</b>	3,547,988
		<b>93,999,850</b>	<b>83,906,802</b>
<b>Non-current assets</b>			
	12	<b>5,905,599</b>	280,264
	13	<b>7,000</b>	9,000
	14	<b>4,659,138</b>	5,308,394
	16	<b>7,163,778</b>	6,113,748
	11	<b>1,050,335</b>	1,233,835
	15	<b>8,026,369</b>	4,535,790
		<b>26,812,219</b>	<b>17,481,031</b>
		<b>120,812,069</b>	<b>101,387,833</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
	17	<b>44,857,595</b>	34,158,533
	18	<b>1,763,637</b>	1,622,503
		<b>1,493,638</b>	2,176,954
	19	<b>1,097,956</b>	1,097,956
		<b>49,212,826</b>	<b>39,055,946</b>
<b>Non-current liabilities</b>			
	20	<b>1,012,359</b>	1,535,136
	22	<b>1,157,067</b>	917,164
		<b>2,169,426</b>	<b>2,452,300</b>
		<b>51,382,252</b>	<b>41,508,246</b>
		<b>69,429,817</b>	<b>59,879,587</b>
<b>EQUITY</b>			
	23	<b>18,951,697</b>	18,730,297
	24(a)	<b>1,140,385</b>	294,906
	24(b)	<b>48,639,753</b>	40,689,644
		<b>68,731,835</b>	59,714,847
	25	<b>697,982</b>	164,740
		<b>69,429,817</b>	<b>59,879,587</b>

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

**Lycopodium Limited**  
**Consolidated statement of changes in equity**  
**For the year ended 30 June 2013**

	Notes	Attributable to members of Lycopodium Limited					Non-controlling interests	Total equity
		Contributed equity	Retained earnings	Foreign currency translation reserve	Available for sale investment revaluation reserve	Performance rights reserve		
Consolidated		\$	\$	\$	\$	\$	\$	
<b>Balance at 1 July 2011</b>		18,730,297	30,916,243	(267,686)	(61,600)	418,604	(48,764)	49,687,094
Profit for the year		-	22,143,034	-	-	-	212,065	22,355,099
Other comprehensive income / (expense)		-	-	(336,980)	(16,100)	-	-	(353,080)
<b>Total comprehensive income for the year</b>		-	<b>22,143,034</b>	<b>(336,980)</b>	<b>(16,100)</b>	-	<b>212,065</b>	<b>22,002,019</b>
<b>Transactions with owners in their capacity as owners:</b>								
Non-controlling interests on acquisition of subsidiary	25	-	-	-	-	-	27	27
Foreign currency translation with non-controlling interest	25	-	-	-	-	-	1,412	1,412
Dividends provided for or paid	26	-	(12,369,633)	-	-	-	-	(12,369,633)
Performance rights - value of rights	24	-	-	-	-	558,668	-	558,668
		-	(12,369,633)	-	-	558,668	1,439	(11,809,526)
<b>Balance at 30 June 2012</b>		<b>18,730,297</b>	<b>40,689,644</b>	<b>(604,666)</b>	<b>(77,700)</b>	<b>977,272</b>	<b>164,740</b>	<b>59,879,587</b>
<b>Balance at 1 July 2012</b>		18,730,297	40,689,644	(604,666)	(77,700)	977,272	164,740	59,879,587
Profit for the year		-	21,931,946	-	-	-	608,493	22,540,439
Other comprehensive income / (expense)		-	-	1,045,265	(1,400)	-	-	1,043,865
<b>Total comprehensive income for the year</b>		-	<b>21,931,946</b>	<b>1,045,265</b>	<b>(1,400)</b>	-	<b>608,493</b>	<b>23,584,304</b>
<b>Transactions with owners in their capacity as owners:</b>								
Contributions of equity, net of transaction costs and tax	23	221,400	-	-	-	-	-	221,400
Foreign currency translation with non-controlling interest	25	-	-	-	-	-	(75,251)	(75,251)
Dividends provided for or paid	26	-	(13,981,837)	-	-	-	-	(13,981,837)
Performance rights - value of rights	24	-	-	-	-	23,014	-	23,014
Performance rights - transfer on exercise	24	-	-	-	-	(221,400)	-	(221,400)
		221,400	(13,981,837)	-	-	(198,386)	(75,251)	(14,034,074)
<b>Balance at 30 June 2013</b>		<b>18,951,697</b>	<b>48,639,753</b>	<b>440,599</b>	<b>(79,100)</b>	<b>778,886</b>	<b>697,982</b>	<b>69,429,817</b>

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 year ended 30 June 2013**

		<b>Consolidated</b>	
		<b>2013</b>	<b>2012</b>
Notes		<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
	Receipts from customers (inclusive of goods and services tax)	<b>263,367,380</b>	238,619,585
	Payments to suppliers and employees (inclusive of goods and services tax)	<b>(229,460,274)</b>	(208,294,894)
		<u><b>33,907,106</b></u>	<u>30,324,691</u>
	Interest received	<b>958,113</b>	1,174,278
	Interest paid	<b>(22)</b>	(28,528)
	Income taxes paid	<b>(11,366,101)</b>	(13,737,993)
	<b>Net cash inflow from operating activities</b>	<b>34 23,499,096</b>	<u>17,732,448</u>
<b>Cash flows from investing activities</b>			
	Payments for property, plant and equipment	<b>(990,509)</b>	(1,430,323)
	Payments for intangible assets	<b>(1,368,569)</b>	(158,656)
	Proceeds from sale of property, plant and equipment	<b>-</b>	2,890
	<b>Net cash outflow from investing activities</b>	<b>(2,359,078)</b>	<u>(1,586,089)</u>
<b>Cash flows from financing activities</b>			
	Proceeds from borrowings	<b>1,676,587</b>	240,801
	Repayment of borrowings	<b>(1,058,377)</b>	(1,137,321)
	Repayment of hire purchase and lease liabilities	<b>(1,575,223)</b>	(1,372,002)
	Dividends paid to company's shareholders	<b>(13,981,837)</b>	(12,369,633)
	Proceeds from repayment of loans under the senior manager share acquisition plan	<b>183,500</b>	396,039
	<b>Net cash outflow from financing activities</b>	<b>(14,755,350)</b>	<u>(14,242,116)</u>
	<b>Net increase in cash and cash equivalents</b>	<b>6,384,668</b>	1,904,243
	Cash and cash equivalents at the beginning of the financial year	<b>27,768,444</b>	26,199,742
	Effects of exchange rate changes on cash and cash equivalents	<b>844,047</b>	(335,541)
	<b>Cash and cash equivalents at the end of financial year</b>	<b>8 34,997,159</b>	<u>27,768,444</u>

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

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## **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*

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

#### *(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 2012.

#### *(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.

### **(b) Principles of consolidation**

#### *(i) Subsidiaries*

The consolidated financial report incorporates the assets and liabilities of all subsidiaries of Lycopodium Limited ("company" or "parent entity") as at 30 June 2013 and the results of all subsidiaries for the year then ended. Lycopodium Limited and its subsidiaries together are referred to in this financial report as the group.

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

## 1 Summary of significant accounting policies (continued)

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

#### (i) Subsidiaries (continued)

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 ventures

Joint venture entities

The interest in a joint venture partnership is accounted for using the equity method after initially being recognised at cost. Under the equity method, the share of the profits or losses is recognised in profit or loss, and the share of post-acquisition movements in reserves is recognised in other comprehensive income.

Profits or losses on transactions establishing the joint venture and transactions with the joint venture are eliminated to the extent of the group's ownership interest until such time as they are realised by the joint venture on consumption or sale. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

#### (iv) Changes in ownership interests

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 attributable to owners of Lycopodium Limited.

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 is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity 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 jointly-controlled entity 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.

## **1 Summary of significant accounting policies (continued)**

### **(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:

- 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.



## 1 Summary of significant accounting policies (continued)

### (e) Revenue recognition (continued)

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.

### (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.

## **1 Summary of significant accounting policies (continued)**

### **(f) Income tax (continued)**

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.

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.

Lycopodium Limited and its wholly-owned Australian controlled entities have not implemented the tax consolidation legislation.

### **(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 30). 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.

### **(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.

## 1 Summary of significant accounting policies (continued)

### (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.

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.

## 1 Summary of significant accounting policies (continued)

### (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.

#### **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.

## 1 Summary of significant accounting policies (continued)

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

#### **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.

#### **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.

## 1 Summary of significant accounting policies (continued)

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

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

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) 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.

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.

### (o) 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.

## **1 Summary of significant accounting policies (continued)**

### **(p) 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.

### **(q) 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.

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.

### **(r) 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.

### **(s) 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.

### **(t) Employee benefits**

#### *(i) Wages and salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

## **1 Summary of significant accounting policies (continued)**

### **(t) Employee benefits (continued)**

#### *(ii) Long service leave*

The liability for long service leave is 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 reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### *(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 37.

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.



## **1 Summary of significant accounting policies (continued)**

### **(t) Employee benefits (continued)**

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

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.

#### *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.

### **(u) 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.

### **(v) 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.

### **(w) 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.

### **(x) 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.

## 1 Summary of significant accounting policies (continued)

### (x) Goods and Services Tax (GST) (continued)

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.

### (y) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 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 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures* (effective from 1 January 2015)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect in particular the group accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading.

There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed. The group has not yet decided when to adopt AASB 9.

- (ii) *AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements, AASB 128 Investments in Associates and Joint Ventures, AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards and AASB 2012-10 Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments* (effective 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 12 *Consolidation - Special Purpose Entities*. The core principle that a group presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships. The group has performed an analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules and does not expect the new standards to have any impact on its composition.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

## **1 Summary of significant accounting policies (continued)**

### **(y) New accounting standards and interpretations (continued)**

(ii) *AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* (effective 1 January 2013) (continued)

The group's investment in the joint venture partnership is expected to be classified as a joint venture under the new rules. As the group already applies the equity method in accounting for this investment, AASB 11 is not expected to have any impact on the amounts recognised in its financial report.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the group will not affect any of the amounts recognised in the financial report, but will impact the type of information disclosed in relation to the group's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a 'partial disposal' concept. The group is still assessing the impact of these amendments.

The group does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial report for the annual reporting period ending 30 June 2014.

(iii) *AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial report. However, application of the new standard will impact the type of information disclosed in the notes to the consolidated financial statements. The group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

(iv) *Revised AASB 119 Employee Benefits and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119* (September 2011)

In September 2011, the AASB released a revised standard on accounting for employee benefits. It requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in profit or loss. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. The amendments will have to be implemented retrospectively. This standard is not expected to have any impact on the amounts recognised in the financial statements as the group does not have any defined benefit plan arrangements.

There are no other standards that are not yet effective and that are expected to have a material impact on the group in the current or future reporting periods and on foreseeable future transactions.

## **1 Summary of significant accounting policies (continued)**

### **(z) Parent entity financial information**

The financial information for the parent entity, Lycopodium Limited, disclosed in note 38 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.

### *(i) Fair value estimation*

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 7 "Financial Instruments: Disclosures" requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1),
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on quoted market prices at the reporting date (level 1). The quoted market price used for financial assets held by the group is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair value due to their short term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cashflows at the current market interest rate that is available to the group for similar financial instruments.

## 2 Financial risk management (continued)

### (ii) Summary of financial instruments

The group holds the following financial instruments:

	Consolidated	
	2013	2012
	\$	\$
<b>Financial assets</b>		
Cash and cash equivalents	34,997,159	27,768,444
Trade and other receivables	53,254,129	52,590,370
Deposits held with banks	2,969,404	2,521,040
Available-for-sale financial assets	7,000	9,000
Other receivables	1,050,335	1,233,835
	<b>92,278,027</b>	<b>84,122,689</b>
<b>Financial liabilities</b>		
Trade and other payables	26,610,453	23,201,222
Borrowings	2,775,996	3,157,639
	<b>29,386,449</b>	<b>26,358,861</b>

### (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), Ghanaian Cedi (GHS) and Philippine Peso (PHP).

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 Board considers that while the group's foreign exchange risk to be minimal at this stage some form of risk management policy will be necessary to mitigate this exposure in the future.

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

	30 June 2013			30 June 2012		
	USD	GHS	PHP	USD	GHS	PHP
	\$	\$	\$	\$	\$	\$
Cash and cash equivalents	178,156	1,632,355	75,374	185,588	1,414,713	63,770
Trade and other receivables	-	16,916	6,655	-	11,592	5,596
Other current assets	-	-	347,925	-	-	182,108
Trade and other payables	(64,829)	(280,124)	(237,913)	(29,131)	(243,274)	(209,128)
Net exposure	<b>113,327</b>	<b>1,369,147</b>	<b>192,041</b>	<b>156,457</b>	<b>1,183,031</b>	<b>42,346</b>

#### Group sensitivity

Based on the financial instruments held at 30 June 2013, 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 \$11,333 higher/\$11,333 lower (2012: \$15,646 higher/\$15,646 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 2013 than 2012 because of the lower amount of US dollar denominated cash and cash equivalents.

## **2 Financial risk management (continued)**

### **(a) Market risk (continued)**

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

Based on the financial instruments held at 30 June 2013, had the Australian dollar weakened/strengthened by 10% against the Ghanaian Cedi with all other variables held constant, the group's post-tax profit and equity for the year would have been \$136,915 higher/\$136,915 lower (2012: \$118,303 higher/\$118,303 lower), mainly as a result of foreign exchange gains/losses on translation of Ghanaian Cedi denominated financial instruments as detailed in the above table. Profit is more sensitive to movements in the Australian dollar/Ghanaian Cedi exchange rates in 2013 than 2012 because of the higher amount of Ghanaian Cedi denominated cash and cash equivalents.

Based on the financial instruments held at 30 June 2013, 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 \$19,204 higher/\$19,204 lower (2012: \$4,235 higher/\$4,235 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 2013 than 2012 mainly because of the higher amount of Philippine Peso denominated other current assets.

#### *(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.

The group is not directly exposed to commodity price risk.

#### *(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 2013, 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 \$128,443 lower/higher (2012: +/-50 basis points: \$102,996 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(t)).

## 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>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	<b>34,997,159</b>	27,768,444
Trade and other receivables	<b>53,254,129</b>	52,590,370
Deposits held with banks (note 10)	<b>2,969,404</b>	2,521,040
	<b>91,220,692</b>	82,879,854

#### *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 desposits 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.



## 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	
	2013	2012
	\$	\$
Leasing facility	3,449,316	2,650,000
Standby credit facility	12,500,000	-
	15,949,316	2,650,000

#### 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. The group had no derivative financial instruments.

	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount liabilities
Consolidated - At 30 June 2013	\$	\$	\$	\$	\$	\$
<b>Non-derivatives</b>						
Trade payables	26,610,453	-	-	-	26,610,453	26,610,453
Insurance premium funding	503,143	-	-	-	503,143	503,143
Finance lease liabilities	1,435,429	621,003	383,631	-	2,440,063	2,272,853
<b>Total non-derivatives</b>	<b>28,549,025</b>	<b>621,003</b>	<b>383,631</b>	<b>-</b>	<b>29,553,659</b>	<b>29,386,449</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
Consolidated - At 30 June 2012	\$	\$	\$	\$	\$	\$
<b>Non-derivatives</b>						
Trade payables	23,201,222	-	-	-	23,201,222	23,201,222
Insurance premium funding	240,780	-	-	-	240,780	240,780
Finance lease liabilities	1,568,362	1,187,204	377,289	70,010	3,202,865	2,916,859
<b>Total non-derivatives</b>	<b>25,010,364</b>	<b>1,187,204</b>	<b>377,289</b>	<b>70,010</b>	<b>26,644,867</b>	<b>26,358,861</b>

### **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 warranties*

In accordance with the accounting policy stated in note 1(s), the group has recognised warranty provisions at the end of the previous financial year in respect of potential claims for rectification work on some of its EPCM contracts. The amounts provided take into account contractual exposure and estimates based on industry and historical trends.

##### *(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.

### **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 three 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, 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.

#### 4 Segment information (continued)

##### (a) Description of segments (continued)

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.

##### (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 2013 and 30 June 2012 are as follows:

	Corporate Services	Minerals	Project Services Africa	Other	Total
2013	\$	\$	\$	\$	\$
Total segment revenue	21,148,404	192,882,374	28,987,639	52,243,557	295,261,974
Inter-segment revenue	<u>(21,025,563)</u>	<u>(13,300,810)</u>	<u>(448,024)</u>	<u>(14,547,485)</u>	<u>(49,321,882)</u>
<b>Revenue from external customers</b>	<b><u>122,841</u></b>	<b><u>179,581,564</u></b>	<b><u>28,539,615</u></b>	<b><u>37,696,072</u></b>	<b><u>245,940,092</u></b>
<b>Profit / (loss) before tax</b>	<b><u>(1,264,278)</u></b>	<b><u>17,966,938</u></b>	<b><u>4,086,969</u></b>	<b><u>7,789,560</u></b>	<b><u>28,579,189</u></b>
Interest in the profit of equity accounted joint ventures	-	5,625,335	-	-	5,625,335
Depreciation and amortisation	(457,450)	(951,749)	(13,463)	(769,442)	(2,192,104)
Income tax expense	594	(3,325,473)	(1,033,737)	(1,635,134)	(5,993,750)
<b>Total segment assets</b>	<b><u>12,791,180</u></b>	<b><u>71,005,059</u></b>	<b><u>12,060,806</u></b>	<b><u>24,193,836</u></b>	<b><u>120,050,881</u></b>
Total assets includes:					
Investment in joint ventures	-	5,905,599	-	-	5,905,599
Additions to non-current assets (other than financial assets and deferred tax)	-	2,109,909	35,485	557,054	2,702,448
<b>Total segment liabilities</b>	<b><u>1,267,569</u></b>	<b><u>36,198,420</u></b>	<b><u>7,262,607</u></b>	<b><u>11,150,112</u></b>	<b><u>55,878,708</u></b>

#### 4 Segment information (continued)

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

2012	Corporate Services	Minerals	Project Services Africa	Other	Total
	\$	\$	\$	\$	\$
Total segment revenue	15,598,839	203,828,953	29,852,527	29,042,949	278,323,268
Inter-segment revenue	<u>(15,217,200)</u>	<u>(18,942,790)</u>	<u>(2,559,759)</u>	<u>(9,316,537)</u>	<u>(46,036,286)</u>
<b>Revenue from external customers</b>	<b><u>381,639</u></b>	<b><u>184,886,163</u></b>	<b><u>27,292,768</u></b>	<b><u>19,726,412</u></b>	<b><u>232,286,982</u></b>
<b>Profit / (loss) before tax</b>	<b><u>(1,374,737)</u></b>	<b><u>25,872,769</u></b>	<b><u>4,712,855</u></b>	<b><u>2,605,890</u></b>	<b><u>31,816,777</u></b>
Interest in the profit of equity accounted joint ventures	-	280,263	-	-	280,263
Depreciation and amortisation	(457,614)	(809,977)	(11,480)	(505,371)	(1,784,442)
Income tax expense	17,660	(7,202,077)	(1,126,626)	(1,105,635)	(9,416,678)
<b>Total segment assets</b>	<b><u>11,049,357</u></b>	<b><u>65,494,878</u></b>	<b><u>10,110,613</u></b>	<b><u>20,837,718</u></b>	<b><u>107,492,566</u></b>
Total assets includes:					
Investments in joint ventures	-	280,264	-	-	280,264
Additions to non-current assets (other than financial assets and deferred tax)	-	1,818,932	1,223	1,118,400	2,938,555
<b>Total segment liabilities</b>	<b><u>2,303,240</u></b>	<b><u>33,004,565</u></b>	<b><u>6,055,186</u></b>	<b><u>11,698,960</u></b>	<b><u>53,061,951</u></b>

##### (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 comprehensive income.

The entity is domiciled in Australia. Revenue from external customers in Australia was \$117,791,446 (2012: 127,697,172), and the total of revenue from external customers from other countries is \$128,148,645 (2012: \$104,589,810). Segment revenues are allocated based on the country in which the customer is located.

#### 4 Segment information (continued)

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

*(i) Segment revenue (continued)*

Revenues of approximately \$122,976,660 (2012: \$137,555,770) 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 statement of comprehensive income is provided as follows:

	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
	\$	\$
<b>Segment profit before tax</b>	<b>28,579,189</b>	31,816,777
Amortisation of customer relationships	<b>(45,000)</b>	(45,000)
<b>Profit before income tax as per statement of comprehensive income</b>	<b>28,534,189</b>	<u>31,771,777</u>

*(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:

	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
	\$	\$
<b>Segment assets</b>	<b>120,050,881</b>	107,492,566
Intersegment eliminations	<b>(4,852,804)</b>	(11,750,223)
Intangibles arising on consolidation	<b>5,654,492</b>	5,699,490
Deferred tax arising on consolidation	<b>(40,500)</b>	(54,000)
<b>Total assets as per the consolidated balance sheet</b>	<b>120,812,069</b>	<u>101,387,833</u>

*(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:

	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
	\$	\$
<b>Segment liabilities</b>	<b>55,878,708</b>	53,061,951
Intersegment eliminations	<b>(4,496,456)</b>	(11,553,705)
<b>Total liabilities as per the consolidated balance sheet</b>	<b>51,382,252</b>	<u>41,508,246</u>

## 5 Revenue

	Consolidated	
	2013	2012
	\$	\$
<b>From operations</b>		
<i>Sales revenue</i>		
Contract revenue	244,800,461	230,919,074
<i>Other revenue</i>		
Rents and sub-lease rentals	14,427	84,467
Bank interest	929,771	1,222,046
Other revenue	195,433	61,395
	<b>1,139,631</b>	<b>1,367,908</b>
 Total revenue from operations	 <b>245,940,092</b>	 <b>232,286,982</b>

## 6 Expenses

	Consolidated	
	2013	2012
	\$	\$
<b>Profit before income tax includes the following specific expenses:</b>		
 <i>Depreciation</i>		
Fixtures and fittings	520,972	457,006
Leasehold improvements	531,774	499,983
Leased plant and equipment	788,846	589,230
Motor vehicles	23,949	25,722
Total depreciation	<b>1,865,541</b>	<b>1,571,941</b>
 <i>Amortisation</i>		
Computer software	281,563	167,501
Customer contracts	45,000	45,000
Total amortisation	<b>326,563</b>	<b>212,501</b>
Total depreciation and amortisation	<b>2,192,104</b>	<b>1,784,442</b>
 <i>Finance costs</i>		
Interest and finance charges paid/payable	232,023	330,272
 Net foreign exchange losses	 642,694	 5,818
Net loss on disposal of property, plant and equipment	235,536	1,503

## 6 Expenses (continued)

	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	<b>7,511,313</b>	6,358,534
Defined contribution superannuation expense	<b>5,713,118</b>	5,635,245

## 7 Income tax expense

### (a) Income tax expense

	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Current tax	<b>10,073,708</b>	9,994,620
Deferred tax	<b>(3,480,144)</b>	(202,089)
Adjustments for current tax of prior periods	<b>(599,814)</b>	(375,853)
	<b>5,993,750</b>	9,416,678
Deferred income tax (revenue) expense included in income tax expense comprises:		
Increase in deferred tax assets (note 15)	<b>(3,123,441)</b>	(401,934)
(Decrease) / increase in deferred tax liabilities (note 21)	<b>(356,703)</b>	199,845
	<b>(3,480,144)</b>	(202,089)

## 7 Income tax expense (continued)

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

	Consolidated	
	2013	2012
	\$	\$
Profit before income tax expense	28,534,189	31,771,777
Tax at the Australian tax rate of 30% (2012: 30%)	8,560,257	9,531,533
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share-based payment	6,904	167,600
Sundry items	42,723	80,238
Non-assessable, non-exempt income and related non-deductible expenses	(155,351)	9,472
Exchange differences on translation	180,350	(72,170)
	8,634,883	9,716,673
Adjustments for current tax of prior periods - over provision of prior year income tax	(599,814)	(375,853)
Difference in overseas tax rates	(403,923)	(322,070)
Previously unrecognised tax losses now recouped to reduce current tax expense	(761,551)	(7,436)
Deferred tax asset not recognised	358,847	449,341
Income tax paid in foreign jurisdiction	452,909	40,102
Share of net profit of joint ventures accounted for using the equity method	(1,687,601)	(84,079)
Total income tax expense	5,993,750	9,416,678

### (c) Amounts recognised directly in equity

	Consolidated	
	2013	2012
	\$	\$
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:		
Net deferred tax - credited directly to equity	(600)	(6,900)

### (d) Tax losses

	Consolidated	
	2013	2012
	\$	\$
Unused tax losses for which no deferred tax asset has been recognised	1,685,784	2,538,501
Potential tax benefit @ 30% (2012: 30%)	505,735	761,550

All unused tax losses were incurred by Australian entities.



## 8 Current assets - Cash and cash equivalents

	Consolidated	
	2013	2012
	\$	\$
Cash at bank and in hand	15,554,112	17,830,775
Deposits at call	19,443,047	9,937,669
	<u>34,997,159</u>	<u>27,768,444</u>

### (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

	Consolidated	
	2013	2012
	\$	\$
Trade receivables	48,198,420	47,494,220
Provision for impairment of receivables (a)	(1,113,170)	(250,467)
Trade receivable retention	1,140,302	494,360
	<u>48,225,552</u>	<u>47,738,113</u>
Loans to joint venture	999,999	999,999
GST and other receivables	3,977,910	3,781,513
Cash advanced to employees	50,668	70,745
	<u>5,028,577</u>	<u>4,852,257</u>
	<u>53,254,129</u>	<u>52,590,370</u>

### (a) Impaired trade receivables

As at 30 June 2013 current trade receivables of the group with the value of \$1,113,170 (2012: \$250,467) were impaired, with the amounts being fully provided for.

The ageing of these receivables is as follows:

	Consolidated	
	2013	2012
	\$	\$
31 to 60 days	42,405	-
61 to 90 days	52,075	-
91 to 120 days	122,602	11,051
121 to 210 days	-	117,796
211 days or over	896,088	121,620
	<u>1,113,170</u>	<u>250,467</u>

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

**(a) Impaired trade receivables (continued)**

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

	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
At 1 July	<b>250,467</b>	1,012,685
Provision for impairment recognised during the year	<b>1,090,024</b>	150,485
Unused amounts reversed	<b>(227,321)</b>	(912,703)
At 30 June	<b>1,113,170</b>	250,467

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

**(b) Past due but not impaired**

As of 30 June 2013, trade receivables of \$8,935,031 (2012: \$7,477,962) 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:

	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
31 to 60 days	<b>5,246,529</b>	4,324,186
61 to 90 days	<b>1,666,419</b>	2,608,906
91 to 120 days	<b>1,639,513</b>	34,849
121 to 210 days	<b>226,517</b>	225,101
211 days and over	<b>156,053</b>	284,920
	<b>8,935,031</b>	7,477,962

**(c) Foreign exchange and interest rate risk**

Information about the group's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables 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.

**10 Current assets - Other current assets**

	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
	\$	\$
Other current assets (a)	<b>2,969,404</b>	2,521,040
Prepayments	<b>1,580,102</b>	1,026,948
	<b>4,549,506</b>	<b>3,547,988</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 Non-current assets - Other receivables**

	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
	\$	\$
Loans under the senior manager share acquisition plan	<b>1,050,335</b>	1,233,835

Further information relating to loans under the senior manager share acquisition plan is set out in note 1(t).

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

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

**12 Non-current assets - Investments accounted for using the equity method**

**(a) Movements in carrying amounts**

	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
	\$	\$
Carrying amount at the beginning of the financial year	<b>280,264</b>	-
Share of profits after income tax	<b>5,625,335</b>	280,263
Share capital introduced	-	1
Carrying amount at the end of the financial year	<b>5,905,599</b>	<b>280,264</b>

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

### (b) Summarised financial information of joint ventures

The group's share of the results of its joint ventures and its aggregated assets and liabilities are as follows:

	Ownership Interest %	Assets \$	Company's share of: Liabilities \$	Revenues \$	Profit \$
<b>2013</b>					
Pilbara EPCM Pty Ltd	50	14,932,757	9,027,156	31,896,501	5,625,335
<b>2012</b>					
Pilbara EPCM Pty Ltd	50	3,667,418	3,387,154	1,994,317	280,263

## 13 Non-current assets - Available-for-sale financial assets

	Consolidated	
	2013 \$	2012 \$
Balance at the beginning of the year	9,000	32,000
Revaluation deficit transferred to equity	(2,000)	(23,000)
Balance at end of year	<u>7,000</u>	<u>9,000</u>
	Consolidated	
	2013 \$	2012 \$
Listed securities (note (a))		
Equity securities	<u>7,000</u>	9,000

### (a) Listed securities

Available-for-sale financial assets consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate.

The fair value of listed available-for-sale investments has been determined directly by reference to published price quotations in an active market.

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

	Fixtures and fittings \$	Motor vehicles \$	Leasehold improvements \$	Leased plant and equipment \$	Total \$
<b>At 1 July 2011</b>					
Cost	3,469,746	262,820	2,848,409	1,860,968	8,441,943
Accumulated depreciation	(2,073,043)	(121,142)	(1,272,158)	(856,515)	(4,322,858)
<b>Net book amount</b>	<b>1,396,703</b>	<b>141,678</b>	<b>1,576,251</b>	<b>1,004,453</b>	<b>4,119,085</b>
<b>Year ended 30 June 2012</b>					
Opening net book amount	1,396,703	141,678	1,576,251	1,004,453	4,119,085
Additions	1,114,145	-	435,353	1,230,403	2,779,901
Depreciation charge	(457,006)	(25,722)	(499,983)	(589,230)	(1,571,941)
Disposals	(211)	(4,163)	-	-	(4,374)
Transfers to intangible assets	(12,771)	-	-	(7,264)	(20,035)
Exchange differences	6,077	(8,687)	8,184	184	5,758
<b>Closing net book amount</b>	<b>2,046,937</b>	<b>103,106</b>	<b>1,519,805</b>	<b>1,638,546</b>	<b>5,308,394</b>
<b>At 30 June 2012</b>					
Cost	4,675,467	240,778	3,307,877	2,555,164	10,779,286
Accumulated depreciation	(2,628,530)	(137,672)	(1,788,072)	(916,618)	(5,470,892)
<b>Net book amount</b>	<b>2,046,937</b>	<b>103,106</b>	<b>1,519,805</b>	<b>1,638,546</b>	<b>5,308,394</b>
<b>Year ended 30 June 2013</b>					
Opening net book amount	2,046,937	103,106	1,519,805	1,638,546	5,308,394
Additions	447,788	20,370	499,462	366,257	1,333,877
Depreciation charge	(520,972)	(23,949)	(531,774)	(788,846)	(1,865,541)
Disposals	(239,035)	-	3,513	-	(235,522)
Transfers	42,251	-	-	(42,251)	-
Exchange differences	65,779	1,875	43,940	6,336	117,930
<b>Closing net book amount</b>	<b>1,842,748</b>	<b>101,402</b>	<b>1,534,946</b>	<b>1,180,042</b>	<b>4,659,138</b>
<b>At 30 June 2013</b>					
Cost	5,216,232	266,110	3,871,573	2,615,038	11,968,953
Accumulated depreciation	(3,373,484)	(164,708)	(2,336,627)	(1,434,996)	(7,309,815)
<b>Net book amount</b>	<b>1,842,748</b>	<b>101,402</b>	<b>1,534,946</b>	<b>1,180,042</b>	<b>4,659,138</b>

## 14 Non-current assets - Property, plant and equipment (continued)

### (a) Leased assets

Plant and equipment under a finance lease is disclosed as a separate category in the property, plant and equipment movements detailed above. In addition, leasehold improvements include the following amounts where the group is a lessee under a finance lease:

	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<b>Leasehold equipment</b>		
Cost	<b>2,417,717</b>	2,417,717
Accumulation depreciation	<b>(1,873,557)</b>	(1,452,947)
Net book amount	<b>544,160</b>	964,770

## 15 Non-current assets - Deferred tax assets

	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<b>The balance comprises temporary differences attributable to:</b>		
Employee benefits	<b>3,617,000</b>	3,122,318
Doubtful debts	<b>232,765</b>	74,899
Accrued expenses	<b>321,044</b>	287,626
Deferred revenue	<b>3,660,290</b>	1,160,996
Other provisions	<b>414,219</b>	396,950
Depreciation	<b>32,435</b>	33,277
Finance leases	<b>327,559</b>	395,370
	<b>8,605,312</b>	5,471,436
Set-off of deferred tax liabilities pursuant to set-off provisions (note 21)	<b>(578,943)</b>	(935,646)
Net deferred tax assets	<b>8,026,369</b>	4,535,790
Deferred tax assets expected to be recovered within 12 months	<b>7,105,180</b>	4,329,391
Deferred tax assets expected to be recovered after more than 12 months	<b>1,500,132</b>	1,142,045
	<b>8,605,312</b>	5,471,436

## 15 Non-current assets - Deferred tax assets (continued)

Movements	Doubtful debts \$	Employee Benefits \$	Accrued expenses \$	Deferred revenue \$	Other provisions \$	Depreciation & amortisation \$	Finance Leases \$	Total \$
<b>At 1 July 2011</b>	299,737	2,803,219	269,229	1,052,671	122,302	9,332	470,833	5,027,323
Credited/(charged)								
- to profit or loss	(224,838)	304,683	18,397	108,325	246,884	23,945	(75,463)	401,933
- directly to equity	-	-	-	-	6,900	-	-	6,900
Exchange rate differences	-	14,416	-	-	20,864	-	-	35,280
<b>At 30 June 2012</b>	<b>74,899</b>	<b>3,122,318</b>	<b>287,626</b>	<b>1,160,996</b>	<b>396,950</b>	<b>33,277</b>	<b>395,370</b>	<b>5,471,436</b>
<b>At 1 July 2012</b>	74,899	3,122,318	287,626	1,160,996	396,950	33,277	395,370	5,471,436
(Charged)/credited								
- to profit or loss	157,866	489,764	33,418	2,499,294	11,751	(842)	(67,811)	3,123,440
- directly to equity	-	-	-	-	600	-	-	600
Exchange rate differences	-	4,918	-	-	4,918	-	-	9,836
<b>At 30 June 2013</b>	<b>232,765</b>	<b>3,617,000</b>	<b>321,044</b>	<b>3,660,290</b>	<b>414,219</b>	<b>32,435</b>	<b>327,559</b>	<b>8,605,312</b>

## 16 Non-current assets - Intangible assets

	Goodwill \$	Software \$	Customer contracts \$	Total \$
<b>At 1 July 2011</b>				
Cost	6,420,380	2,836,047	315,000	9,571,427
Accumulation amortisation and impairment	(819,842)	(2,510,690)	(90,000)	(3,420,532)
<b>Net book amount</b>	<b>5,600,538</b>	<b>325,357</b>	<b>225,000</b>	<b>6,150,895</b>
<b>Year ended 30 June 2012</b>				
Opening net book amount	5,600,538	325,357	225,000	6,150,895
Additions	-	158,656	-	158,656
Amortisation charge *	-	(167,501)	(45,000)	(212,501)
Transfers from property, plant and equipment	-	20,035	-	20,035
Disposal	-	(17)	-	(17)
Exchange differences	-	(3,320)	-	(3,320)
<b>Closing net book amount</b>	<b>5,600,538</b>	<b>333,210</b>	<b>180,000</b>	<b>6,113,748</b>
Cost	6,420,380	2,992,697	315,000	9,728,077
Accumulation amortisation and impairment	(819,842)	(2,659,487)	(135,000)	(3,614,329)
<b>Net book amount</b>	<b>5,600,538</b>	<b>333,210</b>	<b>180,000</b>	<b>6,113,748</b>

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

	Goodwill \$	Software \$	Customer contracts \$	Total \$
<b>Year ended 30 June 2013</b>				
Opening net book amount	5,600,538	333,210	180,000	6,113,748
Additions	-	1,368,569	-	1,368,569
Amortisation charge *	-	(281,563)	(45,000)	(326,563)
Disposal	-	(14)	-	(14)
Exchange differences	-	8,038	-	8,038
<b>Closing net book amount</b>	<b>5,600,538</b>	<b>1,428,240</b>	<b>135,000</b>	<b>7,163,778</b>
<b>At 30 June 2013</b>				
Cost	6,420,380	4,372,902	315,000	11,108,282
Accumulated amortisation	(819,842)	(2,944,662)	(180,000)	(3,944,504)
<b>Net book amount</b>	<b>5,600,538</b>	<b>1,428,240</b>	<b>135,000</b>	<b>7,163,778</b>

\* Group amortisation of \$326,563 (2012: \$212,501) is included in depreciation and amortisation expense in the statement of comprehensive income.

### (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>2013</b>			
Minerals	3,622,991	-	3,622,991
Other	1,977,547	-	1,977,547
	<b>5,600,538</b>	<b>-</b>	<b>5,600,538</b>
<b>2012</b>			
Minerals	3,622,991	-	3,622,991
Other	1,977,547	-	1,977,547
	<b>5,600,538</b>	<b>-</b>	<b>5,600,538</b>



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

### **(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:

#### *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.

#### *Growth rate*

The growth rate used to extrapolate the cash flows is 2.5% (2012: 2.5%). 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*

The base discount rate applied to cash flow projections is 21.9% (2012: 16.8%). The discount rate is a pre-tax rate that reflects the current assessment of the time value of money and the overall perceived risk profile of the group.

### **(c) Impact of possible changes in key assumptions**

#### *Minerals*

A reasonably possible change in any of the key assumptions would not cause the carrying amount of the minerals CGU to exceed their recoverable amounts.

#### *Other*

Contained within other are CGUs for process industries, maintenance and metallurgical.

The recoverable amount for the process industries CGU is estimated to be \$2,000,000 (2012: \$2,235,000). This exceeds the carrying amount of the process industries CGU at 30 June 2013 by \$190,000 (2012: \$100,000).

If the pre-tax discount rate applied to the cash flow projections of the process industries CGU was 25.1% (2012: 17.3%) instead of 21.9% (2012: 16.8%), the recoverable amount of the process industries CGU would equal its carrying amount.

If the growth for subsequent years beyond the period covered by the most recent forecast was 2.2% (2012: 2.3%) instead of 2.5%, the recoverable amount of the process industries CGU would equal its carrying amount.

A reasonable possible change in any of the key assumptions would not cause the carrying amount of the maintenance and metallurgical CGUs to exceed their recoverable amounts.

## 17 Current liabilities - Trade and other payables

	Consolidated	
	2013	2012
	\$	\$
Trade payables	2,515,759	2,571,533
Revenue received in advance	14,430,466	8,400,572
Goods and services tax (GST) payable	3,816,676	2,556,739
Sundry creditors and accrued expenses (a)	<u>24,094,694</u>	<u>20,629,689</u>
	<b>44,857,595</b>	<b>34,158,533</b>

Included in the above are financial liabilities of \$26,610,453 (2012: \$23,201,222).

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

Other payables 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	
	2013	2012
	\$	\$
Annual leave obligation expected to be settled after 12 months	1,791,883	1,444,793
Long service leave obligation expected to be settled after 12 months	<u>1,634,737</u>	<u>1,321,115</u>
	<b>3,426,620</b>	<b>2,765,908</b>

### (b) Risk exposure

Information about the group exposure to foreign exchange risk is provided in note 2.

## 18 Current liabilities - Borrowings

	Consolidated	
	2013	2012
	\$	\$
<b>Secured</b>		
Lease liabilities (note 30)	1,228,233	1,328,047
Hire purchase	<u>32,261</u>	<u>53,676</u>
Total secured current borrowings	<u>1,260,494</u>	<u>1,381,723</u>
<b>Unsecured</b>		
Other loans	<u>503,143</u>	<u>240,780</u>
Total unsecured current borrowings	<u>503,143</u>	<u>240,780</u>
Total current borrowings	<u>1,763,637</u>	<u>1,622,503</u>

## 18 Current liabilities - Borrowings (continued)

### (a) Security and fair value disclosures

Information about the security relating to each of the secured liabilities and the fair value of each of the borrowings is provided in note 20.

### (b) Risk exposures

Details of the group's exposure to risks arising from current and non-current borrowings are set out in note 2.

## 19 Current liabilities - Provisions

	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
	\$	\$
Service warranties (a)	<b>1,097,956</b>	1,097,956

### (a) Service warranties

Provision is made for the estimated cost in respect of works carried out which may require rectification. Any claims made are expected to be settled in the next financial year.

## 20 Non-current liabilities - Borrowings

	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
	\$	\$
<b>Secured</b>		
Lease liabilities	<b>1,012,359</b>	1,535,136

\* Further information relating to loans from related parties is set out in note 31.

### (a) Secured liabilities and assets pledged as security

The total secured liabilities (current and non-current) are as follows:

	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
	\$	\$
Lease liabilities	<b>2,240,592</b>	2,863,183
Hire purchase	<b>32,261</b>	53,676
Total secured liabilities	<b>2,272,853</b>	2,916,859

## 20 Non-current liabilities - Borrowings (continued)

### (a) Secured liabilities and assets pledged as security (continued)

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<i>Finance lease</i>		
Plant and equipment	<b>1,180,042</b>	1,638,546
Leasehold improvements	<b>544,160</b>	964,770
	<b>1,724,202</b>	2,603,316

### (b) Fair value

The carrying amounts and fair values of borrowings at the end of the reporting period are:

	<b>2013</b>		<b>2012</b>	
<b>Consolidated</b>	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>On-balance sheet</b>				
<i>Non-traded financial liabilities</i>				
Lease liabilities	<b>2,240,592</b>	<b>2,240,592</b>	2,863,183	2,863,183
Hire purchase	<b>32,261</b>	<b>32,261</b>	53,676	53,676
	<b>2,272,853</b>	<b>2,272,853</b>	2,916,859	2,916,859

### (c) Risk exposures

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

## 21 Non-current liabilities - Deferred tax liabilities

	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<b>The balance comprises temporary differences attributable to:</b>		
Accrued income - contractors	<b>160,340</b>	437,985
Other provisions	<b>61,957</b>	73,385
Depreciation	<b>356,646</b>	424,276
	<b>578,943</b>	935,646
Set-off of deferred tax liabilities pursuant to set-off provisions (note 15)	<b>(578,943)</b>	(935,646)
Net deferred tax liabilities	-	-
Deferred tax liabilities expected to be settled within 12 months	<b>160,340</b>	511,370
Deferred tax liabilities expected to be settled after more than 12 months	<b>418,603</b>	424,276
	<b>578,943</b>	935,646

## 21 Non-current liabilities - Deferred tax liabilities (continued)

Movements	Depreciation & amortisation \$	Accrued income \$	Other provisions \$	Total \$
<b>At 1 July 2011</b>	527,739	208,308	17,907	753,954
Charged/(credited)				
- profit or loss	(103,463)	247,830	55,478	199,845
Exchange rate differences	-	(18,153)	-	(18,153)
<b>At 30 June 2012</b>	<b>424,276</b>	<b>437,985</b>	<b>73,385</b>	<b>935,646</b>
<b>At 1 July 2012</b>	424,276	437,985	73,385	935,646
Charged/(credited)				
- profit or loss	(67,630)	(277,645)	(11,428)	(356,703)
<b>At 30 June 2013</b>	<b>356,646</b>	<b>160,340</b>	<b>61,957</b>	<b>578,943</b>

## 22 Non-current liabilities - Provisions

	Consolidated	
	2013	2012
	\$	\$
Employee benefits - long service leave	<u>1,157,067</u>	917,164

## 23 Contributed equity

### (a) Share capital

	<b>2013</b>	2012	<b>2013</b>	2012
	<b>Shares</b>	Shares	<b>\$</b>	\$
Ordinary shares				
Fully paid	<b>38,955,103</b>	38,655,103	<b>18,951,697</b>	18,730,297

### (b) Movements in ordinary share capital

<b>Date</b>	<b>Details</b>	<b>Number of</b>	<b>Issue price</b>	<b>\$</b>
		<b>shares</b>		
1 July 2011	Opening balance	38,655,103		18,730,297
	No movements during the year	-		-
30 June 2012	Closing balance	<u>38,655,103</u>		<u>18,730,297</u>
1 July 2012	Opening balance	38,655,103		18,730,297
29 August 2012	Exercise of Director performance rights	100,000	\$0.73	73,800
7 March 2013	Exercise of Director performance rights	100,000	\$0.73	73,800
28 March 2013	Exercise of Director performance rights	100,000	\$0.73	73,800
30 June 2013	Closing balance	<u>38,955,103</u>		<u>18,951,697</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 their ability to continue as a going concern, so that they 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.

## 23 Contributed equity (continued)

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

During 2013, the group's strategy was to maintain a gearing less than 40%. The gearing ratios at 30 June 2013 and 30 June 2012 were as follows:

	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Total borrowings (including payables)	<b>47,633,591</b>	37,316,171
Less: cash and cash equivalents	<b>(34,997,159)</b>	(27,768,444)
Net debt	<b>12,636,432</b>	9,547,727
Total equity	<b>69,429,817</b>	59,879,587
Total capital	<b>82,066,249</b>	69,427,314
<b>Gearing ratio</b>	<b>18.2%</b>	15.9%

## 24 Reserves and retained earnings

### (a) Other reserves

	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Available-for-sale investment revaluation reserve	<b>(79,100)</b>	(77,700)
Performance rights reserve	<b>778,886</b>	977,272
Foreign currency translation reserve	<b>440,599</b>	(604,666)
	<b>1,140,385</b>	294,906

## 24 Reserves and retained earnings (continued)

### (a) Other reserves (continued)

	Consolidated	
	2013	2012
	\$	\$
<b>Movements:</b>		
<i>Available-for-sale investment revaluation reserve</i>		
Balance 1 July	(77,700)	(61,600)
Revaluation - gross	(2,000)	(23,000)
Deferred tax	600	6,900
Balance 30 June	(79,100)	(77,700)
<i>Performance rights reserve</i>		
Balance 1 July	977,272	418,604
Performance rights plan expense	23,014	558,668
Transfer to share capital - exercise of rights	(221,400)	-
Balance 30 June	778,886	977,272
<i>Foreign currency translation reserve</i>		
Balance 1 July	(604,666)	(267,686)
Currency translation differences arising during the year	1,045,265	(336,980)
Balance 30 June	440,599	(604,666)

### (b) Retained earnings

	Consolidated	
	2013	2012
	\$	\$
Balance 1 July	40,689,644	30,916,243
Net profit for the year	21,931,946	22,143,034
Dividends paid or payable	(13,981,837)	(12,369,633)
Balance 30 June	48,639,753	40,689,644

### (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.



## 25 Non-controlling interests

	<b>Consolidated</b>	
	2013	2012
	\$	\$
Interest in:		
Share capital	28	28
Reserves	(73,120)	2,131
Retained earnings	771,074	162,581
	697,982	164,740

## 26 Dividends

### (a) Ordinary shares

	<b>Parent entity</b>	
	2013	2012
	\$	\$
Final dividend for the year ended 30 June 2012 of 21.0 cents (2011: 20.0 cents) per fully paid share paid on 15 October 2012		
Fully franked based on tax paid @ 30% (2011: 30%)	8,138,572	7,731,021
Interim dividend for the year ended 30 June 2013 of 15.0 cents (2012: 12.0 cents) per fully paid share paid on 15 April 2013		
Fully franked based on tax paid @ 30% (2012: 30%)	5,843,265	4,638,612
Total dividends provided for or paid	13,981,837	12,369,633

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

	<b>Parent entity</b>	
	2013	2012
	\$	\$
In addition to the above dividends, since year end the Directors have recommended the payment of a final dividend of 21.0 cents per fully paid ordinary share (2012: 21.0 cents), fully franked based on tax paid at 30% (2012: 30%). The aggregate amount of the proposed dividend expected to be paid on 15 October 2013 out of retained earnings at 30 June 2013, but not recognised as a liability at year end, is		
	8,180,572	8,138,572

### (c) Franked dividends

	<b>Consolidated</b>	
	2013	2012
	\$	\$
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2012: 30%)	17,625,131	18,526,006

## 26 Dividends (continued)

### (c) Franked dividends (continued)

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

- (a) franking credits that will arise from the payment of the amount of the provision for income tax
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and
- (c) 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 \$3,505,959 (2012: \$3,487,959).

## 27 Key management personnel disclosures

### (a) Key management personnel compensation

	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	<b>3,453,013</b>	3,117,499
Post-employment benefits	<b>174,997</b>	294,742
Share-based payments	<b>(49,704)</b>	173,285
	<b>3,578,306</b>	3,585,526

Detailed remuneration disclosures are provided in the remuneration report on pages 10 to 14.

### (b) Equity instrument disclosures relating to key management personnel

#### (i) Rights provided as remuneration and shares issued on exercise of such rights

Details of rights provided as remuneration and shares issued on the exercise of such rights, together with terms and conditions of the rights, can be found in the remuneration report on pages and 13 to 14. There were no options provided to key management personnel during the current year.

#### (ii) Rights holdings

The numbers of rights over ordinary shares in the company held during the financial year by each Director of Lycopodium Limited are set out below.

<b>2013</b>	<b>Balance</b>	<b>Granted</b>		<b>Other</b>	<b>Balance</b>	<b>Vested and</b>	<b>Unvested</b>
<b>Name</b>	<b>at start</b>	<b>as</b>	<b>Exercised</b>	<b>changes</b>	<b>at end of</b>	<b>exercisable</b>	
	<b>of the</b>	<b>compen-</b>		<b>^</b>	<b>the year</b>		
	<b>year</b>	<b>sation</b>					
<b>Directors of Lycopodium Limited</b>							
Rodney Leonard	217,000	-	-	(50,000)	167,000	117,000	50,000
Robert Osmetti	217,000	-	(100,000)	(50,000)	67,000	17,000	50,000
Bruno Ruggiero	217,000	-	(100,000)	(50,000)	67,000	17,000	50,000
Peter De Leo	317,000	-	(100,000)	(50,000)	167,000	117,000	50,000

^ Relates to rights forfeited/gained as a result of actual performance hurdle levels being met/not achieved.

## 27 Key management personnel disclosures (continued)

### (b) Equity instrument disclosures relating to key management personnel (continued)

#### (ii) Rights holdings (continued)

2012 Name	Balance at start of the year	Granted as compen- sation	Exercised	Other changes ^	Balance at end of the year	Vested and exercisable	Unvested
<b>Directors of Lycopodium Limited</b>							
Rodney Leonard	210,000	-	-	7,000	217,000	100,000	117,000
Robert Osmetti	210,000	-	-	7,000	217,000	100,000	117,000
Bruno Ruggiero	210,000	-	-	7,000	217,000	100,000	117,000
Peter De Leo	310,000	-	-	7,000	317,000	200,000	117,000

^ Relates to rights forfeited/gained as a result of actual performance hurdle levels being met/not achieved.

#### (iii) 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.

2013 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
Lawrence Marshall	1,942,332	-	-	1,942,332
Rodney Leonard	2,612,332	-	-	2,612,332
Robert Osmetti	2,141,781	100,000	(183,633)	2,058,148
Bruno Ruggiero	3,167,332	100,000	(100,000)	3,167,332
Peter De Leo	1,254,771	100,000	(300,000)	1,054,771
<b>Other key management personnel of the group</b>				
<b>Ordinary shares</b>				
Keith Bakker	115,000	-	(13,964)	101,036

2012 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
Lawrence Marshall	2,142,332	-	(200,000)	1,942,332
Rodney Leonard	2,812,332	-	(200,000)	2,612,332
Robert Osmetti	2,141,781	-	-	2,141,781
Bruno Ruggiero	3,167,332	-	-	3,167,332
Peter De Leo	1,254,771	-	-	1,254,771
<b>Other key management personnel of the group</b>				
<b>Ordinary shares</b>				
Keith Bakker	125,000	-	(10,000)	115,000

## 27 Key management personnel disclosures (continued)

### (c) 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

	Balance at the start of the year \$	Interest paid and payable for the year \$	Interest not charged \$	Balance at end of the year \$	Number in group at the end of the year
<b>2013</b>	<b>61,057</b>	-	-	<b>52,213</b>	<b>2</b>
2012	69,141	-	-	61,057	2

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.

## 28 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) PwC Australia

	Consolidated	
	2013 \$	2012 \$
<i>Audit and other assurance services</i>		
Audit and review of financial reports	318,750	331,042
<i>Taxation services</i>		
Tax compliance services (including income tax returns)	46,185	40,207
International tax advice	8,145	2,000
Total remuneration for taxation services	54,330	42,207
Total remuneration of PwC Australia	373,080	373,249

## 28 Remuneration of auditors (continued)

### (b) Network firms of PwC Australia

	Consolidated	
	2013 \$	2012 \$
<i>Audit and other assurance services</i>		
Audit and review of financial statements	35,741	33,852
<i>Taxation services</i>		
Tax compliance services (including income tax returns)	42,241	58,606
Total remuneration of network firms of PwC Australia	77,982	92,458

### (c) Non-PwC audit firms

	Consolidated	
	2013 \$	2012 \$
<i>Audit and other assurance services</i>		
Audit and review of financial statements	5,390	8,009
<i>Taxation services</i>		
Tax compliance services (including income tax returns)	26,750	6,867
International tax advice	91,450	11,025
Total remuneration for taxation services	118,200	17,892
<i>Other services</i>		
Other services	9,889	4,032
Total remuneration of non-PwC audit firms	133,479	29,933
<b>Total auditors' remuneration</b>	<b>584,541</b>	495,640

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

## 29 Contingencies

The group had contingent liabilities at 30 June 2013 and 30 June 2012 in respect of:

### (a) Contingent liabilities

#### (i) Guarantees

Guarantees are given in respect of rental bonds for \$1,618,271 (2012: \$1,571,021).

## **29 Contingencies (continued)**

### **(a) Contingent liabilities (continued)**

#### *(i) Guarantees (continued)*

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, 153-163 Leichhardt Street, Spring Hill, 253-269 Wellington Road, Mulgrave and 191 St Georges Terrace, Perth.

No material losses are anticipated in respect of any of the above contingent liabilities (2012: Nil).

## **30 Commitments**

### **(a) Capital commitments**

There were no capital expenditures contracted for at the reporting date which have not been recognised as liabilities (2012: Nil).

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

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

The 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 property under operating lease by Lycopodium Process Industries Pty Ltd is a non cancellable lease with a 60 month term ending 31 August 2015, with an option to renew the lease at the end of the term for a further 60 months. The agreement provides for an annual increase in the rental payments of 3.5% over the previous year's rental.

The property under operating lease by Lycopodium (Ghana) Pty Ltd is a non cancellable lease with 24 month term ending 14 September 2013, with an option to renew for a further 24 month term.

The property under operating lease by Lycopodium (Philippines) Pty Ltd is a non cancellable lease with a 36 month term ending 30 June 2014, with the option to renew for a further 36 month term. The agreement provides for an increase in the rental payments of 5% per annum and an increase in the general leasing expenses of 5% per annum.

The property under operating lease by Lycopodium Minerals QLD Pty Ltd is a non-cancellable lease with a 72 month term ending 31 August 2016, with no option to renew. The lease agreement provides for annual increase in the rental payments of 4% over the previous year's rental. The lease allows for sub-letting of all lease areas subject to prior consent of the landlord.

The property under operating lease by Lycopodium Asset Management 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 property under sub lease by Lycopodium Minerals Canada Ltd is a non-cancellable lease with a 36 month term ending 30 August 2014, with the option to renew for a further 40 month term. No provision for increase in rental payments applies.

The property under operating lease by Lycopodium Rail Pty Ltd is a non-cancellable lease with a 36 months term ending 29 January 2015, with an option to renew the lease at the end of its term for a further 36 months. Minimum lease payments are contingent upon annual CPI movements during the terms of its lease.

### 30 Commitments (continued)

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

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

	Consolidated	
	2013	2012
	\$	\$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	7,033,514	6,695,835
Later than one year but not later than five years	24,258,471	24,787,139
Later than five years	16,229,537	21,156,889
	47,521,522	52,639,863

##### (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 \$2,374,414 (2012: \$2,603,316). 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	
	2013	2012
	\$	\$
Commitments in relation to finance leases are payable as follows:		
Within one year	1,435,429	1,568,114
Later than one year but not later than five years	1,004,634	1,634,752
Minimum lease payments	2,440,063	3,202,866
Future finance charges	(167,210)	(286,007)
Total lease liabilities	2,272,853	2,916,859
Representing lease liabilities:		
Current (note 18)	1,260,494	1,381,723
Non-current (note 20)	1,012,359	1,535,136
	2,272,853	2,916,859

The weighted average interest rate implicit in the leases and hire purchases is 6.54% (2012: 8.64%).

### 31 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 32.

#### (c) Key management personnel

Disclosures relating to key management personnel are set out in note 27.

### 31 Related party transactions (continued)

#### (d) Transactions with other related parties

The following transactions occurred with related parties:

	<b>Consolidated</b>	
	<b>2013</b>	2012
	\$	\$
<i>Purchases of goods and services</i>		
Purchases from joint venture	<b>516,696</b>	160,976
<i>Sale of goods and services</i>		
Sales to joint ventures	<b>8,918,808</b>	603,958

#### (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>2013</b>	2012
	\$	\$
<i>Current receivables</i>		
Joint ventures	<b>4,878,712</b>	69,649
<i>Current payables</i>		
Joint ventures	<b>255,686</b>	332,975

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

	<b>Consolidated</b>	
	<b>2013</b>	2012
	\$	\$
<i>Loans to joint venture</i>		
Beginning of the year	<b>999,999</b>	-
Loans advanced	-	1,000,000
Issued capital	-	(1)
End of year	<b>999,999</b>	999,999

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 are made at cost.

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

Outstanding balances are unsecured and are repayable in cash.



## 32 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	Class of shares	Equity holding	
			2013 %	2012 %
Lycopodium Minerals Pty Ltd	Australia	Ordinary	100	100
Orway Mineral Consultants (WA) Pty Ltd	Australia	Ordinary	100	100
Lycopodium Process Industries Pty Ltd	Australia	Ordinary	100	100
Lycopodium (Ghana) Pty Ltd	Australia	Ordinary	100	100
Lycopodium (Ghana) Limited	Ghana	Ordinary	100	100
Lycopodium Tanzania Limited	Tanzania	Ordinary	100	100
Lycopodium (Philippines) Pty Ltd	Australia	Ordinary	100	100
Lycopodium Minerals QLD Pty Ltd	Australia	Ordinary	100	100
Lycopodium Infrastructure Pty Ltd	Australia	Ordinary	100	100
Lycopodium Asset Management Pty Ltd	Australia	Ordinary	100	100
SUPL Pty Ltd	Australia	Ordinary	100	100
Lycopodium Share Plan Pty Ltd	Australia	Ordinary	100	100
Lycopodium Mauritius	Mauritius	Ordinary	100	100
Lycopodium Mauritania SARL	Mauritania	Ordinary	100	100
Lycopodium Americas Pty Ltd	Australia	Ordinary	85	85
Lycopodium Minerals U.S.A Inc.	U.S.A	Ordinary	100	100
Lycopodium Minerals Canada Ltd	Canada	Ordinary	100	100
Orway Mineral Consultants Americas Pty Ltd	Australia	Ordinary	85	85
Orway Mineral Consultants Canada Ltd	Canada	Ordinary	100	100
Lycopodium PNG Ltd	PNG	Ordinary	100	100
Lycopodium Burkina Faso SARL	Burkina Faso	Ordinary	100	100
Lycopodium Rail Pty Ltd	Australia	Ordinary	75	75
Lycopodium Ghana Infrastructure Ltd	Ghana	Ordinary	100	100
Process Design and Fabrication Pty Ltd	Australia	Ordinary	100	100
Lycopodium Management Consulting Pty Ltd (i)	Australia	Ordinary	100	-

(i) Lycopodium Management Consulting Pty Ltd was incorporated on 15 November 2012.

## 33 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 2013 financial year. The total amount of the dividend is \$8,180,572 (2012: \$8,138,572), which represents a fully franked dividend of 21.0 (2012: 21.0) 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:

- (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.

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

	Consolidated	
	2013	2012
	\$	\$
Profit for the year	22,540,439	22,355,099
Depreciation and amortisation	2,192,104	1,784,442
Non-cash employee benefits expense - share-based payments	23,014	558,668
Net loss on sale of non-current assets	235,536	1,503
Share of profits of joint venture partnership	(5,625,335)	(280,263)
Interest relating to financing activities	232,000	301,743
Change in operating assets and liabilities:		
Increase in trade debtors and other receivables	(663,759)	(12,755,002)
Increase in deferred tax assets	(3,489,979)	(255,521)
Increase in other operating assets	(1,001,518)	(826,727)
Increase in trade creditors	10,699,063	10,077,582
Decrease in provision for income taxes payable	(1,882,372)	(4,065,794)
Increase in other provisions	239,903	836,718
Net cash inflow from operating activities	23,499,096	17,732,448

### 35 Non-cash investing and financing activities

	Consolidated	
	2013	2012
	\$	\$
Acquisition of plant and equipment by means of finance leases or hire purchase arrangements	343,368	1,352,041

### 36 Earnings per share

#### (a) Basic earnings per share

	Consolidated	
	2013	2012
	Cents	Cents
Basic earnings per share attributable to the ordinary equity holders of the company	56.5	57.3

#### (b) Diluted earnings per share

	Consolidated	
	2013	2012
	Cents	Cents
Diluted earnings per share attributable to the ordinary equity holders of the company	55.4	56.0

### 36 Earnings per share (continued)

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

	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<i>Basic earnings per share</i>		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	<b>21,931,946</b>	22,143,034
Diluted earnings per share		
Used in calculating diluted earnings per share	<b>21,931,946</b>	22,143,034

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

	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
	<b>Number</b>	<b>Number</b>
<i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share</i>	<b>38,796,747</b>	38,655,103
Adjustments for calculation of diluted earnings per share:		
Performance rights	<b>801,329</b>	906,370
<i>Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share</i>	<b>39,598,076</b>	39,561,473

### 37 Share-based payments

#### (a) Executive director performance rights plan

Performance rights were granted to certain executive directors as disclosed in the Notice of Annual General Meeting dated 16 October 2008. The performance rights were designed to give incentive to the executive directors to provide dedicated and ongoing commitment and effort to the company and aligning the interest of both employees and shareholders.

The performance rights vest subject to the following performance hurdles being met.

- (i) Tranche 1 - On 1 July 2011 if EPS for 30 June 2009 exceeds EPS for 30 June 2008 by 10%
- (ii) Tranche 2 - On 1 July 2012 if EPS for 30 June 2010 exceeds EPS for 30 June 2009 by 10%
- (iii) Tranche 3 - On 1 July 2013 if EPS for 30 June 2011 exceeds EPS for 30 June 2010 by 10%
- (iv) Tranche 4 - On 1 July 2014 if EPS for 30 June 2012 exceeds EPS for 30 June 2011 by 10%
- (v) Tranche 5 - On 1 July 2015 if EPS for 30 June 2013 exceeds EPS for 30 June 2012 by 10%

Where EPS does not exceed 10%, the performance rights will vest proportionally for each period from 0% where EPS is 5% to 100% where EPS is 10%.

The rights expire on 30 June 2016 and are granted under the plan for no consideration.

### **37 Share-based payments (continued)**

#### **(a) Executive director performance rights plan (continued)**

##### *Fair value of rights granted*

The assessed fair value at grant date of rights granted during the year ended 30 June 2009 was \$0.74 cents per right. Fair values at grant date are independently determined using a Binomial Tree option pricing model that takes into account the exercise price, the term of the rights, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free rate for the term of the rights.

The model inputs for options granted during the year ended 30 June 2009 included:

- (i) exercise price: \$Nil
- (ii) grant date: 27 November 2008
- (iii) expiry date: 30 June 2016
- (iv) share price at grant date: \$1.95
- (v) expected price volatility of the company's shares: 45.6%
- (vi) expected dividend yield: 12.8%
- (vii) risk-free interest rate: 5.25%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

The total number of rights issued under this plan to participating directors for the financial year ended 30 June 2013 was Nil (2012: Nil).

#### **(b) Employee performance rights plan**

Performance rights were granted to certain employees during the year under the Lycopodium Group Performance Plan as approved by the Board on 3 October 2011. The rights were designed to give incentive to the employees to provide dedicated and ongoing commitment and effort to the company and aligning the interest of both employees and shareholders. None of the directors of Lycopodium Limited are eligible to participate in this plan.

The rights expire on 30 September 2014 and are granted under the plan for no consideration.

##### *Fair value of rights granted*

The assessed fair value at grant date of the rights granted during the year ended 30 June 2012 was \$4.76 per right. Fair values at grant date are independently determined using a Binomial Tree option pricing model that takes into account the exercise price, the term of the rights, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free rate for the term of the rights.

The model inputs for options granted during the year ended 30 June 2012 included:

- (i) exercise price: \$Nil
- (ii) grant date: 1 October 2011
- (iii) expiry date: 30 September 2014
- (iv) share price at grant date: \$5.60
- (v) expected price volatility of the company's shares: 35.5%
- (vi) expected dividend yield: 5.4%
- (vii) risk-free interest rate: 4.75%

### 37 Share-based payments (continued)

#### (b) Employee performance rights plan (continued)

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

The total number of rights issued under this plan to eligible participating employees for the financial year ended 30 June 2013 was nil (2012: \$165,000).

#### (c) 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.

#### (d) 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 as follows:

	<b>Consolidated</b>	
	<b>2013</b>	2012
	<b>\$</b>	\$
Rights issued under the Executive Director Performance Rights Plan	<b>(49,704)</b>	173,285
Rights issued under the Employee Performance Rights Plan	<b>72,718</b>	385,383
	<b>23,014</b>	558,668

### 38 Parent entity financial information

#### (a) Summary financial information

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

	2013 \$	2012 \$
<b>Balance sheet</b>		
Current assets	10,904,801	8,522,626
Non-current assets	<u>18,103,605</u>	<u>18,743,957</u>
Total assets	<u>29,008,406</u>	<u>27,266,583</u>
Current liabilities	1,154,501	1,688,708
Non-current liabilities	<u>113,068</u>	<u>614,532</u>
Total liabilities	<u>1,267,569</u>	<u>2,303,240</u>
Net assets	<u>27,740,837</u>	<u>24,963,343</u>
<i>Shareholders' equity</i>		
Contributed equity	18,951,702	18,730,297
Share-based payments	778,886	977,272
Retained earnings	<u>8,010,249</u>	<u>5,255,774</u>
	<u>27,740,837</u>	<u>24,963,343</u>
<b>Profit for the year</b>	<u>16,736,316</u>	<u>10,642,923</u>
<b>Total comprehensive income</b>	<u>16,736,316</u>	<u>10,642,923</u>

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

During the period, the parent entity entered into an arrangement with a financier for a standby credit facility of \$12.5m. In return, the parent entity and Lycopodium Minerals Pty Ltd jointly executed a cross guarantee and indemnity as security for the facility. The security remains undrawn at year end.

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

The parent entity did not have any contingent liabilities as at 30 June 2013 or 30 June 2012.

#### (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 2013 or 30 June 2012.

In the Directors' opinion:

- (a) the financial report and notes set out on pages 23 to 84 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 2013 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.



Rodney Lloyd Leonard  
Managing Director

Perth  
24 September 2013



## **Independent auditor's report to the members of Lycopodium Limited**

### ***Report on the financial report***

We have audited the accompanying financial report of Lycopodium Limited (the company), which comprises the balance sheet as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Lycopodium Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

### ***Directors' responsibility for the financial report***

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

### ***Auditor's responsibility***

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

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

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

### ***Independence***

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

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**PricewaterhouseCoopers, ABN 52 780 433 757**  
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## **Independent auditor's report to the members of Lycopodium Limited (continued)**

### *Auditor's opinion*

In our opinion:

- (a) the financial report of Lycopodium Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

### ***Report on the Remuneration Report***

We have audited the remuneration report included in pages 10 to 14 of the directors' report for the year ended 30 June 2013. 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.

### *Auditor's opinion*

In our opinion, the remuneration report of Lycopodium Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers', written in a cursive style.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Pierre Dreyer', written in a cursive style.

Pierre Dreyer  
Partner

Perth  
24 September 2013

The shareholder information set out below was applicable as at 16 September 2013.

**A. Distribution of equity securities**

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

<b>Holding</b>	<b>Total Holders</b>
1 - 1000	575
1,001 - 5,000	844
5,001 - 10,000	270
10,001 - 100,000	211
100,001 and over	23
	1,923

There were 74 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:

<b>Name</b>	<b>Ordinary shares</b>	
	<b>Number held</b>	<b>Percentage of Units</b>
1 Reesh Pty	9,104,637	23.37
2 HSBC Custody Nominees (Australia) Limited	4,861,115	12.48
3 Luala Pty Ltd	3,167,332	8.13
4 Caddy Fox Pty Ltd	2,612,332	6.71
5 Selso Pty Ltd	2,058,148	5.28
6 Accede Pty Ltd	1,942,332	4.99
7 JP Morgan Nominees Australia Limited	825,905	2.12
8 Citicorp Nominees Pty Ltd (Colonial First State Inv A/C)	795,355	2.04
9 JP Morgan Nominees Australia Limited	581,501	1.49
10 Lycopodium Share Plan Pty Ltd	510,000	1.31
11 Mr Peter De Leo	422,466	1.08
12 De Leo Nominees Pty Ltd	407,900	1.05
13 Botech Pty Ltd	305,405	0.78
14 Mr David James Taylor	236,754	0.61
15 Mr Peter De Leo & Mrs Tiana De Leo	216,405	0.56
16 Citicorp Nominees Pty Ltd	215,459	0.55
17 Rubi Holdings Pty Ltd	200,000	0.51
18 Nancris Pty Ltd	175,000	0.45
19 Dr Gregory O'Neil	165,334	0.42
20 National Nominees Limited	135,118	0.35
	28,938,498	74.28

**C. Substantial holders**

Substantial holders in the company are set out below:

<b>Name</b>	<b>Number held</b>	<b>Percentage of Units</b>
1 Reesh Pty Ltd	9,104,637	23.37
2 HSBC Custody Nominees (Australia) Limited	4,861,115	12.48
3 Luala Pty Ltd	3,167,332	8.13
4 Caddy Fox Pty Ltd	2,612,332	6.71
5 Selso Pty Ltd	2,058,148	5.28

**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.

**Directors**

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

**Company Secretary**

Keith Bakker

**Registered and Principal Office**

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**Share Registry**

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