Lycopodium

Annual Financial Report 2019

Contents

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 30 September 2019. 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

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 2019.

Directors

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

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

Principal activities

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

Dividends

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

	2019 **$**	2018 $
Final fully franked dividend for the year ended 30 June 2018 of 18.0 cents (2017: 9.0 cents) per fully paid share paid on 12 October 2018 (2017: 13 October 2017).	**7,151,827**	3,575,914
Interim fully franked dividend for the year ended 30 June 2019 of 15.0 cents (2018: 12.0 cents) per fully paid share paid on 12 April 2019 (2018: 10 April 2018)	**5,959,856**	4,767,885
	13,111,683	8,343,799

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 $5,959,856 (15.0 cents per fully paid share) to be paid on 11 October 2019 out of retained earnings at 30 June 2019 (2018: $7,151,827). This brings the total dividend declared for the year ended 30 June 2019 to 30.0 cents (2018: 30.0 cents).

Review of operations

The past year has been busy and successful for Lycopodium. Much has been accomplished as we evolve to meet the challenges and opportunities within our industry.

We have continued to pursue our strategy of growing a strong business with depth and breadth of skills to deliver quality services across the diversified sectors of resources, infrastructure and industrial processes. This strategy is reflected in the results for the year.

Full Year Results

For the financial year ended 30 June 2019, Lycopodium derived revenues of $154 million and a net profit after tax of $16.51 million.

The Directors have resolved to pay a final dividend of 15 cents, which is in line with the dividend policy. The total dividend for the year is 30 cents fully franked.

Review of operations (continued)

Activities for the past year

Within the mineral resources sector we have continued to build on the number of geographies in which we deliver studies and projects, working across a wide variety of commodities and for all tiers of client from explorers through to majors. In addition to our traditional Australian and West African geographies, we are delivering projects in Asia, Europe, the Americas and Canada.

To assist in delivering projects in Africa we have opened additional offices in Cape Town and Johannesburg where we will be tapping into the significant availability of quality personnel to grow around our existing South African teams.

We have moved our Manila operation into new premises in the Bonfacio Global City (BGC) area of Manila. The new premises provide our Manila based team a fresh home and modern facilities to continue delivering their high quality outputs, in support of all of our global operations in an efficient and effective manner.

As reported last year we continue to work to ensure that our service offering is of a consistently high quality across our various mineral resource related operations. During the past twelve months we have continued our organisational connectedness to support greater collaboration, workshare and ultimately effectiveness in the way we deliver our services across the globe.

In the infrastructure sector we have continued to refine our target market and have focused our efforts on rail infrastructure management (RIM), rail related engineering and project delivery services, mineral resource related non-process infrastructure and infrastructure related asset management.

In the industrial processes sector we have continued to diversify away from our traditional markets such as manufacturing and have used our skills on a range of briefs including renewable energy, cannabinoid and sustainability related projects.

We have embraced Industry 4.0. We have established a new joint venture company (see below) which offers operating mines real time process optimisation services; we are intimately involved in De Beers' leading edge 'Plant of the Future' work; and we are always testing, developing and rolling out advanced engineering tools in support of our operational efforts.

We have continued to develop projects on a range of contracting models and have proven our ability to successfully deliver projects on an EPC basis to complement our long and successful track record in EPCM service delivery.

Succession planning

Our long term succession planning was put into practice this year with Karl Cicanese succeeding Rod Leonard as the leader of our Minerals division and Andrew Carnie succeeding Bob Osmetti as Managing Director of Mondium Pty Ltd, our incorporated joint venture with Monadelphous Limited. These are very important transitions as both Rod and Bob were founding directors of Lycopodium and have been instrumental in establishing the success and culture of the company. The succession has been managed carefully and smoothly, with Karl and Andrew seamlessly taking on the responsibilities of those roles, while Rod and Bob have transitioned into non-executive director roles on the board of Lycopodium Limited.

Review of operations (continued)

Outlook

We operate in interesting times which emphasises the need to remain nimble and flexible in how we approach our markets.

In the resources sector over the past twelve months we have been active on gold, copper, nickel, cobalt, iron ore, phosphate, diamonds, rubies, lithium and graphite projects. The current outlook across this basket of minerals is mixed. Whereas the gold price is at historical highs, forecast prices for other commodities are less clear. However, the broad range of commodities and geographies within which we operate allows us to take advantage of the opportunities and meet the challenges the market presents. We have a strong pipeline of projects and key prospects that we believe will underpin our operational and financial performance.

As mentioned earlier, within the infrastructure sector we rationalised our target market to rail, asset management and resource project related infrastructure, areas we consider ideal for the services we provide.

In the industrial processes sector we continue to leverage our expertise in, among other things, complex chemistry, heat and mass transfer and solid / liquid separation, into emerging opportunities such as cannabinoids, light metals and water purification. The industrial processes market remains very competitive and quite broad. Our leadership team is continuing to look at how to leverage our expertise for greater return.

Operational highlights

Refer to our Shareholder Report for more detail however the following provides a summary of our operational highlights for the year.

Resources

Cobré Panama Project

We have been working with First Quantum Minerals Ltd (FQML) since 2013 on the Cobré Panama Project. This project continues our collaboration with FQML to support its project development style along with budget and schedule targets now spanning over six projects in Australia and Africa. Through its Panamanian subsidiary, Minera Panama S.A., FQML is developing this large concession. The project involves the largest unit processing equipment in the world resulting in a facility capable of processing 85 Mtpa of primary ore to produce concentrate of copper as well as a number of other minerals / metals. Over the past year, Lycopodium has completed the process plant design and the services to non-process infrastructure buildings as well as providing some field engineering and plant commissioning support personnel in Panama. We are very proud of our association with FQML as well as our role on this world class project which has an expected mine life of 40 years.

Ity Project

In 2017 Endeavour Mining Corporation (Endeavour) awarded the EPCM services contract for the delivery of the Ity Project to Lycopodium. Ity, located approximately 700 km northwest of Abidjan, has the longest history of any gold mine in Côte d’Ivoire producing more than 1.2 million ounces of gold over more than 25 years of production. Lycopodium provided the full EPCM services for the gold CIL plant, capable of 4 Mtpa of a blended gold bearing ore. In 2018 we also undertook a debottlenecking review of the Ity mine plant design to increase the plant nameplate capacity to 5 Mtpa. The upgrade was approved and through the third quarter of 2018 engineering and procurement was completed in parallel with the construction of the existing project. We are proud to be associated with this project which achieved first gold in March 2019 some four months ahead of schedule.

Review of operations (continued)

Toka Tindung Project

Over the past few years Lycopodium has worked with PT Archi Indonesia (Archi), an Indonesian based gold mining company, to upgrade the plant processing facilities at Toka Tindung site. From March 2017 through to November 2018, Lycopodium provided full EPCM services for a throughput upgrade from 2.4 Mtpa to 3 Mtpa of the process plant facilities. T he upgrade was successfully executed within budget and schedule, with Practical Completion achieved 1 November 2018.

Waghnion

In late 2017 Teranga Gold Corporation (Teranga), awarded Lycopodium a contract to provide EPCM services for the process design, engineering design, procurement, construction management and commissioning of the 2.0 to 2.7 Mtpa (average LOM throughput rate of 2.5 Mtpa) process plant for Wahgnion. Engineering design was completed for support infrastructure including the accommodation village. Commissioning of the process plant is in progress with the first gold pour expected in 3Q2019 with production ramp up in 4Q2019. The project is set to meet budget and schedule targets having achieved an excellent health and safety record.

Bonasika

In June 2018, Lycopodium was awarded the contract for the provision of detailed engineering and technical procurement support for the greenfield Bonasika bauxite project developed by Guyana Industrial Minerals (GINMIN) near Georgetown in Guyana. The project is estimated to have a mine life of 25 years and will process 350,000 tonnes of raw bauxite a year, for use in sintered bauxite products. By June 2019 Lycopodium's scope had effectively been completed.

Montepuez Ruby Mines - Recovery Plant

In late 2018 Lycopodium (via ADP Marine and Modular) completed the installation of the MRM Ruby Recovery Plant. The final recovery was designed to incorporate UV-sorting technology to recover rubies from DMS concentrate that was produced from processing both primary and secondary alluvial ore bodies. This process plant was designed to fit into 36 modules all of which have the same outer dimensions and this being the same as a standard 6 m high cube container. After transport to site in Mozambique the modules were all assembled, interconnecting services completed and the facility successfully commissioned. Lycopodium has subsequently been requested to provide further engineering services with a view to further plant upgrades.

Sanbrado

In October 2018 West African Resources awarded Lycopodium the contract to provide full Engineering and Procurement (EP) services on the Sanbrado Gold Project in Burkina Faso, with subsequent award of the balance of Construction Management (CM) services in the 1H19. The Sanbrado Project, is fully funded to production and expected to pour first gold in Q3 CY2020. This project represents Lycopodium's seventh project in this country in the past five years.

Boto

In October 2018, IAMGOLD Corporation (IAMGOLD) announced to the markets positive results from the Feasibility Study for its Boto Gold Project in Senegal, West Africa. This Feasibility Study, completed jointly by IAMGOLD and Lycopodium, outlined an economically robust project with an anticipated low cost of production and long operating life. In February 2019, after a competitive tendering process, Lycopodium was issued with a Letter of Intent by IAMGOLD appointing Lycopodium as the preferred EPCM partner for the Boto execution stage, pending a decision to construct. Although the full project go-ahead remains to be received in May 2019 we have commenced work on a study update looking at further optimisation of the Boto plant and infrastructure with an increased plant throughput.

Review of operations (continued)

Toliara

Using the PFS as a basis, Lycopodium, in conjunction with Mineral Technologies, is managing the production of the Definitive Feasibility Study (DFS) with a scope of services that will see the completion of all work necessary to provide a complete DFS for the Toliara project in Madagascar. The project will produce ilmenite, zircon and rutile. The owner, Base Resources (Base), is an Australian domiciled, African focused, mineral sands producer and developer that operates the established Kwale Operation in Kenya. The DFS will determine project design, execution planning and financing and is due to be completed by late 2019. A final investment decision is expected to be given by Base in the first half of 2020 with the aim of having the project in production by early 2022.

Yanqul

The Yanqul Project is situated in the Ad Dhahirah Governate, approximately 50 km north of Ibri in Saudi Arabia. Lycopodium was appointed in September 2018 to manage a Definitive Feasibility Study of this project. The work in progress includes management of consultants as well as work done by Lycopodium in house. An open pit mining operation with a processing plant on site is being investigated.

Mt Cattlin

Lycopodium via Mondium was awarded the design and construction of four new process modules to increase yield optimisation of the Galaxy Resources Mt Cattlin plant. The works included the optimisation of the existing lithium processing facility with engineering undertaken out of our Perth office with process expertise supported by our Cape Town office. The work was successfully completed in the first half of 2019.

Bomboré

Lycopodium continued its work on Orezone Gold Corporation's (Orezone) Bomboré Project in Burkina Faso. One of the largest undeveloped and fully permitted gold deposits in West Africa. Bomboré is located 85 km east of the capital city, Ouagadougou, adjacent to national paved highway RN4. The work undertaken this year has been in the form of an update to the previous feasibility study which looked at a staged higher-grade sulphide expansion in addition to the oxide mine plan in the 2018 Feasibility Study (FS). The 2019 update incorporates the combined oxide and sulphide circuits and will be based on an expanded plant throughput of 5.2 Mtpa as opposed to the 4.5 Mtpa used in the 2018 FS. We have kicked off Front End Engineering and Design (FEED) for the oxide phase of the project.

Infrastructure

Newcastle Light Rail O&M Support

Newcastle Light Rail is a high capacity, frequent and reliable service through the city centre, connecting key activity precincts and opening up urban renewal opportunities. Lycopodium was engaged to support the development of the operating and maintenance manuals of the project's infrastructure. Lycopodium authored a material number of the manuals developed for the project and also managed the development of the remaining manuals by other contractors and vendors to ensure the content was of a consistent high quality, meeting the demands of the rail regulator and that of Transport for NSW.

Pacific National RIM Services

Pacific National Corporation (Pacific National) is Australia's largest rail provider, hauling coal, steel, automotive, agricultural, minerals and containerised freight to all mainland states and territories in Australia. Lycopodium continued the provision of its Rail Infrastructure Management (RIM) services for Pacific National, working through its 3 (plus 1) year agreement to inspect, certify and manage defects at 62 sites Australia wide. Inspections at these sites commenced in April 2018 requiring substantial prior planning and groundwork. RIM services comprise processes and systems to ensure infrastructure is fit-for-purpose, able to support safe and efficient operations. In addition and most importantly, the service ensures risk is managed in accordance with the requirements of rail safety legislation. Pacific National has expanded our scope to include derailment investigations, special or ad hoc inspections and geotechnical investigations

Review of operations (continued)

Process Industries

Geo40 Silica Extraction Plant

Lycopodium was engaged by New Zealand-based technology company Geo40 to design and commission a new facility for the extraction of silica from geothermal fluids in the Taupo region of New Zealand. The process extracts silica as a by-product from the heated fluids already being used to produce energy on the Ohaaki geothermal field. Lycopodium performed a preliminary design and a Capital Cost Estimate report in parallel with detail design for the new plant.

Magnesium Recovery Plant

EcoMag Ltd has developed a process to produce high purity Hydrated Magnesium Carbonate (HMC) from the waste streams - known as bitterns - left over from sea-salt production. Lycopodium was engaged to further develop the overall plant design process through a Feasibility Study Report, including a Capital Cost Estimate, Operating Cost Estimate and Implementation Plan for the detailed design, construction and commissioning phase of the project.

CSL Centrifuge Cooling Skids

In August of 2018, Lycopodium was awarded the contract for the detailed design of centrifuge cooling skids at CSL Behring's Broadmeadows, Victoria facility. The centrifuge system will be part of a new CSL facility to process human plasma into protein-based therapies.

Innovation

A key Lycopodium strategic pillar is the pursuit of new and innovative initiatives. Of note in this past year Lycopodium subsidiary company Orway Mineral Consultants (W.A.) Pty Ltd and Process IQ Pty Ltd have formed Orway IQ Pty Ltd, to deliver a remote optimisation consulting service - MillROC (Milling Remote Optimisation Consulting) to the minerals processing industry, initially focussed on comminution circuits. The joint venture draws on Orway Mineral Consultants' (OMC) expertise in comminution design, modelling and optimisation and Process IQ's expertise in the IIoT (Industrial Internet of Things), cloud-based computing, process control, automation and instrumentation.

The joint venture company is aligned with the METS Ignited initiative to assist with the growth and innovation of the business. METS Ignited is an industry-led, government funded, growth centre for the Mining Equipment, Technology and Services (METS) sector. OMC, Process IQ and now Orway IQ are at the forefront of the digital transformation in the mining industry, having been recognised for their ground-breaking collaborative work in this space receiving a METS Ignited grant to commercialise the product.

HSE and Community

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

In 2018/19 there were 4.1 million manhours worked across the Lycopodium managed projects with a zero LTIFR against an 8.1 construction industry average.

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

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

Review of operations (continued)

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

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

Acknowledgement

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

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

Review of operations (continued)

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

	Segment revenues		Segment results	
	2019	2018	**2019**	2018
	$	$	**$**	$
Minerals - Asia Pacific	**81,606,278**	117,508,883	**21,951,933**	18,469,665
Minerals - North America	**26,492,806**	17,163,303	**1,368,624**	1,167,134
Minerals - Africa	**31,712,530**	32,673,738	**371,783**	1,705,232
Project services - Africa	**6,451,670**	22,382,754	**2,101,063**	4,559,880
Process Industries	**5,800,985**	9,840,954	**158,922**	(76,389)
Other	**23,756,745**	24,018,094	**(777,625)**	1,403,965
Intersegment eliminations	**(22,490,221)**	(29,692,284)	**-**	-
Goodwill impairment	**-**	-	**-**	(1,095,048)
Unallocated	**702,616**	635,715	**(1,630,948)**	(378,950)
Total	**154,033,409**	194,531,157	**23,543,752**	25,755,489
Income tax expense			**(7,144,537)**	(7,096,593)
Profit for the year			**16,399,215**	18,658,896
Less: Loss/(profit) attributable to non-controlling interest			**108,163**	(163,201)
Profit attributable to owners of Lycopodium Ltd			**16,507,378**	18,495,695

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 2019 financial year. The total amount of dividend is $5,959,856 which represents a fully franked dividend of 15.0 cents per fully paid ordinary share.

With the exception of the above, no other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect:

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

Likely developments and expected results of operations

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

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

Environmental regulation

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

Information on Directors

Michael John Caratti BE (Elec) (Hons). Non-executive Chairman.		
Experience and expertise	Former Managing Director of Lycopodium Minerals Pty Ltd, Mr Caratti has over 40 years experience in the mineral processing industry and has had a major role in the development of the group's risk management and quality control programmes. Mr Caratti is a Director of Orway Minerals Consultants (WA) Pty Ltd.	
Other current directorships	None	
Former directorships in last 3 years	None	
Special responsibilities	Chairman of the Board Chairman of the Corporate Governance Committee Chairman of the Remuneration Committee	
Interests in shares and options	Ordinary shares of Lycopodium Limited	9,104,637

Peter De Leo BE (Civ) CPEng FIEAust. Managing Director.		
Experience and expertise	Mr De Leo has over 30 years experience in the construction and engineering fields. Mr De Leo is the Managing Director of Lycopodium Limited and was previously the Managing Director of Lycopodium Minerals Pty Ltd.	
Other current directorships	Director of Mondium Pty Ltd. Director of Australia-Africa Minerals and Energy Group Limited.	
Former directorships in last 3 years	None	
Special responsibilities	Member of the Corporate Governance Committee Member of the Audit Committee	
Interests in shares and options	Ordinary shares of Lycopodium Limited	1,171,711

Rodney Lloyd Leonard BE (Hons), MSc, MAusIMM. Executive Director (Non-executive from 1 July 2019)		
Experience and expertise	Mr Leonard has in excess of 30 years experience in the mineral processing industry and was the Managing Director of Lycopodium Minerals Pty Ltd up through to 30 June 2019 and a Non-executive Director of ADP Holdings (Pty) Limited.	
Other current directorships	Non-executive Director of West African Resources Limited.	
Former directorships in last 3 years	None	
Special responsibilities	Member of the Corporate Governance Committee Member of the Audit Committee	
Interests in shares and options	Ordinary shares of Lycopodium Limited	2,154,215

Information on Directors (continued)

Robert Osmetti BE (Civ), MIEAust, CPEng. Executive Director (Non-executive from 1 July 2019)		
Experience and expertise	Mr Osmetti has over 38 years experience in the project management and construction of minerals, oil refining and manufacturing projects. Mr Osmetti is a Director of Lycopodium Minerals Canada Limited and was previously the Managing Director of Mondium Pty Ltd.	
Other current directorships	Non-executive Director of Quantum Graphite Limited.	
Former directorships in last 3 years	None	
Special responsibilities	Member of the Corporate Governance Committee	
Interests in shares and options	Ordinary shares of Lycopodium Limited	266,148

Bruno Ruggiero BE (Mech), Grad Dip Min Sc, Grad Cert Eng Tech, MIEAust. Executive Director.		
Experience and expertise	Mr Ruggiero has over 30 years experience in the minerals industry. He currently serves as the Group Technical Director for Lycopodium Limited having overarching responsibility for the Company's technical knowledge base, capabilities and direction. Mr Ruggiero is a Director of Lycopodium Minerals Pty Ltd.	
Other current directorships	Non-executive Director of ECG Engineering Pty Ltd and Quantum Graphite Limited.	
Former directorships in last 3 years	None	
Special responsibilities	Member of the Corporate Governance Committee	
Interests in shares and options	Ordinary shares of Lycopodium Limited	3,167,332

Peter Anthony Dawson, BSc (Hons). Executive Director.		
Experience and expertise	Mr Dawson has 30 years experience in the resources sector, initially in operations and subsequently in corporate roles, including as an executive director of listed public companies and as a Partner in the Corporate Finance division of KPMG. Mr Dawson is a Director of Lycopodium Process Industries, Lycopodium Infrastructure Pty Ltd and ADP Holdings (Pty) Limited.	
Other current directorships	None	
Former directorships in last 3 years	None	
Special responsibilities	Member of the Corporate Governance Committee	
Interests in shares and options	None	-

Information on Directors (continued)

Lawrence William Marshall B.Bus (Acc) CPA. Non-executive Director.		
Experience and expertise	Mr Marshall in his role as the former Managing Director of Lycopodium Limited and with over 40 years experience has played a major role in the development of the group's information, accounting, management and risk management systems.	
Other current directorships	None	
Former directorships in last 3 years	None	
Special responsibilities	Chairman of the Audit Committee Member of the Corporate Governance Committee Member of the Remuneration Committee	
Interests in shares and options	Ordinary shares of Lycopodium Limited	1,272,332

Steven Chadwick BASc (Metallurgy). Non-executive Director.		
Experience and expertise	Mr Chadwick has over 40 years experience in the mining industry, incorporating technical, operating and management roles, as well as a strong metallurgical background. Mr Chadwick is now a metallurgical consultant specialising in project management with a range of local and international clients. He was a founding Director of BC Iron and a former Managing Director of Coventry Resources, PacMin Mining and Northern Gold. Mr Chadwick is a Non-executive Director of Lycopodium Limited.	
Other current directorships	Non-executive Director of Quantum Graphite Limited and Liontown Resources Limited.	
Former directorships in last 3 years	Coventry Resources Limited	
Special responsibilities	Member of the Corporate Governance Committee Member of the Remuneration Committee	
Interests in shares and options	None	-

Company secretary

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

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 2019, and the numbers of meetings attended by each Director were:

	Full meetings of directors		Meetings of non-executive directors		Meetings of committees					
					Audit		Nomination		Remuneration	
	A	B	A	B	A	B	A	B	A	B
Michael Caratti	12	12	-	-	**	-	-	-	1	1
Peter De Leo	12	12	*	-	2	2	-	-	**	-
Rodney Leonard	11	12	*	-	2	2	-	-	**	-
Robert Osmetti	11	12	*	-	**	-	-	-	**	-
Bruno Ruggerio	11	12	*	-	**	-	-	-	**	-
Peter Dawson	12	12	*	-	**	-	-	-	**	-
Lawrence Marshall	11	12	-	-	1	2	-	-	1	1
Steven Chadwick	12	12	-	-	**	-	-	-	1	1

Remuneration report - audited

The Directors present the Lycopodium Limited 2019 remuneration report, outlining key aspects of our remuneration policy and framework, and remuneration awarded this year.

Directors and key management personnel disclosed in this report

Name	Position
Michael Caratti	Chairman, Non-executive Director
Peter De Leo	Managing Director
Rodney Leonard	Executive Director until 30 June 2019. Non-executive from 1 July 2019.
Robert Osmetti	Executive Director until 30 June 2019. Non-executive from 1 July 2019.
Bruno Ruggiero	Executive Director
Peter Dawson	Executive Director
Lawrence Marshall	Non-executive Director
Steven Chadwick	Non-executive Director
Keith Bakker	Company Secretary, Chief Financial Officer until 20 September 2019.

Role of the remuneration committee

The remuneration committee is primarily responsible for making recommendations on:

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

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

Non-executive Director remuneration policy

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

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

Remuneration report - audited (continued)

Non-executive Director remuneration policy (continued)

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

Directors' fees

The current base fees were last reviewed with effect from 1 July 2019. The fees are inclusive of committee fees. Details on Directors fees are disclosed under service agreements on page 15.

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,
- 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.

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 Annual General Meeting

The remuneration report for the 2018 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:

	2019	**2018 (^)**	**2017**	**2016**	**2015**
Revenue ($)	154,033,409	194,531,157	216,616,442	124,460,218	122,811,332
Profit/(Loss) before income tax ($)	23,543,752	25,755,489	14,307,620	5,215,629	(1,620,068)
Income tax expense/(benefit) ($)	7,144,537	7,096,593	3,934,091	1,889,219	(604,655)
Profit/(Loss) after income tax ($)	16,399,215	18,658,896	10,373,529	3,326,410	(1,015,413)
Basic EPS (cents)	41.5	46.6	25.9	8.0	(2.3)
Basic EPS growth, year on year (%)	(10.9%)	79.9%	223.8%	447.8%	(123.0%)
Fully franked dividends per share (cents)	30.0	30.0	18.0	5.5	1.5
Change in share price * ($)	0.19	1.50	1.05	0.84	(0.84)
Return on equity (%)	20.66%	25.12%	15.53%	5.22%	(1.61%)

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

^ adjustment on adoption of AASB 9

Remuneration report - audited (continued)

Details of remuneration

The following table shows details of the remuneration expense recognised for the group's executive key management personnel for the current and previous financial year measured in accordance with the requirements of the accounting standards.

2019	**Short-term employee benefits**			**Post-employment benefits**		
Name	**Cash salary and fees**	**Cash bonus**	**Non-monetary benefits**	**Super-annuation**	**Total**	**Perfor-mance related**
	$	**$**	**$**	**$**	**$**	**%**
Non-executive Directors						
Michael Caratti	68,493	-	12,301	6,507	87,301	-
Lawrence Marshall	100,363	-	12,301	25,000	137,664	-
Steven Chadwick	71,250	-	-	-	71,250	-
Sub-total non-executive directors	**240,106**	**-**	**24,602**	**31,507**	**296,215**	**-**
Executive Directors						
Peter De Leo	565,000	31,000	12,301	25,000	633,301	-
Rodney Leonard	515,000	26,000	12,301	25,000	578,301	-
Robert Osmetti	465,000	26,000	12,301	25,000	528,301	-
Bruno Ruggiero	460,619	-	12,301	25,000	497,920	-
Peter Dawson	469,469	20,373	12,301	20,531	522,674	-
Other key management personnel						
Keith Bakker	352,500	15,000	-	25,000	392,500	-
Total key management personnel compensation (group)	**3,067,694**	**118,373**	**86,107**	**177,038**	**3,449,212**	**-**

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

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

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

Remuneration report - audited (continued)

Service agreements

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

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

Name	**Term of agreement**	**Fixed Remuneration including superannuation***
Michael Caratti, *Chairman and Non-executive Director*	No fixed term	Directors fee of $75,000 p.a.
Peter De Leo, *Managing Director*	No fixed term	$590,000 p.a.
Rodney Leonard, *Executive Director*	No fixed term	$540,000 p.a.
Robert Osmetti, *Executive Director*	No fixed term	$415,000 p.a. Directors fee of $75,000 p.a.
Bruno Ruggiero, *Executive Director*	No fixed term	Fixed hourly rate of $216.15 for part of year and changed to $415,000 p.a. Directors fee of $75,000 p.a.
Peter Dawson, *Executive Director*	No fixed term	$415,000 p.a. Directors fee of $75,000 p.a.
Lawrence Marshall, *Non-executive Director*	No fixed term	Fixed hourly rate of $216.15 Directors fee of $75,000 p.a.
Steven Chadwick, *Non-executive Director*	No fixed term	Directors fee of $75,000 p.a.
Keith Bakker, *Company Secretary and Chief Financial Officer*	No fixed term	$377,500 p.a.

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

Remuneration report - audited (continued)

Service agreements (continued)

Equity instrument disclosures relating to key management personnel

The table below shows the number of:

(i) *Shares in the company*

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

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

(ii) *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.

2019 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
Directors of Lycopodium Limited				
Ordinary shares				
Michael Caratti	9,104,367	-	-	9,104,367
Peter De Leo	1,171,711	-	-	1,171,711
Rodney Leonard	2,154,215	-	-	2,154,215
Robert Osmetti	266,148	-	-	266,148
Bruno Ruggiero	3,167,332	-	-	3,167,332
Lawrence Marshall	1,272,332	-	-	1,272,332
Other key management personnel of the group				
Ordinary shares				
Keith Bakker	40,874	-	-	40,874

Remuneration report - audited (continued)

Loans to key management personnel

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

(i) Aggregates for key management personnel

	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
2019	**35,357**	**-**	**-**	**27,107**	**1**
2018	40,607	-	-	35,357	1

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

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

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

End of remuneration report.

Shares under option

Unissued ordinary shares of Lycopodium Limited under the key employee retention initiative at the date of this report are as follows:

Date options granted	Expiry date	Issue price of shares	Number under option
1 July 2019	30 June 2024	$-	50,000

Insurance of officers

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

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

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

Indemnity of auditors

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

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

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

Non-audit services

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

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

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

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

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

	Consolidated	
	2019	2018
	$	$
Taxation services		
Firm related to Grant Thornton Audit Pty Ltd:		
Tax compliance services (including income tax returns)	**77,945**	63,440
Network firm of Grant Thornton Audit Pty Ltd:		
Tax compliance services (including income tax returns)	**4,852**	40,529
Non-Grant Thornton Audit Pty Ltd audit firms:		
Tax compliance services (including income tax returns)	**39,791**	15,275
Total remuneration for taxation services	**122,588**	119,244
Other services		
Firm related to Grant Thornton Audit Pty Ltd:		
Other services	**31,968**	39,870
Non-Grant Thornton Audit Pty Ltd audit firms:		
Other services	**127,617**	57,168
Total remuneration for other services	**159,585**	97,038
Total remuneration for non-audit services	**282,173**	216,282

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 21.

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

Peter De Leo

Perth
30 September 2019

Grant Thornton

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Auditor's Independence Declaration

To the Directors of Lycopodium Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Lycopodium Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

P. Warr.

P W Warr
Partner – Audit & Assurance

Perth, 30 September 2019

Corporate governance statement

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

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

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

1.1 Council Recommendation 1.1:

A listed entity should:

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

The Company complies with this recommendation.

1.2 Council Recommendation 1.2:

A listed entity should:

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

The Company complies with this recommendation.

1.3 Council Recommendation 1.3:

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

The Company complies with this recommendation.

1.4 Council Recommendation 1.4:

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

The Company complies with this recommendation.

1.5 Council Recommendation 1.5:

A listed entity should:

- *(a) have a diversity policy which includes requirements for the Board or a relevant committee of the Board to set measurable objectives for achieving gender diversity and to access annually both the objectives and the entity's progress in achieving them;*
- *(b) disclose that policy or a summary of it; and*
- *(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the Board or a relevant committee of the Board in accordance with the entity's diversity policy and its progress towards achieving them, and either:*

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

1.5 Council Recommendation 1.5: (continued)

- (i) *the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined 'senior executive' for these purposes); or*
- (ii) *if the entity is a 'relevant employer' under the Workplace Gender Equality Act, the entity's most recent published 'Gender Equality Indicators', as defined in under the Act.*

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

1.6 Council Recommendation 1.6:

A listed entity should:

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

The Company complies with this recommendation.

1.7 Council Recommendation 1.7:

A listed entity should:

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

The Company complies with this recommendation.

2.0 COUNCIL PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

2.1 Council Recommendation 2.1:

The Board of a listed entity should:

- (a) *have a nomination committee which:*
  - (i) *has at least 3 members, a majority of which are independent directors; and*
  - (ii) *is chaired by an independent director; and disclose*
  - (iii) *the charter of the committee;*
  - (iv) *the members of the committee; and*
  - (v) *as at the end of each reporting period, the number of times the committee meet throughout the period and the individual attendances of the members at these meetings; or*

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

2.1 Council Recommendation 2.1: (continued)

(b) if it does not have a nomination committee, disclose the fact and the process it employs to address Board succession issues and to ensure that the Board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

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

2.2 Council Recommendation 2.2:

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

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

2.3 Council Recommendation 2.3:

A listed entity should disclose:

(a) the names of directors considered by the Board to be independent directors;

(b) if a director has an interest, position, association or relationship that might cause doubt about the independence of the director but the Board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the Board is of that opinion; and

(c) the length of service of each director.

The Company complies with this recommendation.

2.4 Council Recommendation 2.4:

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

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

2.5 Council Recommendation 2.5:

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

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

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

2.6 Council Recommendation 2.6:

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

The Company complies with this recommendation.

3.0 COUNCIL PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

3.1 Council Recommendation 3.1:

A listed entity should:

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

The Company complies with this recommendation.

4.0 COUNCIL PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING

4.1 Council Recommendation 4.1:

The board of a listed entity should:

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

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

4.2 Council Recommendation 4.2:

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

The Company complies with this recommendation.

4.0 COUNCIL PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING (continued)

4.3 Council Recommendation 4.3:

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

The Company complies with this recommendation.

5.0 COUNCIL PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

5.1 Council Recommendation 5.1:

A listed entity should:

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

The Company complies with this recommendation.

6.0 COUNCIL PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS

6.1 Council Recommendation 6.1:

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

The Company complies with this recommendation.

6.2 Council Recommendation 6.2:

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

The Company complies with this recommendation.

6.3 Council Recommendation 6.3:

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

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

6.4 Council Recommendation 6.4:

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

The Company complies with this recommendation.

7.0 COUNCIL PRINCIPLE 7: RECOGNISE AND MANAGE RISK

7.1 Council Recommendation 7.1:

The Board of a listed entity should:

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

The Company complies with (b) of this recommendation.

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

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

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

7.2 Council Recommendation 7.2:

The Board or a committee of the Board should:

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

The Company complies with this recommendation.

7.3 Council Recommendation 7.3:

A listed entity should disclose:

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

The Company complies with (b) of this recommendation.

7.0 COUNCIL PRINCIPLE 7: RECOGNISE AND MANAGE RISK (continued)

7.4 Council Recommendation 7.4:

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

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

8.0 COUNCIL PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

8.1 Council Recommendation 8.1:

The Board of a listed entity should:

- *(a) have a remuneration committee which:*
  - *(i) has at least three members, a majority of whom are independent directors; and*
  - *(ii) is chaired by an independent director, and disclose;*
  - *(iii) the charter of the committee;*
  - *(iv) the members of the committee; and*
  - *(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*
- *(b)* if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

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

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

8.2 Council Recommendation 8.2:

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

The Company complies with this recommendation.

8.3 Council Recommendation 8.3:

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

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

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

	Notes	Consolidated 2019 $	2018 $
Revenue from contracts with customers	5(a)	**151,141,564**	192,016,864
Interest income		**1,809,966**	1,883,705
Other income		**1,081,879**	630,588
Total income		**154,033,409**	194,531,157
Employee benefits expense		**(66,674,748)**	(67,562,580)
Depreciation and amortisation expense	6	**(1,452,682)**	(1,228,479)
Project expenses		**(5,488,508)**	(5,338,038)
Equipment and materials		**(18,418,452)**	(23,838,936)
Contractors		**(32,128,652)**	(41,753,703)
Occupancy expense		**(8,111,165)**	(8,577,494)
Impairment of goodwill	16	**-**	(1,095,048)
Other expenses		**(12,164,121)**	(8,293,117)
Warranty provision reversal/expenses	18	**13,361,009**	(12,080,213)
Finance costs		**(72,270)**	(120,741)
Share of net profit of associates and joint ventures accounted for using the equity method		**659,932**	1,112,681
Profit before income tax		**23,543,752**	25,755,489
Income tax expense	7	**(7,144,537)**	(7,096,593)
Profit for the year		**16,399,215**	18,658,896
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange gains/(losses) on translation of foreign operations		**327,699**	(26,508)
Total comprehensive income for the year		**16,726,914**	18,632,388
Profit for the year is attributable to:			
Owners of Lycopodium Limited		**16,507,378**	18,495,695
Non-controlling interests		**(108,163)**	163,201
		16,399,215	18,658,896
Total comprehensive income for the year is attributable to:			
Owners of Lycopodium Limited		**16,835,077**	18,469,187
Non-controlling interests		**(108,163)**	163,201
		16,726,914	18,632,388
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share	34(a)	**41.5**	46.6
Diluted earnings per share	34(b)	**41.5**	46.6

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

	Notes	Consolidated 2019 $	2018 $
ASSETS			
Current assets			
Cash and cash equivalents	8	**60,451,048**	74,287,788
Trade and other receivables	9	**34,394,839**	37,616,637
Contract and other assets	5(b)	**1,497,467**	2,669,078
Inventories		**884,337**	819,844
Current tax receivables		**1,783,966**	1,334,151
Other current assets	10	**3,835,651**	1,740,851
Total current assets		**102,847,308**	118,468,349
Non-current assets			
Investments in listed equities	11(a)	**801,945**	1,256,106
Property, plant and equipment	14	**3,768,452**	3,434,487
Intangible assets	16	**6,737,447**	6,792,017
Other receivables	12	**241,252**	332,356
Deferred tax assets	15	**4,062,995**	8,350,798
Investments accounted for using the equity method	13	**1,392,465**	2,767,690
Total non-current assets		**17,004,556**	22,933,454
Total assets		**119,851,864**	141,401,803
LIABILITIES			
Current liabilities			
Trade and other payables	17	**21,938,776**	19,798,860
Contract and other liabilities	5(b)	**13,793,241**	14,619,449
Borrowings	11(c)	**419,344**	696,905
Derivative financial liabilities	11(b)	**163,044**	27,694
Current tax liabilities		**494,412**	9,568,881
Provisions	18	**3,000,000**	16,361,009
Total current liabilities		**39,808,817**	61,072,798
Non-current liabilities			
Borrowings	11(c)	**296,216**	562,066
Provisions	20	**328,931**	416,531
Total non-current liabilities		**625,147**	978,597
Total liabilities		**40,433,964**	62,051,395
Net assets		**79,417,900**	79,350,408
EQUITY			
Contributed equity	21	**20,823,772**	20,823,772
Reserves	22	**(602,928)**	(930,627)
Retained earnings	23	**59,636,154**	56,480,343
Parent entity interest		**79,856,998**	76,373,488
Non-controlling interests	24	**(439,098)**	2,976,920
Total equity		**79,417,900**	79,350,408

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

Consolidated	Notes	Contributed equity $	Retained earnings $	Foreign currency translation reserve $	Available for sale investment revaluation reserve $	Performance rights reserve $	Non-controlling interests $	Total equity $
		Attributable to members of Lycopodium Limited						
Balance at 1 July 2017		20,823,772	46,412,369	(904,119)	(83,923)	-	2,975,233	69,223,332
Adjustment on adoption of AASB 9 (net of tax)		-	(83,923)	-	83,923	-	-	-
Adjusted balance as at 1 July 2017		**20,823,772**	**46,328,446**	**(904,119)**	**-**	**-**	**2,975,233**	**69,223,332**
Profit for the year		-	18,495,695	-	-	-	163,201	18,658,896
Other comprehensive income / (expense)		-	-	(26,508)	-	-	-	(26,508)
Total comprehensive income for the year		**-**	**18,495,695**	**(26,508)**	**-**	**-**	**2,976,920**	**79,350,408**
Transactions with owners in their capacity as owners:								
Foreign currency translation with non-controlling interest		-	-	-	-	-	(161,514)	(161,514)
Dividends provided for or paid	25	-	(8,343,798)	-	-	-	-	(8,343,798)
		-	(8,343,798)	-	-	-	(161,514)	(8,505,312)
Balance at 30 June 2018		**20,823,772**	**56,480,343**	**(930,627)**	**-**	**-**	**2,976,920**	**79,350,408**
Balance at 1 July 2018		20,823,772	56,480,343	(930,627)	-	-	2,976,920	79,350,408
Profit for the year		-	16,507,378	-	-	-	(108,163)	16,399,215
Other comprehensive income / (expense)		-	-	327,699	-	-	-	327,699
Total comprehensive income for the year		**-**	**16,507,378**	**327,699**	**-**	**-**	**(108,163)**	**16,726,914**
Transactions with owners in their capacity as owners:								
Non-controlling interests on acquisition of subsidiary	30	-	(239,884)	-	-	-	(3,122,048)	(3,361,932)
Foreign currency translation with non-controlling interest		-	-	-	-	-	(185,807)	(185,807)
Dividends provided for or paid	25	-	(13,111,683)	-	-	-	-	(13,111,683)
		-	(13,351,567)	-	-	-	(3,307,855)	(16,659,422)
Balance at 30 June 2019		**20,823,772**	**59,636,154**	**(602,928)**	**-**	**-**	**(439,098)**	**79,417,900**

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

	Notes	Consolidated 2019 $	2018 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**158,276,427**	170,346,647
Payments to suppliers and employees (inclusive of GST)		**(146,585,727)**	(168,124,948)
		11,690,700	2,221,699
Interest received		**1,809,179**	1,847,145
Income taxes paid		**(12,381,019)**	(5,909,452)
Net cash inflow/(outflow) from operating activities	33	**1,118,860**	(1,840,608)
Cash flows from investing activities			
Dividends received from joint ventures and associate		**2,035,157**	572,726
Payments for acquisition of non-controlling interests	30	**(3,361,932)**	-
Payments for property, plant and equipment	14	**(1,605,111)**	(1,053,110)
Proceeds from sale of property, plant and equipment		**1,064**	20,240
Payments for intangible assets	16	**(144,819)**	(631,529)
Proceeds from investments in listed equities		**970,838**	1,187,036
Payments for investments in listed equities		**-**	(75,000)
Net cash (outflow)/inflow from investing activities		**(2,104,803)**	20,363
Cash flows from financing activities			
Proceeds from borrowings		**461,841**	1,274,258
Repayments of borrowings		**(691,959)**	(1,203,222)
Repayments of hire purchase and lease liabilities		**(544,955)**	(504,329)
Loans repaid/(advanced) from/to joint venture		**400,000**	(884,000)
Repayment of loans from associate		**-**	387,500
Rebates from leasehold improvement allowance		**171,865**	-
Dividends paid to company's shareholders		**(13,111,682)**	(8,343,798)
Proceeds from repayment of loans under the senior manager share acquisition plan		**91,104**	110,261
Net cash outflow from financing activities		**(13,223,786)**	(9,163,330)
Net decrease in cash and cash equivalents		**(14,209,729)**	(10,983,575)
Cash and cash equivalents at the beginning of the financial year		**74,287,788**	85,334,768
Effects of exchange rate changes on cash and cash equivalents		**372,989**	(63,405)
Cash and cash equivalents at the end of financial year	8	**60,451,048**	74,287,788

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

Contents of the notes to the financial statements

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

The accounting policies adopted in the preparation of the annual financial reports are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2018. A number of new or amended standards became applicable for the current reporting period as detailed below.

AASB 9 Financial Instruments

Effective 1 January 2018, AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculation of impairment on financial assets, and new general hedge accounting requirements. The Group has applied AASB9 retrospectively, with the initial application date of 1 July 2017.

(a) Classification and measurement

Under AASB 9, the Group initially measures a financial asset at its fair value plus transaction costs.

Financial assets are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: The Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

For financial assets that are Equity investments which for the Group, are investments in listed shares with quoted market price on stock exchanges, the Group treats fair value gains and losses through profit and loss.

The new classification and measurement of the Group's debt financial assets are, as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This includes the Group's trade and other receivables, and deposit under the other current assets.

The assessment of the Group's business models was made as of the date of initial application, 1 July 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 July 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under AASB 139.

The adoption of AASB 9 only impacted the treatment of Equity investments. Under the superseded standard (AASB 139), unrealised fair value movements in Equity investments were recorded through Other Comprehensive Income. The impact of this change has been applied fully, retrospectively to comparative periods in this financial report. The effects are as follows:

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

- a (decrease)/increase in Retained Earnings as at 1 July 2017 of ($83,923) and as at 30 June 2018 of $241,588 with a corresponding increase/(decrease) respectively in Asset Revaluation Reserve.
- a decrease in Other Comprehensive Income of $325,511 with a corresponding increase in Profit or Loss After Tax for the year ended 30 June 2018
- an increase to Investments in listed equities of $1,256,106 at 30 June 2018, which was re-classified from the previous classification of Available-for-sale financial assets.

There were no other significant impact on the Group and therefore no further adjustments to Retained Earnings of previous periods presented in this Financial Report.

(b) Impairment

AASB 9 introduces a forward-looking expected credit loss (ECL) approach to account for impairment losses for financial assets. This has replaced AASB 139's incurred loss approach.

AASB 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at fair value through profit or loss (FVPL).

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For Trade and other receivables, the Group has applied the standards simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group takes up a provision for doubtful debts based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancement held by the Group.

The adoption of the ECL requirements of AASB 9 did not result in any change in impairment allowance for the Group's debt financial assets.

AASB 15 Revenue from Contracts with Customers

AASB 15 *Revenue from Contracts with Customers* replaces AASB 118 and is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The Group adopted the new accounting standard in the financial year using the full retrospective approach. However, there were no adjustments recognised upon transition to opening retained earnings.

Management has undertaken a detailed review of AASB 15 together with a detailed review of all material revenue contracts. This review included assessing all contract types for the all revenue streams being (i) Engineering and related services and (ii) Construction Contracts against the 5-step model for recognising revenue outlined in AASB 15. The review considered potential changes in the timing of revenue recognition, measurement of the amount of revenue and note disclosure changes between the current standard, AASB 118, and AASB 15.

Financial statement reclassifications were applied retrospectively to 30 June 2018 and resulted in $2,669,078 being re-classified from Trade and other receivables to Contract Assets and $14,619,449 being re-classified from Trade and other payables to Contract Liabilities.

(iii) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the financial assets/liabilities at fair value through profit and loss.

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(iv) 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

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

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

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

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

(ii) Employee Share Trust

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

(iii) Joint arrangements

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

Joint ventures

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

(iv) Associates

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

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

(v) Equity method

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

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

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

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

(vi) Changes in ownership interests

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

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

(c) Segment reporting

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

(d) Revenue and other income recognition

Revenue from contracts with customers

The Group recognises revenue on an “over time” basis. This applies to the two services of which the Group provides:

- Engineering and related services
- Construction Contracts

To determine whether to recognise revenue, the Group follows a 5-step process:

(1) Identifying the contract with a customer
(2) Identifying the performance obligations
(3) Determining the transaction price
(4) Allocating the transaction price to the performance obligations
(5) Recognising revenue when/as performance obligation(s) are satisfied

1 Summary of significant accounting policies (continued)

(d) Revenue and other income recognition (continued)

For work being performed in the completion of contracts with fixed prices, the customer controls the assets as it is created or enhanced. Progress towards completion of the contract is measured according to the proportion of contract costs incurred for work performed to date relative to the estimate total contract costs.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where recognised revenues exceed progress billings, the surplus is shown in Contract Assets. For contracts where progress billings exceed recognised revenues, the surplus is shown as Contract Liabilities.

Certain customer contracts are man-hours and expense based. In these circumstances, revenue is recognised over time as the Group has a right to consideration from the customer in an amount that corresponds directly with the value to the customer of the entity's performance completed at the time of billing. The Group therefore recognises revenue in the amount to which the Group has the right to invoice.

Interest and Other income

Interest revenue is recognised on an accrual basis.

Dividend income is recognised when the dividend is declared.

Rental income is recognised on a straight line basis over the term of the operating lease.

(e) 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.

1 Summary of significant accounting policies (continued)

(e) Foreign currency translation (continued)

(iii) Consolidated entities (continued)

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.

(f) Income tax

The income tax expense or credit for the year is the tax payable on the current year'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 year in the countries where the Company and its 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 year 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 only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

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

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

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

1 Summary of significant accounting policies (continued)

(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 28). 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.

(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 of disposal 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 year.

1 Summary of significant accounting policies (continued)

(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 expected credit loss. 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 (expected credit loss on 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 contract liabilities.

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

(m) Non-derivative financial assets

(i) *Classification*

Effective 1 July 2017, the Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- Those to be measured at amortised cost.

The classification depends on the Group’s business model for managing financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For Investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Group reclassifies debt investments when its business model for managing those assets changes.

1 Summary of significant accounting policies (continued)

(m) Non-derivative financial assets (continued)

(ii) *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. Measurement of cash and cash equivalents and trade and other receivables remains at amortised cost consistent with the comparative period.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- Fair value through other comprehensive income (FVOCI): Assets that are held for collecting contractual cash flows and through sale on specified dates. A gain or loss on a debt investment that is subsequently measured at FVOCI is recognised in other comprehensive income. None are currently held by the Group.
- Fair value through profit or loss (FVPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit or loss within other gains/(losses) in the period in which it arises. None are currently held by the Group.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value. Changes in the fair value of financial assets at fair value through profit or loss are recognised either in other income or in other expenses in the statement of profit or loss.

(iii) *Impairment*

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and other receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(n) Non-derivative financial liabilities

Interest bearing liabilities

All loans and borrowings are initially recognised at fair value, being the amount received less attributable transaction costs. After initial recognition, interest bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of profit or loss over the period of the borrowings on an effective interest basis.

1 Summary of significant accounting policies (continued)

(n) Non-derivative financial liabilities (continued)

Trade and other payables

Liabilities are recognised for amounts to be paid for goods or services received. Trade payables are settled on terms aligned with the normal commercial terms in the Group's countries of operation.

(o) Derivative financial instruments

Derivative financial instruments are stated at fair value, with changes in fair value recognised in the statement of profit or loss. Where derivative financial instruments qualify for hedge accounting, recognition of changes in fair value depends on the nature of the item being hedged. Hedge accounting is discontinued when the hedging relationship is revoked, the hedging instrument expires, is sold, terminated, exercised, or no longer qualifies for hedge accounting.

The Group documents at the inception of the hedging transaction the economic relationship between hedging instruments and hedged items including whether the instrument is expected to offset changes in cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking various hedge transactions at the inception of each hedge relationship.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity, limited to the cumulative change in fair value of the hedged item on a present value basis from the inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other expenses.

When option contracts are used to hedge forecast transactions, the Group designates only the intrinsic value of the option contract as the hedging instrument. Gains or losses relating to the effective portion of the change in intrinsic value of the option contracts are recognised in the cash flow hedge reserve in equity. The changes in the time value of the option contracts that relate to the hedged item ('aligned time value') are recognised within other comprehensive income in the costs of hedging reserve within equity.

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve in equity. The change in the forward element of the contract that relates to the hedged item is recognised within other comprehensive income in the costs of hedging reserve within equity. In some cases, the entity may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- The gain or loss relating to the effective portion of forward and option contracts are ultimately recognised in profit or loss as the hedged item affects profit or loss within expenses.
- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance cost'.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss. Hedge ineffectiveness is recognised in profit or loss within other expenses.

Accounting policies for remaining hedges and derivatives are consistent with the comparative period.

1 Summary of significant accounting policies (continued)

(p) 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 year 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 year.

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.

(q) 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) 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.

(r) Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the year of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial year of time to get ready for their intended use or sale.

Other borrowing costs are expensed in the year in which they are incurred.

1 Summary of significant accounting policies (continued)

(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 can be 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 year. 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) Short-term obligations

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

(ii) Other long-term employee benefits obligations

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

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

(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.

1 Summary of significant accounting policies (continued)

(t) Employee benefits

(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 35.

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

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

(v) Senior manager share acquisition plan

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

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

A broad outline of the plan is summarised below:

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

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

Share based payment

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

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.

1 Summary of significant accounting policies (continued)

(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 year but not distributed at the end of the reporting year.

(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.

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

1 Summary of significant accounting policies (continued)

(y) New accounting standards not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods. The group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 16 *Leases*

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

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

Based on the entity's assessment, it is expected that the first time adoption of the Standard for the year ending 30 June 2020 will have a material impact on the transactions and balances recognised in the financial statements in particular:

- lease assets and financial liabilities on the balance sheet will increase by $12.4m and $12.4m respectively (based on the facts at the date of assessment);
- the reported equity will reduce as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities;
- EBIT in the statement of profit or loss and other comprehensive income will be higher as the implicit interest in lease payments for former off balance sheet leases will be presented as part of finance costs rather than being included in operating expenses;
- operating cash outflows will be lower and financing cash flows will be higher in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities. Interest can also be included within financing activities.

(z) Parent entity financial information

The financial information for the parent entity, Lycopodium Limited, disclosed in note 36 has been prepared on the same basis as the consolidated financial report, except as set out below.

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

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

(ii) Share based payments

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

2 Financial risk management

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

The main risks arising from the group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rates and foreign exchange. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk, and liquidity risk is monitored through the development of future rolling cash flow forecasts.

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

(a) Market risk

(i) Foreign exchange risk

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

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

Exposure

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

	30 June 2019		30 June 2018	
	USD	**PHP**	USD	PHP
	$	**$**	$	$
Cash and cash equivalents	**2,334,396**	**226,805**	4,340,880	197,520
Trade and other receivables	**-**	**34,215**	-	35,411
Other current assets	**-**	**702,821**	-	623,895
Trade and other payables	**(1,474,879)**	**(345,568)**	(2,660,357)	(207,859)
Net exposure	**859,517**	**618,273**	1,680,523	648,967

Group sensitivity

Based on the financial instruments held at 30 June 2019, 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 $85,952 higher/$85,952 lower (2018: $168,052 higher/$168,052 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 2019 than 2018 because of the lower amount of US dollar denominated cash and cash equivalents.

Based on the financial instruments held at 30 June 2019, 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 $61,827 higher/$61,827 lower (2018: $64,897 higher/$64,897 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 less sensitive to movements in the Australian dollar/Philippine Peso exchange rates in 2019 than 2018 mainly because of the lower amount of Philippine Peso denominated cash and cash equivalents.

2 Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

Group sensitivity (continued)

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

(ii) Price risk

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

(iii) Interest rate risk

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

Group sensitivity

At 30 June 2019, 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 $211,402 lower/higher (2018: -/+50 basis points: $259,482 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)).

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

	Consolidated	
	2019	2018
	$	$
Cash and cash equivalents	**60,451,048**	74,287,788
Trade and other receivables	**34,394,839**	37,616,637
Deposits held with banks (note 10)	**775,879**	778,401
	95,621,766	112,682,826

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.

2 Financial risk management (continued)

(b) Credit risk (continued)

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 financial position, past experience and industry reputation.

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

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

Deposits held with banks

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

(c) Liquidity risk

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

Financing arrangements

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

	Consolidated	
	2019	2018
	$	$
Leasing facility	**1,853,000**	1,523,000
Standby credit facility	**10,893,195**	10,784,328
Insurance bonds	**16,862,785**	14,119,239
	29,608,980	26,426,567

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.

2 Financial risk management (continued)

(c) Liquidity risk (continued)

Maturities of financial liabilities (continued)

Consolidated - At 30 June 2019	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contrac-tual cash flows	Carrying amount liabilities
	$	$	$	$	$	$
Non-derivatives						
Trade payables	11,183,336	-	-	-	11,183,336	11,183,336
Finance lease liabilities	823,240	69,693	-	-	892,933	715,560
Total	**12,006,576**	**69,693**	**-**	**-**	**12,076,269**	**11,898,896**

Consolidated - At 30 June 2018	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contrac-tual cash flows	Carrying amount liabilities
	$	**$**	**$**	**$**	**$**	**$**
Non-derivatives						
Trade payables	9,632,074	-	-	-	9,632,074	9,632,074
Insurance premium funding	218,689	-	-	-	218,689	218,689
Finance lease liabilities	526,584	516,251	69,693	-	1,112,528	1,040,282
Total	**10,377,347**	**516,251**	**69,693**	**-**	**10,963,291**	**10,891,045**

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

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

3 Critical accounting estimates and assumptions

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

(i) Impairment testing of goodwill

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

(ii) Service and equipment warranties

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

(iii) Fixed-price contracts

The group uses cost inputs to estimate 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

The Board considers the business from both a product and geographic perspective and has identified four operating segments of which three (2018: three) are reportable in accordance with the requirements of AASB 8.

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

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

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

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

The remaining operating segments that are not reportable consists of:

Infrastructure:	asset management, engineering, architectural and project delivery services to a wide range of private and public clients across Australia.
Metallurgical:	metallurgical consulting providing a range of services to the mineral processing community, primarily in the field of comminution, hydrometallurgy and mineral processing design.
Project Services Asia:	provision of drafting services to offshore Lycopodium entities.

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

4 Segment information (continued)

(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 2019 and 30 June 2018 are as follows:

2019	Minerals			Project Services - Africa	Industrial Process	Other	Total
	Asia Pacific	North America	Africa				
	$	$	$	$	$	$	$
Total segment revenue	81,606,278	26,492,806	31,712,530	6,451,670	5,800,985	23,756,745	175,821,014
Inter-segment revenue	(830,401)	(13,798,369)	-	-	(330,193)	(7,531,258)	(22,490,221)
Revenue from external customers	**80,775,877**	**12,694,437**	**31,712,530**	**16,451,670**	**5,470,792**	**16,225,487**	**153,330,793**
Profit / (Loss) before tax	**21,951,933**	**1,368,624**	**371,783**	**2,101,063**	**158,922**	**(777,625)**	**25,174,700**
Interest in the profit of equity accounted joint ventures	15,951	-	-	-	-	-	15,951
Depreciation and amortisation	805,066	76,893	224,618	-	66,720	278,446	1,451,743
Income tax benefit / (expense)	(7,292,057)	(121,113)	(423,535)	(564,432)	(18,105)	899,301	(7,519,941)
Total segment assets	**47,337,497**	**10,695,072**	**17,504,999**	**6,919,620**	**3,976,347**	**11,301,005**	**97,734,540**
Total assets includes: Investment in joint ventures	-	-	-	-	-	-	-
Additions to non-current assets (other than financial assets and deferred tax)	473,908	148,719	231,845	-	7,561	849,446	1,711,479
Total segment liabilities	**20,733,662**	**6,852,573**	**6,725,915**	**5,280,265**	**1,470,309**	**3,756,064**	**44,818,788**

4 Segment information (continued)

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

2018	Minerals			Project Services - Africa	Industrial Process	Other	Total
	Asia Pacific	North America	Africa				
	$	$	$	$	$	$	$
Total segment revenue	117,508,883	17,163,303	32,673,738	22,382,754	9,840,954	24,018,094	223,587,726
Inter-segment revenue	(4,659,510)	(6,777,315)	-	(8,665,611)	(334,146)	(9,255,702)	(29,692,284)
Revenue from external customers	**112,849,373**	**10,385,988**	**32,673,738**	**13,717,143**	**9,506,808**	**14,762,392**	**193,895,442**
Profit / (Loss) before tax	**18,469,665**	**1,167,134**	**1,705,232**	**4,559,880**	**(76,389)**	**1,403,965**	**27,229,487**
Interest in the profit of equity accounted joint ventures	416,194	-	-	-	-	-	416,194
Depreciation and amortisation	716,478	70,962	219,818	1,653	59,249	160,166	1,228,326
Income tax benefit / (expense)	(5,055,650)	(302,819)	(776,598)	(1,179,354)	(52,701)	(172,728)	(7,539,850)
Total segment assets	**67,792,701**	**9,446,818**	**17,106,363**	**7,641,097**	**5,118,600**	**11,782,914**	**118,888,493**
Total assets includes: Investment in joint ventures	1,274,049	-	-	-	-	-	1,274,049
Additions to non-current assets (other than financial assets and deferred tax)	864,816	129,863	256,563	-	142,493	543,909	1,937,644
Total segment liabilities	**441,894,169**	**5,982,709**	**5,876,314**	**5,772,947**	**2,753,378**	**4,308,840**	**66,588,3570**

4 Segment information (continued)

(c) Segment revenue

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

The entity is domiciled in Australia. The result of its revenue from external customers in Australia is $25,819,835 (2018: $57,699,725), and the total of revenue from external customers from other countries is $125,321,729 (2018: $134,317,139). Segment revenues are allocated based on the country in which the customer is located.

Revenues of approximately $28,177,025 (2018: $70,186,213) are derived from the top 3 customers. These revenues are attributable to the Minerals segment.

(d) Segment profit before tax

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

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

	Consolidated	
	2019	2018
	$	$
Segment profit before tax	**25,174,700**	27,229,487
Goodwill impairment	**-**	(1,095,048)
Unallocated	**(1,630,948)**	(378,950)
Profit before income tax as per statement of comprehensive income	**23,543,752**	25,755,489

(e) Segment assets

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

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

	Consolidated	
Segment assets	**97,734,540**	118,888,493
Intersegment eliminations	**(4,786,796)**	(6,091,111)
Intangibles arising on consolidation	**6,126,228**	6,126,228
Unallocated	**20,777,892**	22,478,193
Total assets as per the consolidated balance sheet	**119,851,864**	141,401,803

The total of non-current assets other than financial instruments and deferred tax assets in Australia is $7,722,872 (2018: $9,858,725), and other countries is $4,416,744 (2018: $3,467,825).

4 Segment information (continued)

(f) Segment liabilities

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

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

	Consolidated	
Segment liabilities	**44,818,788**	66,588,357
Intersegment eliminations	**(4,731,316)**	(6,039,199)
Unallocated	**346,492**	1,502,237
Total liabilities as per the consolidated balance sheet	**40,433,964**	62,051,395

5 Revenue

(a) Disaggregation of revenue from contracts with customers

	2019			2018		
	Engineering & related services $	**Construction contracts $**	**Total $**	Engineering & related services $	Construction contracts $	Total $
Minerals	**113,987,717**	**11,195,127**	**125,182,844**	111,301,821	44,607,279	155,909,100
Project Services - Africa	**6,451,670**	**-**	**6,451,670**	13,717,143	-	13,717,143
Process Industries	**5,470,792**	**-**	**5,470,792**	9,506,808	-	9,506,808
Other	**14,036,258**	**-**	**14,036,258**	12,883,813	-	12,883,813
Total revenue	**139,946,437**	**11,195,127**	**151,141,564**	147,409,585	44,607,279	192,016,864

(b) Assets and liabilities related to contracts with customers

	Consolidated	
	2019 $	2018 $
Asset recognised for costs incurred to fulfil a contract	**1,497,467**	2,669,078
Total contract assets	**1,497,467**	2,669,078
Advances received for construction contract work	**7,910,455**	5,183,825
Deferred services income	**5,882,786**	9,435,624
Total contract liabilities	**13,793,241**	14,619,449

(i) Significant changes in contract assets and liabilities

Advances received for construction contract work and deferred services income represent customer payments received in advance of performance (contract liabilities) that are expected to be recognised as revenue in 2020.

The amounts recognised as a contract liability will generally be utilised within the next reporting period.

6 Expenses

	Consolidated 2019 $	2018 $
Profit before income tax includes the following specific expenses:		
Depreciation		
Fixtures and fittings	**580,145**	528,652
Leasehold improvements	**186,159**	52,830
Motor vehicles	**10,091**	9,956
Leased plant and equipment	**474,044**	454,110
Total depreciation	**1,250,439**	1,045,548
Amortisation		
Computer software	**202,243**	182,931
Total depreciation and amortisation	**1,452,682**	1,228,479
Net foreign exchange (gains)/losses	**(43,993)**	(543,812)
Occupancy expense	**8,111,165**	8,577,494
Defined contribution superannuation expense	**2,906,280**	2,791,804

7 Income tax expense

(a) Income tax expense

	Consolidated 2019 $	2018 $
Current tax on profits for the year	**3,917,222**	11,980,891
Deferred tax on profits for the year	**4,197,604**	(4,533,986)
Adjustments for current tax of prior periods	**(970,289)**	(350,314)
	7,144,537	7,096,591
Deferred income tax expense/(benefit) included in income tax expense comprises:		
Decease/(increase) in deferred tax assets (note 15)	**4,573,765**	(4,345,535)
Decrease in deferred tax liabilities (note 19)	**(376,161)**	(188,451)
	4,197,604	(4,533,986)

7 Income tax expense (continued)

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

	Consolidated	
	2019	2018
	$	$
Profit before income tax expense	**23,543,752**	25,755,489
Tax at the Australian tax rate of 30% (2018: 30%)	**7,063,126**	7,726,647
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Goodwill impairment	**-**	328,514
Sundry items	**43,456**	191,858
Withholding tax gross-up	**733,072**	-
	7,839,654	8,247,019
Adjustments for current tax of prior periods - under/(over) provision of prior year income tax	**(970,290)**	(350,314)
Difference in overseas tax rates	**(99,300)**	(567,357)
Deferred taxes not recognised	**202,723**	101,048
Share of net profit of joint ventures accounted for using the equity method	**(181,880)**	(333,804)
Unfranked dividends received from joint ventures accounted for using the equity method	**353,630**	-
Total income tax expense	**7,144,537**	7,096,592

(c) Tax consolidation

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

Tax effect accounting by members of the tax consolidated group

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

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

8 Current assets - Cash and cash equivalents

	Consolidated 2019 $	2018 $
Cash at bank and in hand	**60,451,048**	74,287,788

(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 2019 $	2018 $
Trade receivables	**30,245,598**	32,933,663
Allowance for expected credit loss (a)	**(902,701)**	(877,744)
Trade receivable retention	**28,212**	-
	29,371,109	32,055,919
GST and other receivables	**4,134,863**	4,305,390
Cash advanced to employees	**48,867**	35,328
Loan to joint ventures	**840,000**	1,220,000
	5,023,730	5,560,718
	34,394,839	37,616,637

(a) Allowance for expected credit loss

Movements in allowance for expected credit loss of trade receivables are as follows:

	Consolidated 2019 $	2018 $
At 1 July	**877,744**	2,342,737
Allowance for expected credit loss recognised during the year	**112,212**	65,567
Receivables written off during the year as uncollectible	**(47,852)**	(546,798)
Unused amount reversed	**(45,578)**	(988,877)
Exchange difference	**6,176**	5,115
At 30 June	**902,702**	877,744

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

9 Current assets - Trade and other receivables (continued)

(a) Allowance for expected credit loss (continued)

The expected credit loss for trade receivables as at 30 June 2019 and 30 June 2018 are as follows:

30 June 2019	**Current**	**More than 30 days past due**	**More than 60 days past due**	**More than 90 days past due**	**Total**
Expected credit loss rate	0%	0%	0%	26.5%	-
Gross carrying amount	18,583,119	5,671,920	2,586,005	3,404,554	30,245,598
Lifetime expected credit loss	-	-	-	902,701	902,701

30 June 2018	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected credit loss rate	0%	0%	0%	12.7%	-
Gross carrying amount	12,954,557	9,982,550	3,109,089	6,887,467	32,933,663
Lifetime expected credit loss	-	-	-	877,744	877,744

(b) Risk exposure

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

(c) 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

	Consolidated	
	2019	2018
	$	$
Other current assets (a)	**775,879**	778,401
Prepayments	**3,059,772**	962,450
	3,835,651	1,740,851

(a) Other current assets

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

11 Financial assets and financial liabilities

(a) Categories of financial assets and liabilities

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

Financial assets **Consolidated - At 30 June 2019**	**Note**	**Fair Value through profit or loss** **$**	**Amortised cost** **$**	**Total** **$**
Cash and cash equivalents	8	**-**	**60,451,048**	**60,451,048**
Trade and other receivables	9	**-**	**34,394,839**	**34,394,839**
Deposits held with banks	10	**-**	**775,879**	**775,879**
Investment in listed equities	11(d)	**801,945**	**-**	**801,945**
Other Receivables	12	**-**	**241,252**	**241,252**
		801,945	**95,863,018**	**96,664,963**
Consolidated - At 30 June 2018				
Cash and cash equivalents	8	-	74,287,788	74,287,788
Trade and other receivables	9	-	37,616,637	37,616,637
Deposits held with banks	10	-	778,401	778,401
Investment in listed equities	11(d)	1,256,106	-	1,256,106
Other Receivables	12	-	332,356	332,356
		1,256,106	113,015,182	114,271,288

Financial liabilities **Consolidated - At 30 June 2019**	**Note**	**Fair Value through profit or loss** **$**	**Amortised cost** **$**	**Total** **$**
Trade and other payables		**-**	**11,183,336**	**11,183,336**
Borrowings	11(c)	**-**	**715,560**	**715,560**
Derivative financial liabilities		**163,044**	**-**	**163,044**
		163,044	**11,898,896**	**12,061,940**
Consolidated - At 30 June 2018				
Trade and other payables		-	9,632,074	9,632,074
Borrowings	11(c)	-	1,258,971	1,258,971
Derivative financial liabilities	11(d)	27,694	-	27,694
		27,694	10,891,045	10,918,739

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

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

11 Financial assets and financial liabilities (continued)

(b) Derivative financial instruments

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

	Consolidated	
	2019	2018
	$	$
Current liabilities		
Other hedging instruments	**163,044**	27,694
Total current derivative financial instrument liabilities	**163,044**	27,694

The Group uses forward foreign exchange contracts to mitigate exchange rate exposure arising predominantly from forecast sales in US dollars. All forward exchange contracts are considered by management to be part of economic hedge arrangements but have not been formally designated. The Group's US-dollar forward contracts relate to cash flows that have been forecasted for July 2019 to March 2020. All forecast transactions are expected to occur.

During 2019 a loss of $135,350 (2018: loss of $483,288) was recognised in profit and loss as a result of fair-valuing the derivative instrument at year end.

(c) Borrowings

Borrowings include the following financial liabilities:

	Consolidated					
		2019			2018	
	Current	**Non-current**	**Total**	Current	Non-current	Total
	$	**$**	**$**	$	$	$
Secured						
Lease liabilities	**419,344**	**296,216**	**715,560**	478,216	562,066	1,040,282
Total secured borrowings	**419,344**	**296,216**	**715,560**	478,216	562,066	1,040,282
Unsecured						
Other loans	**-**	**-**	**-**	218,689	-	218,689
Total unsecured borrowings	**-**	**-**	**-**	218,689	-	218,689
Total borrowings	**419,344**	**296,216**	**715,560**	696,905	562,066	1,258,971

All borrowings are denominated in AUD.

Bank borrowings are secured by plant and equipment owned by the Group. Current interest rates are variable and average 6.06% (2018: 5.57%). The carrying amount of bank borrowings is considered to be a reasonable approximation of fair value.

11 Financial assets and financial liabilities (continued)

(d) Fair value measurement

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

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

The following table shows the Levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 30 June 2019 and 30 June 2018.

Consolidated - At 30 June 2019	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets / (liabilities)				
Listed Securities	801,945	-	-	801,945
Foreign currency forward contracts	-	(163,044)	-	(163,044)
Net fair value	**801,945**	**(163,044)**	**-**	**638,901**

Consolidated - At 30 June 2018	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets / (liabilities)				
Listed Securities	1,256,106	-	-	1,256,106
Foreign currency forward contracts	-	(27,694)	-	(27,694)
Net fair value	**1,256,106**	**(27,694)**	**-**	**1,228,412**

There were no transfers between Level 1 and Level 2 in 2019 and 2018.

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

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

Foreign currency forward contracts (Level 2)
The Group's foreign currency forward contracts are not traded in active markets. These have been fair valued using observable forward exchange rates and interest rates corresponding to the maturity of the contract. The effects of non-observable inputs are not significant for foreign currency forward contracts.

12 Non-current assets - Other receivables

	Notes	Consolidated 2019 $	2018 $
Loans under senior management share acquisition plan	35(a)	**241,252**	332,356

(a) Impaired receivables and receivables past due

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

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

	Consolidated 2019 $	2018 $
Investment in joint ventures	**-**	1,274,049
Investment in associates	**1,392,465**	1,493,641
	1,392,465	2,767,690

(a) Investment in joint ventures

The group has the following joint ventures:

Name of Joint Venture	Country of Incorporation & Principal Place of Business	Principal Activities	Proportion of Ownership Interest Held by the Group 2019	2018
Pilbara EPCM Pty Ltd ("PEPL")	Australia	Engineering, procurement, construction management services	**50%**	50%
Mondium Pty Ltd ("Mondium")	Australia	Engineering and construction services	**40%**	40%

The investments in PEPL and Mondium are accounted for using the equity method in accordance with AASB 128.

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

	2019 $	2018 $
Current assets (a)	-	2,636,218
Non-current assets	-	-
Total assets	-	2,636,218
Current liabilities (b)	-	65,125
Non-current liabilities (c)	-	-
Total liabilities	-	65,125
a. Includes cash and cash equivalents	-	2,636,218
b. Includes current financial liabilities (excluding trade and other payables and provisions)	-	-
c. Includes non-current financial liabilities (excluding trade and other payables and provisions)	-	-

	2019 $	2018 $
Revenue	-	37,428
Profit for the year	-	23,001
Depreciation and amortisation	-	-
Interest income	-	37,428
Interest expense	-	-
Tax expense	-	-

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

	2019 $	2018 $
Total net assets of PEPL	-	2,548,098
Proportion of ownership interest held by the Group	50%	50%
Carrying amount of the investment in PEPL	-	1,274,049

Dividends received during the year from PEPL of $1,290,000 (2018: $Nil).

PEPL is a private company, with no quoted market prices available for its shares. The investment is currently of in the process of being wound-up.

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

Mondium is a private company, with no quoted market prices available for its shares. The investment is currently carried at a nil value (2018: Nil).

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

(b) Investment in associates

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

Name of Joint Venture	Country of Incorporation & Principal Place of Business	Principal Activities	Proportion of Ownership Interest Held by the Group	
			2019	2018
ECG Engineering Pty Ltd	Australia	Electrical engineering	**31%**	31%

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

	2019 $	2018 $
Profit from continuing operations	**643,981**	696,487
Other comprehensive income	**-**	-
Total comprehensive income	**643,981**	696,487
Carrying amount of the Group's interest in associates	**1,392,465**	1,493,641

14 Non-current assets - Property, plant and equipment

	Fixtures and fittings $	Motor vehicles $	Leasehold improvements $	Leased plant and equipment $	Total $
At 1 July 2017					
Cost or fair value	6,935,104	186,962	798,331	1,379,663	9,300,060
Accumulated depreciation	(5,507,660)	(139,846)	(318,208)	(160,172)	(6,125,886)
Net book amount	**1,427,444**	**47,116**	**480,123**	**1,219,491**	**3,174,174**
Year ended 30 June 2018					
Opening net book amount	1,427,444	47,116	480,123	1,219,491	3,174,174
Additions	981,618	-	71,490	253,006	1,306,114
Disposals	(2,482)	-	-	-	(2,482)
Depreciation charge	(528,652)	(9,956)	(52,830)	(454,110)	(1,045,548)
Exchange differences	(2,674)	(141)	5,044	-	2,229
Closing net book amount	**1,875,254**	**37,019**	**503,827**	**1,018,387**	**3,434,487**
At 30 June 2018					
Cost or fair value	7,480,514	179,528	862,332	1,632,668	10,155,042
Accumulated depreciation	(5,605,260)	(142,509)	(358,505)	(614,281)	(6,720,555)
Net book amount	**1,875,254**	**37,019**	**503,827**	**1,018,387**	**3,434,487**
Year ended 30 June 2019					
Opening net book amount	1,875,254	37,019	503,827	1,018,387	3,434,487
Additions	941,394	3,882	659,836	-	1,605,112
Disposals	(1,616)	-	(28,909)	-	(30,525)
Depreciation charge	(580,712)	(10,091)	(185,592)	(474,045)	(1,250,440)
Transfers	(290,395)	-	290,395	-	-
Exchange differences	25,481	539	(16,202)	-	9,818
Closing net book amount	**1,969,406**	**31,349**	**1,223,355**	**544,342**	**3,768,452**
At 30 June 2019					
Cost	8,278,724	188,694	1,644,199	1,632,668	11,744,285
Accumulated depreciation	(6,309,318)	(157,345)	(420,844)	(1,088,326)	(7,975,833)
Net book amount	**1,969,406**	**31,349**	**1,223,355**	**544,342**	**3,768,452**

15 Non-current assets - Deferred tax assets

	Consolidated 2019 $	2018 $
The balance comprises temporary differences attributable to:		
Unused tax losses	**86,411**	138,371
Employee benefits	**2,627,750**	2,513,522
Doubtful debts	**53,645**	24,688
Accrued expenses	**95,056**	107,421
Deferred revenue	**96,017**	649,359
Other provisions	**1,400,728**	5,446,746
Finance leases	**168,620**	312,084
	4,528,227	9,192,191
Set-off of deferred tax liabilities pursuant to set-off provisions (note 19)	**(465,232)**	(841,393)
Net deferred tax assets	**4,062,995**	8,350,798
Deferred tax assets expected to be recovered within 12 months	**3,693,505**	8,385,756
Deferred tax assets expected to be recovered after more than 12 months	**834,722**	806,435
	4,528,227	9,192,191

Movements	**Doubtful debts $**	**Employee benefits $**	**Deferred revenue $**	**Accrued expenses $**	**Other provisions $**	**Finance leases $**	**Unused tax losses $**	**Total $**
At 1 July 2017	408,877	2,177,976	209,886	110,965	1,516,230	366,419	37,422	4,827,775
Credited/(charged) - to profit or loss	(384,189)	335,546	439,473	(3,544)	4,070,021	(54,335)	(57,437)	4,345,535
Adjustment on adoption of AASB 9	-	-	-	-	(139,505)	-	-	(139,505)
Recognised losses	-	-	-	-	-	-	158,386	158,386
At 30 June 2018	**24,688**	**2,513,522**	**649,359**	**107,421**	**5,446,746**	**312,084**	**138,371**	**9,192,191**

Movements	Doubtful debts $	Employee benefits $	Deferred revenue $	Accrued expenses $	Other provisions $	Finance leases $	Unused tax losses $	Total $
At 1 July 2018	24,688	2,513,522	649,359	107,421	5,446,746	312,084	138,371	9,192,191
(Charged)/credited - to profit or loss	28,957	114,228	(553,342)	(12,365)	(3,955,820)	(143,464)	(51,960)	(4,573,766)
Exchange rate differences	-	-	-	-	(90,198)	-	-	(90,198)
At 30 June 2019	**53,645**	**2,627,750**	**96,017**	**95,056**	**1,400,728**	**168,620**	**86,411**	**4,528,227**

16 Non-current assets - Intangible assets

	Goodwill $	Software $	Customer contracts $	Total $
At 1 July 2017				
Cost	8,885,406	1,878,728	315,000	11,079,134
Accumulated amortisation and impairment	(1,583,084)	(1,759,877)	(315,000)	(3,657,961)
Net book amount	**7,302,322**	**118,851**	**-**	**7,421,173**
Year ended 30 June 2018				
Opening net book amount	7,302,322	118,851	-	7,421,173
Additions	-	631,529	-	631,529
Amortisation charge *	-	(182,931)	-	(182,931)
Impairment loss recognised	(1,095,048)	-	-	(1,095,048)
Disposal	-	17,895	-	17,895
Exchange differences	-	(601)	-	(601)
Closing net book amount	**6,207,274**	**584,743**	**-**	**6,792,017**
Cost	8,885,406	2,478,811	315,000	11,679,217
Accumulated amortisation and impairment	(2,678,132)	(1,894,068)	(315,000)	(4,887,200)
Net book amount	**6,207,274**	**584,743**	**-**	**6,792,017**

	Goodwill $	Software $	Customer contracts $	Total $
Year ended 30 June 2019				
Opening net book amount	6,207,274	584,743	-	6,792,017
Additions	-	144,819	-	144,819
Amortisation charge *	-	(202,243)	-	(202,243)
Exchange differences	-	2,854	-	2,854
Closing net book amount	**6,207,274**	**530,173**	**-**	**6,737,447**
At 30 June 2019				
Cost	8,885,406	2,644,899	315,000	11,845,305
Accumulated amortisation	(2,678,132)	(2,114,726)	(315,000)	(5,107,858)
Net book amount	**6,207,274**	**530,173**	**-**	**6,737,447**

* Group amortisation of $202,243 (2018: $182,931) is included in depreciation and amortisation expense in the statement of comprehensive income.

16 Non-current assets - Intangible assets (continued)

(a) Impairment tests for goodwill

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

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

2019	Australia $	Other countries $	Total $
Minerals	3,622,991	2,465,026	6,088,017
Metallurgical	119,257	-	119,257
	3,742,248	**2,465,026**	**6,207,274**

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

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

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

	Growth rates		**Discount rates**	
	2019 %	2018 %	**2019 %**	2018 %
Minerals	**2.5**	2.5	**1.1**	3.2
Metallurgical	**2.5**	2.5	**1.1**	3.2

Growth rate

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

Discount rate

For the Australian CGUs, the pre-tax discount rate applied to cash flow projections is 1.1% (2018: 3.2%) and for the Minerals CGUs in other countries, the pre-tax discount rate is 9.04% (2018: 9.20%).

Cash flows

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

16 Non-current assets - Intangible assets (continued)

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

Revenue

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

Sensitivities

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

(c) Cash flow assumptions

Minerals, Infrastructure and Metallurgical

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

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

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

17 Current liabilities - Trade and other payables

	Consolidated 2019 $	2018 $
Trade payables	**3,947,843**	6,198,804
Goods and services tax (GST) payable	**2,380,136**	2,330,610
Sundry creditors and accrued expenses	**7,235,493**	3,433,270
Employee benefit obligations (a)	**8,375,304**	7,836,176
	21,938,776	19,798,860

Included in the above are financial liabilities of $11,183,336 (2018: $9,632,074).

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

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

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

	Consolidated 2019 $	2018 $
Annual leave obligation expected to be settled after 12 months	**1,107,275**	1,142,739
Long service leave obligation expected to be settled after 12 months	**1,346,199**	1,118,000
	2,453,474	2,260,739

(b) Risk exposures

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

18 Current liabilities - Provisions

	Consolidated	
	2019	2018
	$	$
Service and equipment warranties	**3,000,000**	16,361,009

(a) Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

(b) Movements in provisions

2019	**Service and equipment warranties $**	**Total $**
Carrying amount at beginning of year	16,361,009	16,361,009
Expired warranty provisions reversed	(13,361,009)	(13,361,009)
Carrying amount at end of year	**3,000,000**	**3,000,000**

The Group recognises service and equipment warranty provisions in accordance with its current policy. The amount provided takes into account the percentage completion of the project, forecast to complete costs plus any close-out obligations and potential contractual liabilities during the warranty period.

19 Non-current liabilities - Deferred tax liabilities

	Consolidated 2019 $	2018 $
The balance comprises temporary differences attributable to:		
Accrued income	**241,381**	299,562
Other provisions	**66,018**	15,973
Depreciation & Amortisation	**117,128**	485,481
Prepaid expenses	**40,705**	40,377
	465,232	841,393
Set-off of deferred tax liabilities pursuant to set-off provisions (note 15)	**(465,232)**	(841,393)
Net deferred tax liabilities	**-**	-
Deferred tax liabilities expected to be settled within 12 months	**348,104**	355,912
Deferred tax liabilities expected to be settled after more than 12 months	**117,128**	485,481
	465,232	841,393

Movements	**Depreciation & amortisation $**	**Accrued income $**	**Other provisions $**	**Prepaid expenses $**	**Total $**
At 1 July 2017	525,882	318,275	145,049	40,639	1,029,845
Charged/(credited)					
- profit or loss	(40,401)	(18,713)	(129,076)	(262)	(188,452)
At 30 June 2018	**485,481**	**299,562**	**15,973**	**40,377**	**841,393**
At 1 July 2018	485,481	299,562	15,973	40,377	841,393
Charged/(credited)					
- profit or loss	(368,353)	(58,181)	50,045	328	(376,161)
At 30 June 2019	**117,128**	**241,381**	**66,018**	**40,705**	**465,232**

20 Non-current liabilities - Provisions

	Consolidated 2019 $	2018 $
Employee benefits - long service leave	**328,931**	416,531

21 Contributed equity

(a) Share capital

	2019 Shares	2018 Shares	**2019 $**	2018 $
Ordinary shares				
Fully paid	**39,732,373**	39,732,373	**20,823,772**	20,823,772

No movement in ordinary share capital during the year ending 30 June 2019.

(b) 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.

(c) Capital risk management

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

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

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

21 Contributed equity (continued)

(c) Capital risk management (continued)

During 2019, the group's strategy was to maintain a gearing less than 40%. The gearing ratios at 30 June 2019 and 30 June 2018 were as follows:

	Consolidated	
	2019	2018
	$	$
Total borrowings (including payables)	**34,950,110**	33,008,203
Less: cash and cash equivalents	**(60,451,048)**	(74,287,788)
Net debt	**(25,500,938)**	(41,279,585)
Total equity	**79,417,900**	79,350,408
Total capital	**53,916,962**	38,070,823
Gearing ratio	**(32)%**	(52)%

22 Reserves

Foreign currency translation reserve

	Consolidated	
	2019	2018
	$	$
Foreign currency translation reserve	**(602,928)**	(930,627)

	Consolidated	
	2019	2018
	$	$
Movements:		
Foreign currency translation reserve		
Balance 1 July	**(930,627)**	(904,119)
Currency translation differences arising during the year	**327,699**	(26,508)
Balance 30 June	**(602,928)**	(930,627)

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

23 Retained earnings

	Consolidated 2019 $	2018 $
Balance 1 July	**56,480,343**	46,328,446
Profit for the year	**16,507,378**	18,495,695
Dividends paid or payable	**(13,111,683)**	(8,343,798)
Acquisition of non-controlling interests (Note 30)	**(3,361,932)**	-
Transfer from non-controlling interests (Note 30)	**3,122,048**	-
Balance 30 June	**59,636,154**	56,480,343

24 Non-controlling interests

	Consolidated 2019 $	2018 $
Share capital	**14,937**	14,937
Reserves	**4,377**	(1,986)
Non-controlling interest on acquisition	**2,833,808**	2,833,808
Retained earnings	**(170,172)**	130,161
Transfer to retained earnings	**(3,122,048)**	-
	(439,098)	2,976,920

25 Dividends

(a) Ordinary shares

	Parent entity 2019 $	2018 $
Final dividends for year ended 30 June 2018 of 18.0 cents (2017: 9.0 cents) per fully paid share paid on 12 October 2018 (2017: 10 October 2017)		
Fully franked based on tax paid @ 30% (2017: 30%)	**7,151,827**	3,575,914
Interim dividend for the year ended 30 June 2019 of 15.0 cents (2018: 12.0 cents) per fully paid share paid on 12 April 2019 (2018: 10 April 2018)		
Fully franked based on tax paid @ 30% (2018: 30%)	**5,959,856**	4,767,885
Total dividends provided for or paid	**13,111,683**	8,343,799

25 Dividends (continued)

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

	Parent entity	
	2019	2018
	$	$
In addition to the above dividends, since year end the Directors have recommended the payment of a final dividend of 15.0 cents per fully paid ordinary share (2018: 18.0 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 11 October 2019 out of retained earnings at 30 June 2019, but not recognised as a liability at year end, is	**5,959,856**	7,151,827

(c) Franked dividends

	Consolidated	
	2019	2018
	$	$
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2018: 30%)	**17,087,886**	19,842,221

The above amounts are calculated from the balance of the franking account as at the end of the reporting year, adjusted for franking credits and debits that will arise from the settlement of liabilities or receivables for income tax and dividends after the end of the year.

(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 $2,554,224 (2018: $3,065,069).

26 Remuneration of auditors

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

(a) Grant Thornton Australia Ltd

(i) Audit and other assurance services

	Consolidated	
	2019 **$**	2018 $
Audit and other assurance services		
Audit and review of financial reports	**190,000**	190,000
Taxation services		
Tax compliance services (including income tax returns)	**77,945**	63,440
Total remuneration for taxation services	**77,945**	63,440
Other services		
Other services	**31,968**	39,870
Total remuneration	**299,913**	293,310

(b) Network firms of Grant Thornton Audit Pty Ltd

(i) Audit and other assurance services

	Consolidated	
	2019 **$**	2018 $
Audit and other assurance services		
Audit and review of financial statements	**9,989**	110,072
Taxation services		
Tax compliance services (including income tax returns)	**4,852**	40,529
Total remuneration of network firms of Grant Thornton Audit Pty Ltd	**14,841**	150,601

26 Remuneration of auditors (continued)

(c) Non-Grant Thornton Audit Pty Ltd

	Consolidated	
	2019 **$**	2018 $
Audit and other assurance services		
Audit and review of financial statements	**178,420**	49,087
Taxation services		
Tax compliance services (including income tax returns)	**39,791**	15,275
Total remuneration for taxation services	**39,791**	15,275
Other services		
Other services	**127,617**	57,168
Total remuneration of non-Grant Thornton Audit Pty Ltd audit firms	**345,828**	121,530
Total auditors' remuneration	**660,582**	565,441

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

27 Contingencies

The group had contingent liabilities at 30 June 2019 and 30 June 2018 in respect of:

(a) Contingent liabilities

(i) Guarantees

Guarantees are given in respect of rental bonds for $1,830,584 (2018: $1,830,584).

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

No material losses are anticipated in respect of any of the above contingent liabilities (2018: Nil).

28 Commitments

(a) Capital commitments

There were no capital expenditure contracted for at the reporting date which have not been recognised as liabilities (2018: Nil).

28 Commitments (continued)

(b) Lease commitments: group as lessee

(i) Non-cancellable operating leases

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

The Melbourne property under operating lease by Lycopodium Process Industries Pty Ltd is a non cancellable lease with a 36 month term ending 15 September 2021, with an option to renew the lease at the end of the term for a further 36 months. The agreement provides for an annual increase in the rental payments of 3.5% over the previous year's rental.

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

The Brisbane property under operating lease by Lycopodium Minerals Pty Ltd is a non-cancellable lease with a 36 month term ending 28 February 2021, with an option to renew for 36 months. The lease agreement provides for annual increase in the rental payments of 3.25% over the previous year's rental. The lease allows for sub-letting of all lease areas subject to prior consent of the landlord.

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

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

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

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

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

	Consolidated	
	2019	2018
	$	$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**7,819,443**	7,554,801
Later than one year but not later than five years	**6,845,171**	14,822,359
	14,664,614	22,377,160

28 Commitments (continued)

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

(ii) Finance leases and hire purchase commitments

The group has finance leases and hire purchase contracts for various items of plant and equipment with a carrying amount of $544,342 (2018: $1,018,386). 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	
	Notes	**2019** **$**	2018 $
Commitments in relation to finance leases are payable as follows:			
Within one year		**669,745**	526,584
Later than one year but not later than five years		**69,693**	585,944
Minimum lease payments		**739,438**	1,112,528
Future finance charges		**(23,878)**	(72,246)
Total lease liabilities		**715,560**	1,040,282
Representing lease liabilities:			
Current (note 11(c))		**419,344**	478,216
Non-current (note 11(c))		**296,216**	562,066
		715,560	1,040,282

The weighted average interest rate implicit in the leases and hire purchases is 6.06% (2018: 5.57%).

29 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 31.

(c) Key management personnel

	Consolidated	
	2019 **$**	2018 $
Short-term employee benefits	**3,272,175**	2,692,118
Post-employment benefits	**177,039**	171,863
	3,449,214	2,863,981

Detailed remuneration disclosures are provided in the remuneration report on pages 12 to 17.

29 Related party transactions (continued)

(d) Transactions with other related parties

The following transactions occurred with related parties:

	Consolidated	
	2019	2018
	$	$
Purchases of goods and services		
Purchases from associates	**6,849,112**	8,188,821
Sale of goods and services		
Sales to associates and joint ventures	**5,041,605**	1,967,192

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

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

	Consolidated	
	2019	2018
	$	$
Current payables		
Associates	**39,755**	18,007

(f) Loans to/from related parties

	Consolidated	
	2019	2018
	$	$
Loans to joint ventures		
Beginning of the year	**1,220,000**	723,500
Loans advanced	**-**	884,000
Repayments made	**(400,000)**	(387,500)
End of the year	**820,000**	1,220,000

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

(g) Terms and conditions

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

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

Loans advanced to the joint venture is interest-free and repayable within 12 months. Interest is payable on the loan at a rate of 3.25% per annum.

Outstanding balances are unsecured and are repayable in cash.

30 Business combination

Acquisition of additional interest in ADP Holdings (Pty) Ltd

On 30 November 2018, Lycopodium acquired the remaining 26% of the issued share capital of ADP Holdings (Pty) Ltd ("ADP"), increasing its ownership interest to 100%. Cash consideration of $3,361,932 was paid to the non-controlling shareholders.

Following is a schedule of additional interest acquired in ADP:

	2019 **$**
Cash consideration paid to non-controlling shareholders	3,361,932
Carrying value of the additional interest in ADP	(3,122,048)
Difference recognised in retained earnings	239,884

31 Subsidiaries

(a) Significant investments in subsidiaries

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

Name of entity	**Country of incorporation / Principal activity**	**Class of shares**	**Equity holding** **2019** **%**	2018 %
Lycopodium Minerals Pty Ltd	Australia (1)	Ordinary	**100**	100
Lycopodium Process Industries Pty Ltd	Australia (1)	Ordinary	**100**	100
Orway Mineral Consultants (WA) Pty Ltd	Australia (1)	Ordinary	**100**	100
Lycopodium Ghana Ltd	Ghana (2)	Ordinary	**100**	100
Lycopodium Asset Management Pty Ltd	Australia (1)	Ordinary	**100**	100
Lycopodium Burkina Faso SARL	Burkina Faso (2)	Ordinary	**100**	100
Lycopodium Infrastructure Pty Ltd	Australia (1)	Ordinary	**100**	100
Lycopodium Minerals Canada Ltd	Canada (1)	Ordinary	**100**	100
Lycopodium Mauritius	Mauritius (2)	Ordinary	**100**	100
Lycopodium Philippines Pty Ltd	Australia (1)	Ordinary	**100**	100
Metco Global Limited	Angola (2)	Ordinary	**74**	74
Orway Mineral Consultants (Canada) Ltd	Canada (1)	Ordinary	**100**	100
Lycopodium Rail Pty Ltd	Australia (1)	Ordinary	**100**	100
ADP Holdings (Pty) Limited	South Africa (1)	Ordinary	**100**	74

(1) Engineering, procurement, construction management services
(2) Offshore project support services

32 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 2019 financial year. The total amount of the dividend is $5,959,856 (2018: $7,151,827), which represents a fully franked dividend of 15.0 (2018: 18.0) 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.

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

	Consolidated	
	2019	2018
	$	$
Profit for the year	**16,399,215**	18,658,896
Depreciation and amortisation	**1,452,682**	1,228,479
Impairment of goodwill	**-**	1,095,048
Loans (repaid)/advanced from/to joint venture (incl at cash flows from financing activities)	**(400,000)**	884,000
Repayment of loans from associate (incl at cash flow from financing activities)	**-**	(387,500)
Proceeds from investments in listed equities (incl at cash flow from investing activities)	**(970,838)**	(1,187,036)
Non-cash shares received in lieu of payment for services	**59,909**	(1,204,384)
Net loss/(gain) on sale of non-current assets	**25,575**	(35,653)
Share of net profit of associate and joint venture accounted for using the equity method	**(659,932)**	(1,112,681)
Interest relating to financing activities	**59,797**	96,617
Other expenses	**154,368**	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade debtors and other receivables	**3,221,798**	(697,349)
Decrease/(increase) in contract assets	**1,171,611**	(2,669,078)
Increase in inventories	**(64,493)**	(492,414)
Decrease/(increase) in deferred tax assets	**4,287,803**	(4,552,868)
(Increase)/decrease in other operating assets	**(2,094,800)**	408,836
Increase/(decrease) in trade creditors	**2,139,916**	(44,282,109)
(Decrease)/increase in contract liabilities	**(826,208)**	14,619,449
(Decrease)/increase in provision for income taxes payable	**(9,524,284)**	5,600,504
Decrease in derivative financial assets	**135,350**	192,688
(Decrease)/increase in other provisions	**(13,448,609)**	11,995,947
Net cash inflow/(outflow) from operating activities	**1,118,860**	(1,840,608)

34 Earnings per share

(a) Basic earnings per share

	Consolidated	
	2019	2018
	Cents	Cents
Basic earnings per share attributable to the ordinary equity holders of the company	**41.5**	46.6

(b) Diluted earnings per share

	Consolidated	
	2019	2018
	Cents	Cents
Diluted earnings per share attributable to the ordinary equity holders of the company	**41.5**	46.6

34 Earnings per share (continued)

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

	Consolidated 2019 $	2018 $
Basic earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**16,507,378**	18,495,695
Diluted earnings per share		
Used in calculating diluted earnings per share	**16,507,378**	18,495,695

(d) Weighted average number of shares used as denominator

	Consolidated 2019 Number	2018 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**39,732,373**	39,732,373

35 Share-based payments

(a) Senior manager share acquisition plan

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

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

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

(b) Expenses arising from share-based payment transactions

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

36 Parent entity financial information

(a) Summary financial information

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

	2019 $	2018 $
Balance sheet		
Current assets	**18,228,374**	20,254,065
Non-current assets	**33,854,200**	30,065,700
Total assets	**52,082,574**	50,319,765
Current liabilities	**341,210**	1,484,003
Non-current liabilities	**5,282**	18,236
Total liabilities	**346,492**	1,502,239
Net assets	**51,736,082**	48,817,526
Shareholders' equity		
Contributed equity	**20,823,772**	20,823,772
Retained earnings	**30,912,310**	27,993,754
	51,736,082	48,817,526
Profit for the year	**16,030,237**	10,197,001
Total comprehensive income	**16,030,237**	10,197,001

(b) Guarantees entered into by the parent entity

In 2018, the parent entity entered into an arrangement with a insurer for a standby insurance bonding facility of $20.0m. In return, the parent entity and Lycopodium Minerals Pty Ltd jointly executed a cross guarantee and indemnity as security for the facility.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2019 or 30 June 2018.

(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 2019 or 30 June 2018.

In the Directors' opinion:

(a) the financial report and notes set out on pages 29 to 89 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 2019 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.

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

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

Peter De Leo

Perth
30 September 2019

Grant Thornton

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Independent Auditor's Report

To the Members of Lycopodium Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Lycopodium Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated balance sheet as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

a giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

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Key audit matters

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

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

Key audit matter	How our audit addressed the key audit matter
Revenue recognition **Note 1(d) and Note 5**	
For the year ended 30 June 2019, the Group recognised $151.141 million in revenues from its customers. The Group recognises revenues with reference to *AASB 15 Revenues from Contracts with Customers*. AASB 15 was adopted during the period and replaced *AASB 111 Construction Contracts, AASB 118 Revenue* and several revenue-related Interpretations. The first-time adoption of a new standard introduces the risk that revenue recognition policies being applied are not in-line with the standard. Further, this area is a key audit matter due to the degree of management estimation and judgement required with regard to applying judgments and estimates in determining revenue recorded over the time of its contracts.	Our procedures included, amongst others: • obtaining management's impact assessment of *AASB 15 Revenues from Contracts with Customers* and testing for compliance with the requirements of the standard, including checking application to a number of underlying agreements; • testing operating effectiveness of controls over the recording of revenues from contracts; • testing a sample of costs incurred in the year through to supporting documentation such as invoices or approved timesheets and their allocation to projects; • selecting a sample of contracts and agreeing contract prices and contract costs to supporting documentation; and • assessing the appropriateness of financial statement disclosures.

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Goodwill valuation Note 16	
As at 30 June 2019, the Group reports $6.207 million in Goodwill across various cash-generating units ("CGU"). Goodwill is required to be assessed for impairment annually as prescribed in *AASB 136 Impairment of Assets*. The Group estimates the fair value of its cash-generating units by employing a discounted cash flow model and, in doing so, determining the following: • forecasted cash flows from operations • working capital adjustments • capital expenditure estimates • discount and growth rates • a terminal value This area is a key audit matter due to the significant level of management estimates and judgements applied in supporting these carrying values.	Our procedures included, amongst others, obtaining management's discounted cash flow model and performing the following audit procedures: • identifying the key assumptions and adjustments in the model; • testing the mathematical accuracy of the model ensuring compliance with *AASB 136 Impairment of Assets* • analysing the reasonableness of the cash flow forecasts used in the model by: – comparing to historical performance, including management's ability to forecast; – agreeing to Board approved corporate business plans and supporting information; – performing sensitivity analysis on the key assumptions; and – corroborating against industry forecasts. • involving our internal corporate finance experts to assess the reasonableness of discount rates and the underlying workings of the impairment model; and • ensuring the appropriateness of related financial statement disclosures.

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

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the financial report

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

Grant Thornton

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

Auditor's responsibilities for the audit of the financial report

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

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

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 12 to 17 of the Directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Lycopodium Limited, for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

P W Warr
Partner – Audit & Assurance

Perth, 30 September 2019

The shareholder information set out below was applicable as at 9 September 2019.

A. Distribution of equity securities

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

Holding	Total Holders
1 - 1000	487
1,001 - 5,000	581
5,001 - 10,000	195
10,001 - 100,000	186
100,001 and over	28
	1,477

There were 71 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:

	Ordinary shares	
Name	Number held	Percentage of Units
1 Reesh Pty	9,046,221	22.77
2 HSBC Custody Nominees (Australia) Limited	4,068,887	10.24
3 Luala Pty Ltd	3,167,332	7.97
4 BNP Paribas Nominees Pty Limited	2,687,417	6.76
5 JP Morgan Nominees Australia Limited	2,382,633	6.00
6 Accede Pty Ltd	1,272,332	3.20
7 Caddy Fox Pty Ltd	1,154,215	2.90
8 Accbell Nominees Pty Ltd	1,000,000	2.52
9 Citicorp Nominees Pty Ltd	917,262	2.31
10 Citicorp Nominees Pty Ltd (Colonial First State Inv A/C)	709,000	1.78
11 Monadelphous Group Limited	603,511	1.52
12 National Nominees Limited	542,000	1.36
13 Mr David James Taylor	463,000	1.17
14 Mr Peter De Leo & Mrs Tiana De Leo	412,300	1.04
15 De Leo Nominees Pty Ltd (The De Leo Investment A/C)	407,900	1.03
16 De Leo Nominees Pty Ltd (The De Leo Family A/C)	343,571	0.86
17 Selso Pty Ltd	266,148	0.67
18 CS Fourth Nominees Pty Limited	263,109	0.66
19 Lycopodium Share Plan Pty Ltd	222,500	0.56
20 Botech Pty Ltd	188,959	0.48
	30,118,297	75.80

C. Substantial holders

Substantial holders in the Company are set out below:

Name	Number held	Percentage of Units
1 Reesh Pty Ltd	9,046,221	22.77
2 HSBC Custody Nominees (Australia) Limited	4,068,887	10.24
3 Luala Pty Ltd	3,167,332	7.97
4 BNP Parabis Nominees Pty Ltd	2,687,417	6.76
5 JP Morgan Nomineed Australia Limited	2,382,633	6.00

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 Peter De Leo Rodney Lloyd Leonard Robert Joseph Osmetti Bruno Ruggiero Peter Anthony Dawson Lawrence William Marshall Steven John Micheil Chadwick
Company Secretary	Keith John Bakker
Registered and Principal Office	Level 5, 1 Adelaide Terrace East Perth WA 6004 Australia T: +61 (0)8 6210 5222 www.lycopodium.com.au
Share Registry	Computershare Investor Services Pty Limited Level 11, 172 St Georges Terrace Perth WA 6000 T: +61 (0)8 9323 2000 www.computershare.com.au
Lawyers to the Company	Clyde & Co. Level 28, 197 St Georges Terrace Perth WA 6000 T: +61 (0)8 6145 1700 www.clydeco.com
Auditor	Grant Thornton Audit Pty Ltd Level 43, 152 - 158 St Georges Terrace Perth WA 6000 T: +61 (0)8 9480 2000 www.grantthornton.com.au

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