

# **Lycopodium Limited**

ABN 83 098 556 159

## **Annual report 30 June 2011**

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## **Annual report - 30 June 2011**

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This financial report covers Lycopodium Limited as a consolidated entity consisting of Lycopodium Limited and its controlled entities. The financial report is presented in the Australian currency.

Lycopodium Limited is a company limited by shares, incorporated and domiciled in Australia.

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities on pages 3 to 4 and in the directors' report on page 2 to 16, both of which are not part of this financial report.

The financial report was authorised for issue by the directors on 28 September 2011. 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, complete, and available globally at minimum cost to the company. All press releases, financial reports and other information are available at our Shareholders' Centre on our website: [www.lycopodium.com.au](http://www.lycopodium.com.au)

<b>Directors</b>	Michael John Caratti Lawrence William Marshall Rodney Lloyd Leonard Robert Joseph Osmetti Bruno Ruggiero Peter De Leo
<b>Company Secretary</b>	Keith John Bakker
<b>Registered and Principal office</b>	Level 5, 1 Adelaide Terrace East Perth WA 6004 T: +61 8 6210 5222 E: <a href="mailto:limited@lycopodium.com.au">limited@lycopodium.com.au</a> <a href="http://www.lycopodium.com.au">www.lycopodium.com.au</a>
<b>Share register</b>	Computershare Investor Services Pty Ltd Level 2, 45 St Georges Terrace Perth WA 6000 T: +61 8 9323 2000 Direct line for Investors: 1300 764 130 <a href="http://www.computershare.com.au">www.computershare.com.au</a>
<b>Auditor</b>	PwC QV1 Building, Levels 19 - 21 250 St Georges Terrace Perth WA 6000 T: +61 8 9238 3000 <a href="http://www.pwc.com\au">www.pwc.com\au</a>
<b>Stock exchange listing</b>	Lycopodium Limited shares are listed on the Australian Stock Exchange.

## Directors' report

Your directors present their report on the consolidated entity consisting of Lycopodium Limited and the entities it controlled at the end of, or during, the year ended 30 June 2011.

### Directors

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

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

### Principal activities

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

### Dividends - Lycopodium Limited

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

	2011	2010
	\$	\$
Final fully franked dividend for the year ended 30 June 2010 of 22.0 cents (2009 - 20.0 cents) per fully paid share paid on 15 October 2010 (2010 - 16 October 2009)	<b>8,504,123</b>	7,731,021
Interim fully franked dividend for the year ended 30 June 2011 of 10.0 cents (2010 - 5.0 cents) per fully paid share paid 15 April 2011 (2010 - 15 April 2010)	<u><b>3,865,510</b></u>	<u>1,932,754</u>
	<u><b>12,369,633</b></u>	<u>9,663,775</u>

In addition to the above dividends, since the end of the financial year the directors have recommended the payment of a final ordinary dividend of \$7,731,021 (20.0 cents per fully paid share fully franked) based on shareholdings as at the date of this report, to be paid on 14 October 2011 out of group retained profits at 30 June 2011.

## Review of operations

The 2010/11 financial year saw the organisation transition from a period of high study activity into a more balanced operating environment comprising a combination of major projects supported by smaller projects and feasibility studies.

Of particular significance was the successful conversion to projects of a number of strategic feasibility studies undertaken. Lycopodium has now secured several major projects domestically and internationally on behalf of major and emerging companies encompassing gold, iron ore, copper and nickel. Additionally there are a number of major feasibility studies which offer the potential for replacement project work into the future.

The organisation is operating at normal manhour utilisation rates, with future growth constrained by our continued objective of executing projects and studies to a consistently high standard and our ability within the current competitive marketplace to recruit and train additional staff.

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

## Full year results

During the financial year ended 30 June 2011, Lycopodium realised record revenues of \$170 million, a 41% increase from the \$120 million in the previous financial year. Net profit after tax increased to \$17 million, as compared to \$16 million in the previous financial year, a 6.5% increase. As compared to the 2010 profit figures, there were no extraordinary items in the profit figures for 2011.

Basic earnings per share increased from 41.6 cents for the previous financial year to 44.3 cents and in accordance with the company's dividend policy the Directors have resolved to pay a final dividend of 20 cents fully franked.

The total dividend for the year is 30 cents fully franked compared to 27 cents for the previous financial year.

## Outlook

The company has forecast FY2012 revenue of \$188 million and net profit after tax of \$18.5 million. The profitability, as a percentage of revenue will remain essentially unchanged to the 2010/11 financial year, reflecting increased retention and employment related costs and increased capital commitments associated with organic growth initiatives.

## Corporate overview

To expand our geographic footprint in mineral processing and improve support to existing North American clients we have opened an office in Toronto, Canada for Lycopodium Minerals and for OMC. A small contingent of core employees was relocated as part of the initial office establishment, however the majority of the staff will be sourced from the Canadian minerals industry. This fledgling office has secured several studies from existing North American clients with projects in Africa.

There were no material changes to the Australian-based operating entities. During the past year investment in core infrastructure for the existing operating entities recommenced in support of the increased operating levels:

- Lycopodium Minerals in Perth installed a new IT data centre.
- Lycopodium Minerals in Brisbane expanded their offices.
- Lycopodium Process Industries in Melbourne relocated to new offices.
- SUPL relocated to new offices within the Perth CBD in order to be closer to their long term clients.

## Operational highlights

This year has been highlighted by the progressive conversion of several major feasibility studies into strategic projects which will underpin a material percentage of the revenues for the next two financial years. These major projects are complemented by a range of smaller projects and significant feasibility studies across the group.

Provided below is an update on the three major projects committed during the year:

- The Akyem Project in Ghana West Africa for Newmont is nearing completion from a design perspective. Early infrastructure is under construction in advance of the main construction effort on the gold mineral processing plant in 2011/12.
- The Marandoo Project in Western Australia for Rio Tinto has transitioned from the feasibility study into the detailed design phase. Early infrastructure is under construction and will progress into the main construction phase on the iron ore processing plant in 2011/12.

### Review of operations (continued)

- The Tropicana Project in Western Australia for the Tropicana Joint Venture (AngloGold Ashanti – 70%, Independence Group – 30%) has also transitioned from the feasibility study into detailed design. Construction is in progress on the access road and accommodation facilities.

Lycopodium Minerals, via the Perth, Brisbane and Toronto offices, has also progressed or completed the following projects during the year:

- The new crushing facilities associated with the re-commencement of the Ravensthorpe Nickel Laterite Project in Western Australia for First Quantum Minerals Ltd were essentially complete following commissioning in June 2011.
- The Nzema Gold Project in Ghana for Adamus Resources was successfully completed with the handover of the project in January 2011 following commissioning and performance testing.
- The Tasiast Dump Leach Project in Mauritania for Kinross is nearing the completion of construction. Additional work has also been undertaken in relation to expansion of the accommodation facilities and upgrades to the existing processing plant.
- Ongoing assistance is being provided to the Hidden Valley Operations as part of the debottlenecking and improvement activities. The Hidden Valley Operations in PNG is a joint venture between Newcrest Mining and Harmony Gold.
- The NMK TRP Project in Western Australia for BHP Billiton is currently under construction with a number of facilities already handed over as part of this brownfield project.
- Detailed design is in progress for the Bissa Gold Project in Burkina Faso on behalf of Bissa Gold SA.
- Construction has commenced on the Sabodala Gold Project Upgrade in Senegal on behalf of Sabodala Gold Operations SA.

Lycopodium Process Industries remains active in the chemicals and manufacturing sectors. Key projects and studies undertaken during the year have included the detailed design of a hydrogen sulphide plant as part of the Taganito Nickel Laterite Project in the Philippines on behalf of JGC and Chiyoda, flood recovery assistance to Dulux in Queensland and engineering and costing studies for two bio-diesel projects.

SUPL remained committed to long term clients during the year, based on major reliability and maintenance engineering briefs with Woodside and Chevron in the oil and gas sector and BHP Billiton in the minerals sector.

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

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

### HSE & Community

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

In 2010/11 there were 3.7 million manhours worked across the Lycopodium managed projects with only one lost time injury. Additional training initiatives were implemented during the year in order to further enhance the safe working environment across our sites.

On the community side, Lycopodium completed and handed over a new school in support of BASICS, an NGO working to improve the quality of life for children living in poor communities of Accra, Ghana. In Perth, Lycopodium remains an active sponsor and supporter of The Clontarf Foundation, a charitable not-for-profit organisation improving the education, discipline, self-esteem, life skills and employment prospects of young Aboriginal men. The company also continues to support a number of charitable initiatives championed by staff.

## Review of operations (continued)

### Acknowledgement

Lycopodium is proud of the achievements of our personnel over the last year, noting the outstanding efforts in converting a number of key studies into major projects for the company and the valued assistance to our clients impacted by the floods in Queensland. The Board of Directors acknowledges that the company's ability to continue to deliver world class services to our clients and to maintain and enhance the company's performance and capability is dependent on the continued commitment and support of our personnel.

On behalf of my fellow Directors I take this opportunity to sincerely thank all personnel for their highly valued contribution over the last year.

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

	Segment revenues		Segment results	
	2011 \$	2010 \$	2011 \$	2010 \$
Corporate Services	16,658,193	8,563,387	(933,655)	(530,956)
Minerals	148,721,029	111,868,242	22,390,717	16,409,671
Other	36,174,002	22,286,590	3,520,559	2,821,301
Intersegment eliminations	(31,710,308)	(22,383,704)	-	-
	<u>169,842,916</u>	<u>120,334,515</u>	<u>24,977,621</u>	<u>18,700,016</u>
Unallocated revenue less unallocated expenses			<u>(69,732)</u>	<u>11,764</u>
Profit before income tax expense			<u>24,907,889</u>	<u>18,711,780</u>
Income tax expense			<u>(7,795,136)</u>	<u>(2,653,312)</u>
Profit for the year			<u>17,112,753</u>	<u>16,058,468</u>
Add: Loss attributable to non-controlling interest			<u>49,484</u>	<u>-</u>
Profit attributable to owners of Lycopodium Ltd			<u>17,162,237</u>	<u>16,058,468</u>

Comments on the operations and the results of those operations are set out below:

- (a) *Corporate Services*  
 The Corporate Services segment consists of managerial and legal services provided to the Group in addition to strategic investment holdings.
- (b) *Minerals*  
 The Minerals segment consists of engineering and related services provided to the extractive mining industry. The clients, including junior exploration companies and major multinational producers, are developing projects for a wide range of commodities. These projects range in scope from large greenfield projects involving process plant and equipment, civil and building works, control systems, services and infrastructure to small skidmounted pilot plants.
- (c) *Other*  
 All other operating segments of the Group are aggregated on the basis of them being individually immaterial for the purpose of reporting.

### **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 2011 financial year. The total amount of the dividend is \$7,731,021, which represents a fully franked dividend of 20.0 cents per fully paid ordinary share.

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

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

### **Likely developments and expected results of operations**

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

Further information on the likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the consolidated entity.

### **Environmental regulation**

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

### **Information on directors**

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

### **Michael John Caratti BE (Elec) (Hons). Non-executive Chairman. Age 61.**

#### ***Experience and expertise***

Former Managing Director of Lycopodium Minerals Pty Ltd, Mr Caratti has over 30 years experience in the mineral processing industry and has had a major role in the development of the consolidated entity's risk management and quality control programmes.

#### ***Special responsibilities***

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

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

9,104,367 ordinary shares of Lycopodium Limited.

### **Lawrence William Marshall B.Bus (Acc) CPA. Non-executive Director. Age 58.**

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

#### ***Special responsibilities***

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

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

2,142,332 ordinary shares of Lycopodium Limited.



**Information on directors (continued)**

**Rodney Lloyd Leonard BE (Hons), MSc, MAusIMM. Managing Director. Age 50.**

***Experience and expertise***

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

***Special responsibilities***

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

***Interests in shares and options***

2,812,332 ordinary shares of Lycopodium Limited.

210,000 performance rights over ordinary shares of Lycopodium Limited

**Robert Osmetti BE (Civ), MIEAust, CPEng. Executive Director. Age 55.**

***Experience and expertise***

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

***Special responsibilities***

Member of the Corporate Governance Committee.

***Interests in shares and options***

2,141,781 ordinary shares of Lycopodium Limited.

210,000 performance rights over ordinary shares of Lycopodium Limited

**Bruno Ruggiero BE (Mech), GradDipMinSc, GradCert EngTech(Struct), MIEAust, MAusIMM. Executive Director. Age 47.**

***Experience and expertise***

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

***Special responsibilities***

Member of the Corporate Governance Committee.

***Interests in shares and options***

3,167,332 ordinary shares in Lycopodium Limited.

210,000 performance rights over ordinary shares of Lycopodium Limited

**Peter De Leo BE (Civ) CPEng FIEAust. Executive Director. Age 45.**

***Experience and expertise***

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

***Special responsibilities***

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

***Interests in shares and options***

1,254,771 ordinary shares of Lycopodium Limited.

310,000 performance rights over ordinary shares of Lycopodium Limited

**Company secretary**

The company secretary is Keith John Bakker B.Bus (Acc), FCPA. Age 58. 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 number of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2011, and the number of meetings attended by each director were:

	Full meetings of directors		Meetings of committees			
			Audit		Other+	
	A	B	A	B	A	B
Michael Caratti	11	11	*	*	1	1
Lawrence Marshall	9	11	1	2	1	1
Rodney Leonard	11	11	2	2	1	1
Robert Osmetti	8	11	*	*	1	1
Bruno Ruggiero	9	11	*	*	1	1
Peter De Leo	9	11	2	2	1	1

A = Number of meetings attended

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

\* = Not a member of the relevant committee

+ = Represents the Corporate Governance, Nomination and Remuneration Committees for which the full board acts

## Remuneration report

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation

### **Principles used to determine the nature and amount of remuneration**

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders. The framework provides a mix of fixed and equity remuneration.

Remuneration, other than the vesting criteria for the performance rights, is not dependent upon the achievement of performance conditions.

#### Non-executive directors

Mr Caratti was Non-executive Chairman for the entire year and Mr Marshall was a Non-executive Director for the entire year.

#### *Directors' fees*

No directors' fees were payable for the year ended 30 June 2011.

#### *Executive pay*

The executive remuneration and reward framework has three components:

- fixed annual remuneration, including superannuation, and
- service bonus, and
- equity.

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

1,450,000 performance rights were granted to certain executive directors during the financial year ended 30 June 2009. These rights were granted for nil consideration and are exercisable upon certain performance hurdles and vesting conditions being achieved. This is the only element of remuneration that is linked to company performance. Refer to page 14 for details.

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

### **Details of remuneration**

#### *Amounts of remuneration*

Details of the remuneration of the directors and the key management personnel (as defined in AASB 124 *Related Party Disclosures*) and the five highest paid executives of Lycopodium Limited and the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity are the directors of Lycopodium Limited and those executives that report directly to the managing director being:

- Keith Bakker - *Company Secretary / Chief Financial Officer - Lycopodium Limited*

In addition, the following persons must be disclosed under the *Corporations Act 2001* as they are among the 5 highest remunerated group and/or company executives:

- Ian Yovich - *Managing Director - Lycopodium Minerals QLD Pty Ltd*
- David Taylor - *Former Manager of Engineering - Lycopodium Minerals Pty Ltd, now President - Lycopodium Minerals Canada Ltd*
- Mark Huddy - *General Manager of Operations - Lycopodium Minerals Pty Ltd*
- Lou Giura - *Manager of Projects - Lycopodium Minerals Pty Ltd*
- Doug Rogers - *Senior Consultant - Lycopodium Minerals Pty Ltd*

Remuneration report (continued)

**Details of remuneration (continued)**

*Amounts of remuneration (continued)*

**Key management personnel of the consolidated entity and other executives of the company and the consolidated entity**

2011

Name	Short-term employee benefits		Post-employment benefits		Share-based payments	Total \$
	Cash salary and fees \$	Non monetary benefits \$	Super-annuation \$	Termination benefits \$	Options / Rights \$	
<i>Non-executive directors</i>						
Michael Caratti	71,214	4,766	49,966	-	-	125,946
Lawrence Marshall	146,220	4,766	49,992	-	-	200,978
<b>Sub-total non-executive directors</b>	<b>217,434</b>	<b>9,532</b>	<b>99,958</b>	<b>-</b>	<b>-</b>	<b>326,924</b>
<i>Executive directors</i>						
Rodney Leonard	600,000	4,766	39,631	-	26,304	670,701
Robert Osmetti	524,801	4,766	15,199	-	26,304	571,070
Bruno Ruggiero	464,538	14,048	25,000	-	26,304	529,890
Peter De Leo	575,000	4,766	25,000	-	66,279	671,045
<i>Other key management personnel (consolidated entity)</i>						
Keith Bakker	296,641	9,791	50,000	-	-	356,432
<b>Total key management personnel compensation (Group)</b>	<b>2,678,414</b>	<b>47,669</b>	<b>254,788</b>	<b>-</b>	<b>145,191</b>	<b>3,126,062</b>
<i>Other consolidated entity executives</i>						
Ian Yovich <sup>#</sup>	323,785	37,648	50,000	-	-	411,433
Lou Giura <sup>#</sup>	354,209	4,766	15,199	-	-	374,174
Mark Huddy <sup>#</sup>	339,118	14,199	15,199	-	-	368,516
David Taylor <sup>#</sup>	331,062	3,549	30,263	-	-	364,874
Doug Rogers <sup>#</sup>	302,292	4,766	50,000	-	-	357,058

# denotes one of the 5 highest paid executives of the consolidated entity, as required to be disclosed under the Corporations Act 2001.

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

Remuneration report (continued)

**Details of remuneration (continued)**

Amounts of remuneration (continued)

**Key management personnel of the consolidated entity and other executives of the company and the consolidated entity**

2010

Name	Short-term employee benefits		Post-employment benefits		Share-based payments	Total \$
	Cash salary and fees \$	Non monetary benefits \$	Super-annuation \$	Termination benefits# \$	Options / Rights \$	
<i>Non-executive directors</i>						
Michael Caratti	34,867	4,002	50,000	-	-	88,869
Lawrence William Marshall*	207,905	4,002	48,175	-	-	260,082
<b>Sub-total non-executive directors</b>	<b>242,772</b>	<b>8,004</b>	<b>98,175</b>	<b>-</b>	<b>-</b>	<b>348,951</b>
<i>Executive directors</i>						
Rodney Leonard*	483,859	4,002	25,000	-	21,876	534,737
Robert Osmetti	445,197	11,535	14,461	-	21,876	493,069
Bruno Ruggiero	419,590	12,454	25,000	-	21,876	478,920
Peter De Leo	485,829	4,002	25,000	-	24,952	539,783
Mark Ward**	55,787	-	2,355	325,000	11,949	395,091
<i>Other key management personnel (consolidated entity)</i>						
Keith Bakker	272,938	7,731	50,000	-	5,179	335,848
<b>Total key management personnel compensation (consolidated entity)</b>	<b>2,405,972</b>	<b>47,728</b>	<b>239,991</b>	<b>325,000</b>	<b>107,708</b>	<b>3,126,399</b>
<i>Other consolidated entity executives</i>						
Ian Yovich#	284,052	45,103	50,000	-	-	379,155
David Taylor#	321,019	4,002	50,000	-	-	375,021
Mark Huddy#	297,423	28,784	14,461	-	15,538	356,206
Lou Giura#	320,122	4,002	14,461	-	7,251	345,836
Doug Rogers#	288,750	4,002	50,000	-	2,590	345,342

\* On 18 January 2010 Mr Leonard was appointed Managing Director of Lycopodium Limited replacing Mr Marshall. As of 18 January 2010 Mr Marshall holds office as a non-executive director of Lycopodium Limited.

\*\* Mr Ward resigned as director on 1 July 2009.

# denotes one of the 5 highest paid executives of the consolidated entity, as required to be disclosed under the *Corporations Act 2001*.

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

## Remuneration report (continued)

### Service agreements

Remuneration and other terms of employment for the directors and other 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.

#### Michael Caratti, *Non-executive Chairman*

- Fixed hourly rate, inclusive of superannuation, for the year beginning 1 July 2010 was reviewed by the Remuneration Committee on 1 July 2010 and increased from \$308 to \$320.

#### Lawrence Marshall, *Non-executive Director*

- Fixed hourly rate, inclusive of superannuation, for the year beginning 1 July 2010 was reviewed by the Remuneration Committee on 1 July 2010 and increased from \$308 to \$320.

#### Rodney Leonard, *Managing Director*

- The contract has no fixed term.
- Fixed annual remuneration, inclusive of superannuation, for the year beginning 1 July 2010 was reviewed by the Remuneration Committee on 1 July 2010 and increased from \$600,000 to \$625,000.

#### Robert Osmetti, *Executive Director*

- The contract has no fixed term.
- Fixed annual remuneration, inclusive of superannuation, for the year beginning 1 July 2010 was reviewed by the Remuneration Committee on 1 July 2010 and increased from \$500,000 to \$540,000.

#### Bruno Ruggiero, *Executive Director*

- The contract has no fixed term.
- Fixed annual remuneration, inclusive of superannuation, for the year beginning 1 July 2010 was reviewed by the Remuneration Committee on 1 July 2010 and increased from \$500,000 to \$540,000.

#### Peter De Leo, *Executive Director*

- The contract has no fixed term.
- Fixed annual remuneration, inclusive of superannuation, for the year beginning 1 July 2010 was reviewed by the Remuneration Committee on 1 July 2010 and increased from \$575,000 to \$600,000.

#### Keith Bakker, *Company Secretary / Chief Financial Officer*

- The contract has no fixed term.
- Fixed annual remuneration, inclusive of superannuation, for the year beginning 1 July 2010 of \$340,000 was reviewed on 1 December 2010 and increased to \$360,000 and is to be reviewed by the Remuneration Committee annually from 1 December.

#### David Taylor, *President - Lycopodium Minerals Canada Ltd*

- The contract has no fixed term.
- Fixed annual remuneration, inclusive of superannuation, for the year beginning 1 July 2010 of \$365,000, was reviewed per company policy on 1 December 2010 with no change and is to be reviewed by the Remuneration Committee annually from 1 December.

#### Lou Giura, *Manager of Projects - Lycopodium Minerals Pty Ltd*

- The contract has no fixed term.
- Fixed annual remuneration, inclusive of superannuation, for the year beginning 1 July 2010 of \$345,000, was reviewed per company policy on 1 December 2010 and increased to \$365,000 and is to be reviewed by the Remuneration Committee annually from 1 December.

#### Doug Rogers, *Senior Consultant - Lycopodium Minerals Pty Ltd*

- The contract has no fixed term.
- Fixed annual remuneration, inclusive of superannuation, for the year beginning 1 July 2010 of \$345,000 was reviewed per company policy on 1 December 2010 and increased to \$357,500 and is to be reviewed by the Remuneration Committee annually from 1 December.

**Remuneration report (continued)**

**Service agreements (continued)**

Mark Huddy, *General Manager of Operations - Lycopodium Minerals Pty Ltd*

- The contract has no fixed term.
- Fixed annual remuneration, inclusive of superannuation, for the year beginning 1 July 2010 of \$345,000, was reviewed per company policy on 1 December 2010 and increased to \$375,000 with a further review on 1 June 2011 and increased to \$390,000 and is to be reviewed by the Remuneration Committee annually from 1 December.

Ian Yovich, *Managing Director - Lycopodium Minerals QLD Pty Ltd*

- The contract has no fixed term.
- Fixed annual remuneration, inclusive of superannuation, for the year beginning 1 July 2010 of \$395,000, was reviewed per company policy on 1 December 2010 and increased to \$415,000 and is to be reviewed by the Remuneration Committee annually from 1 December.

**Share-based compensation**

*Performance Rights*

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

Vesting of the rights is subject to meeting the following performance hurdles:

<b>Tranche</b>	<b>Vesting date and Performance hurdle</b>
Tranche 1	1 July 2011 if EPS for 30 June 2009 exceeds EPS for 30 June 2008 by 10%
Tranche 2	1 July 2012 if EPS for 30 June 2010 exceeds EPS for 30 June 2009 by 10%
Tranche 3	1 July 2013 if EPS for 30 June 2011 exceeds EPS for 30 June 2010 by 10%
Tranche 4	1 July 2014 if EPS for 30 June 2012 exceeds EPS for 30 June 2011 by 10%
Tranche 5	1 July 2015 if EPS for 30 June 2013 exceeds EPS for 30 June 2012 by 10%

The rights are granted under the plan for no consideration.

**Remuneration report (continued)**

**Share-based compensation (continued)**

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

Grant date	Date vested and exercisable	Expiry date	Exercise price	Value per option at grant date	Performance achieved	% Vested
24 December 2008	30 June 2011	30 June 2016	\$-	\$0.74	Achieved	100%
24 December 2008	30 June 2012	30 June 2016	\$-	\$0.74	Achieved	0%
24 December 2008	30 June 2013	30 June 2016	\$-	\$0.74	20%	0%
24 December 2008	30 June 2014	30 June 2016	\$-	\$0.74	To be determined	n/a
24 December 2008	30 June 2015	30 June 2016	\$-	\$0.74	To be determined	n/a

Rights granted under the plan carry no dividend or voting rights.

There were no options or rights over ordinary shares in the company that vested or were provided as remuneration to any director of Lycopodium Limited and any of the key management personnel of the consolidated entity during and since the end of the financial year. Further information on rights over ordinary shares on issue is set out in note 39 to the financial statements.

Interest free loans for a period of 3 years were provided to eligible senior managers during the previous year to acquire shares in Lycopodium Limited under the senior manager share acquisition plan. The plan was designed to provide alignment of the senior managers with the shareholders of the company by assisting the senior managers to acquire shares in Lycopodium Limited under the plan. None of the directors of Lycopodium Limited are eligible to participate in the company's senior manager share acquisition plan. Further information on the plan is set out in note 39 to the financial statements.

*Details of remuneration: Share-based compensation benefits*

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

Name	Year granted	Vested %	Forfeited %	Financial years in which rights may vest	Maximum total value of grant yet to vest \$
Peter De Leo	2009	100	-	30 June 2011	-
	2009	-	-	30 June 2012	18,450
	2009	-	80	30 June 2013	2,952
	2009	-	-	30 June 2014	3,690
	2009	-	-	30 June 2015	21,086
Robert Osmetti	2009	100	-	30 June 2011	-
	2009	-	-	30 June 2012	9,225
	2009	-	80	30 June 2013	2,952
	2009	-	-	30 June 2014	3,690
	2009	-	-	30 June 2015	21,086
Bruno Ruggiero	2009	100	-	30 June 2011	-
	2009	-	-	30 June 2012	9,225
	2009	-	80	30 June 2013	2,952
	2009	-	-	30 June 2014	3,690
	2009	-	-	30 June 2015	21,086
Rodney Leonard	2009	100	-	30 June 2011	-
	2009	-	-	30 June 2012	9,225
	2009	-	80	30 June 2013	2,952
	2009	-	-	30 June 2014	3,690
	2009	-	-	30 June 2015	21,086



**Loans to directors and executives**

Information on loans to directors and executives, including amounts, interest rates and repayment terms are set out in note 28 to the financial statements.

**Shares under options/rights**

Unissued ordinary shares of Lycopodium Limited under the Director Performance Rights Plan at the date of this report are as follows:

Grant date	Expiry date	Issue price of shares	Number under option
24 December 2008	30 June 2016	\$-	940,000

**Shares issued on the exercise of options/rights**

The following ordinary shares of Lycopodium Limited were issued during the year ended 30 June 2010 on the exercise of rights under the Director Performance Rights Plan. No further shares have been issued since that date. No amounts are unpaid on any of the shares.

Grant date	Issue price of shares	Number of shares issued				
24 December 2008	\$0.74	<table border="0" style="width: 100%;"> <tr> <td style="border-top: 1px solid black; width: 100%;"></td> <td style="text-align: right; border-top: 1px solid black;">100,000</td> </tr> <tr> <td style="border-bottom: 3px double black; width: 100%;"></td> <td style="text-align: right; border-bottom: 3px double black;">100,000</td> </tr> </table>		100,000		100,000
	100,000					
	100,000					

**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 consolidated entity, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company.

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

**Proceedings on behalf of the company**

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

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

**Non-audit services**

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the consolidated entity are important.

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

The board of directors has considered the position and, in accordance with the 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*.

**Non-audit services (continued)**

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:

	Consolidated	
	2011	2010
	\$	\$
<b>1. Audit services</b>		
PwC Australian firm:		
Audit and review of financial reports	315,226	319,108
Related practices of PwC Australian firm	14,261	18,228
Fees paid to Crowe Horwath for the audit or review of financial reports of Lycopodium Tanzania Limited	<u>11,221</u>	<u>11,308</u>
<b>Total remuneration for audit services</b>	<u>340,708</u>	<u>348,644</u>
<b>2. Non-audit services</b>		
<b>Taxation services</b>		
PwC Australian firm:		
Tax compliance services	45,475	76,725
Related practices of PwC Australian firm		
Tax compliance services	5,767	10,521
Fees paid to Crowe Horwath for taxation services provided	<u>54,576</u>	<u>-</u>
<b>Total remuneration for taxation services</b>	<u>105,818</u>	<u>87,246</u>
<b>Other Advisory services</b>		
PwC Australian firm:		
Fees paid to PwC	<u>52,462</u>	<u>115,714</u>
<b>Total remuneration for other services</b>	<u>52,462</u>	<u>115,714</u>
<b>Total remuneration for non-audit services</b>	<u>158,280</u>	<u>202,960</u>

**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 17.

**Auditor**

PwC continues in office in accordance with section 327 of the *Corporations Act 2001*.

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



Rodney Lloyd Leonard  
 Managing Director

Perth  
 28 September 2011



## Auditor's Independence Declaration

As lead auditor for the audit of Lycopodium Limited for the year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink, appearing to read 'P. Dreyer', is written over a light blue horizontal line.

Pierre Dreyer  
Partner  
PricewaterhouseCoopers

Perth  
28 September 2011

## Corporate governance statement

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

Lycopodium Limited's practices are consistent with the Second Edition of the ASX Corporate Governance Council's Principles and Recommendations ('Principles') as amended in June 2010 with any exceptions noted below.

### Principle 1

#### Lay solid foundations for management and oversight

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

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

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

### Principle 2

#### Structure the board to add value

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

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

Name	Position	Term in Office
Mr Michael Caratti	Non-executive Chairman	6 years, 9 months
Mr Lawrence Marshall	Non-executive Director	6 years, 9 months
Mr Rodney Leonard	Managing Director	6 years, 9 months
Mr Robert Osmetti	Executive Director	6 years, 9 months
Mr Bruno Ruggiero	Executive Director	6 years, 9 months
Mr Peter De Leo	Executive Director	4 years, 8 months

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

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

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

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

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

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

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

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

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

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

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

As a global participant, the Company recruits staff from most continents. The Company has an established policy on equal employment opportunity. The issues covered by a Diversity Policy such as age, gender, ethnicity and cultures are practiced in accordance with this policy. No attempt has been made at this stage to measure achievements or establish objectives with respect to this recommendation. This matter will be considered in this context of the challenges faced in recruiting a skilled workforce during a period of severe skill shortage in most of the sectors the Company operates in.

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

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

The Committee's members are:

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

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

The Audit Committee does not include any non-executive Directors nor a majority of independent Directors. The Committee is chaired by a qualified accountant and the other members have extensive experience in senior management positions within the industry.

**Principle 5**  
**Make timely and balanced disclosure**

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

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

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

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

**Principle 7**  
**Recognise and manage risk**

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

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

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

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

**Principle 8**  
**Remunerate fairly and responsibly**

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

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

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

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

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

**Lycopodium Limited**  
**Consolidated statement of comprehensive income**  
**For the year ended 30 June 2011**

	Notes	Consolidated 2011 \$	2010 \$
<b>Revenue from operations</b>	5	<b>169,842,916</b>	120,334,515
Other income	6	-	466,947
Employee benefits expense		<b>(83,588,572)</b>	(62,205,326)
Depreciation and amortisation expense	7	<b>(1,286,219)</b>	(1,608,491)
Project expenses		<b>(4,181,481)</b>	(446,985)
Equipment and materials used		<b>(216,994)</b>	(417,512)
Contractors		<b>(41,516,936)</b>	(26,832,329)
Administration and management costs		<b>(13,866,490)</b>	(9,889,071)
Loss on disposal of asset		<b>(25,503)</b>	(868)
Finance costs	7	<b>(252,832)</b>	(715,142)
Share of net profits of associates accounted for using the equity method		-	<u>26,042</u>
<b>Profit before income tax</b>		<b><u>24,907,889</u></b>	<u>18,711,780</u>
Income tax expense	8	<b><u>(7,795,136)</u></b>	<u>(2,653,312)</u>
<b>Profit for the year</b>		<b>17,112,753</b>	16,058,468
<b>Other comprehensive income/(expense)</b>			
Changes in fair value of available-for-sale financial assets		<b>(1,000)</b>	(17,000)
Exchange differences on translation of foreign operations		<b>79,326</b>	6,813
Income tax relating to components of other comprehensive income		<b>300</b>	5,100
<b>Other comprehensive (expense)/ income for the year, net of tax</b>		<b><u>78,626</u></b>	<u>(5,087)</u>
<b>Total comprehensive income for the year</b>		<b><u>17,191,379</u></b>	<u>16,053,381</u>
Profit for the year is attributable to:			
Owners of Lycopodium Limited		<b>17,162,237</b>	16,058,468
Non-controlling interests		<b><u>(49,484)</u></b>	<u>-</u>
		<b><u>17,112,753</u></b>	<u>16,058,468</u>
Total comprehensive income for the year is attributable to:			
Owners of Lycopodium Limited		<b>17,240,863</b>	16,053,381
Non-controlling interests		<b><u>(49,484)</u></b>	<u>-</u>
		<b><u>17,191,379</u></b>	<u>16,053,381</u>
		<b>Cents</b>	Cents
<b>Earnings per share attributable to the ordinary equity holders of the company:</b>			
Basic earnings per share	38	<b>44.3</b>	41.6
Diluted earnings per share	38	<b>44.0</b>	41.4

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

**Lycopodium Limited**  
**Consolidated balance sheet**  
**As at 30 June 2011**

	Notes	Consolidated 2011 \$	2010 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	26,199,742	23,395,487
Trade and other receivables	10	39,835,368	27,665,269
Current tax receivables		-	1,374,991
Other current assets	11	<u>1,639,824</u>	<u>1,415,739</u>
Total current assets		<u>67,674,934</u>	<u>53,851,486</u>
<b>Non-current assets</b>			
Available-for-sale financial assets	14	32,000	33,000
Property, plant and equipment	15	4,119,085	3,147,532
Intangible assets	17	6,150,895	6,018,211
Other receivables	12	1,629,874	1,858,515
Deferred tax assets	16	<u>4,273,369</u>	<u>2,152,651</u>
Total non-current assets		<u>16,205,223</u>	<u>13,209,909</u>
<b>Total assets</b>		<u>83,880,157</u>	<u>67,061,395</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	18	24,080,951	18,994,066
Borrowings	19	909,754	782,003
Current tax liabilities		6,242,748	-
Provisions	20	<u>316,431</u>	<u>475,000</u>
Total current liabilities		<u>31,549,884</u>	<u>20,251,069</u>
<b>Non-current liabilities</b>			
Borrowings	21	1,781,208	1,473,918
Provisions	23	<u>861,971</u>	<u>616,973</u>
Total non-current liabilities		<u>2,643,179</u>	<u>2,090,891</u>
<b>Total liabilities</b>		<u>34,193,063</u>	<u>22,341,960</u>
<b>Net assets</b>		<u>49,687,094</u>	<u>44,719,435</u>
<b>EQUITY</b>			
Contributed equity	24	18,730,297	18,730,297
Reserves	25(a)	89,318	(134,501)
Retained profits	25(b)	<u>30,916,243</u>	<u>26,123,639</u>
Parent entity interest		49,735,858	44,719,435
Non-controlling interest	26	<u>(48,764)</u>	-
<b>Total equity</b>		<u>49,687,094</u>	<u>44,719,435</u>

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



Lycopodium Limited  
Consolidated statement of changes in equity  
For the year ended 30 June 2011

		<u>Attributable to members of Lycopodium Limited</u>						
	Notes	Contributed equity \$	Retained earnings \$	Foreign currency translation reserve \$	Available for sale investment revaluation reserve \$	Director performan ce share reserve \$	Non controlling interest \$	Total equity \$
<b>Balance at 1 July 2009</b>		<b>17,656,497</b>	<b>21,622,524</b>	<b>(353,825)</b>	<b>(49,000)</b>	<b>244,682</b>	<b>606,422</b>	<b>39,727,300</b>
Profit for the year		-	16,058,468	-	-	-	-	16,058,468
Other comprehensive income		-	-	6,813	(11,900)	-	-	(5,087)
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>16,058,468</b>	<b>6,813</b>	<b>(11,900)</b>	<b>-</b>	<b>-</b>	<b>16,053,381</b>
<b>Transactions with owners in their capacity as owners:</b>								
Contributions of equity net of transaction costs	24	1,073,800	-	-	-	-	-	1,073,800
Non-controlling interest on acquisition of subsidiary	24	-	(1,893,578)	-	-	-	(606,422)	(2,500,000)
Dividends provided for or paid	24	-	(9,663,775)	-	-	-	-	(9,663,775)
Director performance rights - value of rights	34	-	-	-	-	102,529	-	102,529
Director performance rights - transfer on exercise		-	-	-	-	(73,800)	-	(73,800)
		<u>1,073,800</u>	<u>(11,557,353)</u>	<u>-</u>	<u>-</u>	<u>28,729</u>	<u>(606,422)</u>	<u>(11,061,246)</u>
<b>Balance at 1 July 2010</b>		<b>18,730,297</b>	<b>26,123,639</b>	<b>(347,012)</b>	<b>(60,900)</b>	<b>273,411</b>	<b>-</b>	<b>44,719,435</b>
Profit for the year		-	17,162,237	-	-	-	(49,484)	17,112,753
Other comprehensive income		-	-	79,326	(700)	-	-	78,626
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>17,162,237</b>	<b>79,326</b>	<b>(700)</b>	<b>-</b>	<b>(49,484)</b>	<b>17,191,379</b>
<b>Transactions with owners in their capacity as owners:</b>								
Non-controlling interests on acquisition of subsidiary	24	-	-	-	-	-	1	1
Foreign currency transactions with non- controlling interest	24	-	-	-	-	-	719	719
Dividends provided for or paid	24	-	(12,369,633)	-	-	-	-	(12,369,633)
Director performance rights - value of rights	25	-	-	-	-	145,193	-	145,193
<b>Balance at 30 June 2011</b>		<b><u>18,730,297</u></b>	<b><u>30,916,243</u></b>	<b><u>(267,686)</u></b>	<b><u>(61,600)</u></b>	<b><u>418,604</u></b>	<b><u>(48,764)</u></b>	<b><u>49,687,094</u></b>

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

**Lycopodium Limited**  
**Consolidated statement of cash flows**  
**For the year ended 30 June 2011**

		<b>Consolidated</b>	
		<b>2011</b>	<b>2010</b>
Notes		<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
		<b>168,264,767</b>	123,545,413
		<b>(148,808,765)</b>	<b>(105,358,861)</b>
		<b>19,456,002</b>	18,186,552
		<b>1,224,656</b>	632,640
		<b>(27,513)</b>	(470,593)
		<b>(2,298,113)</b>	<b>(5,172,935)</b>
	<b>36</b>	<b><u>18,355,032</u></b>	<b><u>13,175,664</u></b>
<b>Cash flows from investing activities</b>			
	<b>33</b>	<b>(400,000)</b>	(870,132)
	<b>33</b>	<b>-</b>	(1,500,000)
		<b>(1,026,374)</b>	(378,469)
		<b>(152,917)</b>	(54,717)
		<b>89,596</b>	51,144
		<b><u>(1,489,695)</u></b>	<b><u>(2,752,174)</u></b>
<b>Cash flows from financing activities</b>			
		<b>(1,116,544)</b>	(1,045,577)
		<b>(882,872)</b>	(829,223)
	<b>27</b>	<b>(12,369,633)</b>	(9,663,775)
		<b>-</b>	(1,858,515)
		<b>228,641</b>	-
		<b><u>(14,140,408)</u></b>	<b><u>(13,397,090)</u></b>
<b>Net increase / (decrease) in cash and cash equivalents</b>			
		<b>2,724,929</b>	(2,973,600)
		<b>23,395,487</b>	26,362,861
		<b>79,326</b>	6,226
	<b>9</b>	<b><u>26,199,742</u></b>	<b><u>23,395,487</u></b>

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

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## 1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the 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 consolidated entity consisting of Lycopodium Limited and its subsidiaries.

### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

#### *Compliance with IFRSs*

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

#### *Historical cost convention*

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

#### Critical accounting estimates

The preparation of financial statements 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 statements, are disclosed in note 3.

### (b) Principles of consolidation

#### (i) *Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Lycopodium Limited ("company" or "parent entity") as at 30 June 2011 and the results of all subsidiaries for the year then ended. Lycopodium Limited and its subsidiaries together are referred to in this financial report as the consolidated entity.

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

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

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

Intercompany transactions, balances and unrealised gains on transactions between companies in the consolidated entity 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 consolidated entity.

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

#### (iii) *Associates*

Associates are all entities over which the consolidated entity has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The consolidated entity's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

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

The consolidated entity's share of its associates' post-acquisition profits or losses is recognised in the profit or loss, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised as a reduction in the carrying amount of the investment.

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

Unrealised gains on transactions between the consolidated entity and its associates are eliminated to the extent of the consolidated entity's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

### *(iv) Changes in ownership interests*

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

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

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

### **(c) Segment reporting**

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

### **(d) Foreign currency translation**

#### *(i) Functional and presentation currency*

Items included in the financial statements of each of the consolidated entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is the company'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 the 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 financial 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 financial assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

## 1 Summary of significant accounting policies (continued)

### *(iii) Consolidated entities*

The results and financial position of all the consolidated entities (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 profit and loss are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income.

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

### **(e) Revenue recognition**

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

The consolidated entity recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the consolidated entity's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The consolidated entity bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

#### *(i) Rendering of services*

Revenue from services is recognised by reference to the stage of completion of a contract in progress at balance date or at the time of completion of the contract and billing to the customer.

Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract which is determined by a set quotation with the customer.

When the contract outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

#### *(ii) Rental revenue*

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

#### *(iii) Interest income*

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

#### *(iv) Dividends*

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

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

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

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

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

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

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

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

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

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

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

### **(g) Leases**

Leases of property, plant and equipment where the consolidated entity, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases (note 19 and note 21). 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 the profit and 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 shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the consolidated entity as lessee are classified as operating leases (note 31). Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit and loss on a straight-line basis over the period of the lease.

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

### **(h) Business combinations**

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, 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 consolidated entity. The consideration transferred also includes the fair value of any 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 consolidated entity 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, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the consolidated entity's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

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

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

### **(i) Impairment of assets**

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

### **(j) Cash and cash equivalents**

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

### **(k) Trade receivables**

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

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the consolidated entity 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.



## 1 Summary of significant accounting policies (continued)

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 amounts are presented under other liabilities.

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

### (m) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits and financial assets, which are specifically exempt from this requirement.

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

Non-current assets are not depreciated or amortised while they are classified as held for sale.

Non-current assets classified as held for sale are presented separately from the other assets in the balance sheet.

### (n) Investments and other financial assets

#### **Classification**

The consolidated entity classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

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

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

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet (notes 10 and 12).

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

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

## 1 Summary of significant accounting policies (continued)

### **Financial assets - reclassification**

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

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

### **Recognition and derecognition**

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

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

### **Measurement**

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

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

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

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

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

### **Impairment**

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

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

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

## 1 Summary of significant accounting policies (continued)

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

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

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

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

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

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

### (o) Property, plant and equipment

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

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

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(i)).

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

### (p) Intangible assets

#### (i) Goodwill

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

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

#### (ii) Customer contracts

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

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

### *(iii) Software*

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

### **(q) Trade and other payables**

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

### **(r) Borrowings**

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

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

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

### **(s) Borrowing costs**

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

### **(t) Provisions**

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

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

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

### **(u) Employee benefits**

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

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

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

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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

### *(iii) Retirement benefit obligations*

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

### *(iv) Share-based payments*

Share-based compensation benefits are provided to certain executive directors via the Performance Rights Plan. Information relating to this scheme is set out in note 39.

The fair value of rights granted under the Performance Rights Plan is 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 consolidated entity 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 consolidated entity for greater than 3 years.
- The loan will be interest free if the Senior Manager remains employed by the consolidated entity 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 consolidated entity has the following as the result of this transaction:

### *(i) 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.

### *(ii) 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 consolidated entity in full settlement of the loan after the 3 year period. As the embedded derivative is closely related to the senior manager loan, the financial instrument is measured at fair value through profit or loss.

### **(v) Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

## 1 Summary of significant accounting policies (continued)

### (w) Dividends

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

### (x) Earnings per share

#### (i) *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

#### (ii) *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

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

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

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

### (z) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The consolidated entity's assessment of the impact of these new standards and interpretations is set out below.

#### (i) AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective from 1 January 2013)

AASB 9 addresses the classification and measurement of financial assets. The standard is not applicable until 1 January 2013 and is available for early adoption. When adopted, the standard will affect in particular the consolidated entity's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading.

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

#### (ii) Revised AASB 124 *Related Party Disclosures* and AASB 2009-12 *Amendments to Australian Accounting Standards* (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party. The consolidated entity will apply the amended standard from 1 July 2011. When the amendments are applied, the consolidated entity will need to disclose any transactions between its subsidiaries and its associates. However, there will be no impact on any of the amounts recognised in the financial statements.

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

(iii) *AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* (effective from 1 July 2013)

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. Lycopodium Limited is listed on the ASX and is not eligible to adopt the new Australian Accounting Standards - Reduced Disclosure Requirements. The two standards will therefore have no impact on the financial statements of the entity.

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

The financial information for the parent entity, Lycopodium Limited, disclosed in note 40 has been prepared on the same basis as the consolidated financial statements, 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 statements 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 the loan under the Senior Manager Share Acquisition Plan and the issue of Performance Rights over its equity instruments to the employees of subsidiary undertakings in the group is treated as 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 undertaking, with a corresponding credit to equity.

## 2 Financial risk management

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

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

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

### (i) Fair value estimation

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

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

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

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

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

### (ii) Summary of financial instruments

The consolidated entity holds the following financial instruments:

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	\$	\$
<b>Financial assets</b>		
Cash and cash equivalents	<b>26,199,742</b>	23,395,487
Trade and other receivables	<b>39,835,368</b>	27,665,269
Other current assets	<b>1,639,824</b>	1,415,739
Available-for-sale financial assets	<b>32,000</b>	33,000
Other receivables	<b><u>1,629,874</u></b>	<u>1,858,515</u>
	<b><u>69,336,808</u></b>	<u>54,368,010</u>
<b>Financial liabilities</b>		
Trade and other payables	<b>24,080,951</b>	18,994,067
Borrowings	<b><u>2,690,962</u></b>	<u>2,255,921</u>
	<b><u>26,771,913</u></b>	<u>21,249,988</u>



## 2 Financial risk management (continued)

### (a) Market risk

#### (i) Foreign exchange risk

The consolidated entity operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar (USD), Ghanaian Cedi (GHS) and Philippine Peso (PHP).

Foreign exchange risk arises when future commercial transactions and recognised financial assets and financial liabilities are denominated in a currency that is not the entity's functional currency. The Board considers that while the consolidated entity's foreign exchange risk to be minimal at this stage some form of risk management policy will be necessary to mitigate this exposure in the future.

The consolidated entity's exposure to foreign currency risk at the reporting date was as follows:

	30 June 2011			30 June 2010		
	USD \$	GHS \$	PHP \$	USD \$	GHS \$	PHP \$
Cash and cash equivalents	559,938	322,723	231,597	180,045	10,831	103,585
Trade and other receivables	-	7,465	4,414	36,071	5,412	-
Other current assets	-	-	171,074	-	-	153,491
Trade and other payables	(17,902)	(81,748)	(260,619)	(7,100)	(10,458)	(79,032)
Net exposure	<u>542,036</u>	<u>248,440</u>	<u>146,466</u>	<u>209,016</u>	<u>5,785</u>	<u>178,044</u>

#### Group sensitivity

Based on the financial instruments held at 30 June 2011, had the Australian dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, the consolidated entity's post-tax profit and equity for the year would have been \$54,204 lower/\$54,204 higher (2010 - \$20,902 lower/\$20,902 higher), 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 more sensitive to movements in the Australian dollar/US dollar exchange rates in 2011 than 2010 because of the higher amount of US dollar denominated cash and cash equivalents.

Based on the financial instruments held at 30 June 2011, had the Australian dollar weakened/strengthened by 10% against the Ghanaian Cedi with all other variables held constant, the consolidated entity's post-tax profit and equity for the year would have been \$24,844 lower/\$24,844 higher (2010 - \$579 lower/\$579 higher), mainly as a result of foreign exchange gains/losses on translation of Ghanaian Cedi denominated financial instruments as detailed in the above table. Profit is more sensitive to movements in the Australian dollar/Ghanaian Cedi exchange rates in 2011 than 2010 because of the increased amount of Ghanaian Cedi denominated cash and cash equivalents in 2011.

Based on the financial instruments held at 30 June 2011, had the Australian dollar weakened/strengthened by 10% against the Philippine Peso with all other variables held constant, the consolidated entity's post-tax profit and equity for the year would have been \$14,647 lower/\$14,647 higher (2010 - \$17,804 lower/\$17,804 higher), 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 2011 than 2010 because of the combined effect of a lower amount of Philippine Peso denominated cash and cash equivalents and a higher amount of Philippine Peso denominated trade and other payables.

#### (ii) Price risk

The consolidated entity is exposed to equity securities price risk with the exposure, however, being minimal. Equity securities price risk arises from investments in equity securities. The equity investments are publicly traded on the 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 consolidated entity does not have a risk management policy surrounding price risk in place as the Board considers the risk minimal.

The consolidated entity is not directly exposed to commodity price risk.

#### (iii) Cash flow and fair value interest rate risk

The consolidated entity is exposed to interest rate risk arising mainly from borrowings and cash balances held. The risk is considered minimal as the consolidated entity's borrowings are minimal. The consolidated entity 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.

## 2 Financial risk management (continued)

An analysis by maturities is provided in (c) below.

### *Group sensitivity*

At 30 June 2011, 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 \$93,314 lower/higher (2010: +/-50 basis points: \$84,010 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 consolidated entity, which comprise cash and cash equivalents and trade and other receivables. The consolidated entity's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

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

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

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

Credit risk further arises in relation to guarantees given to certain parties (see note 30 for details). Such guarantees are only provided in exceptional circumstances.

There are no significant concentrations of credit risk within the consolidated entity (2010 - nil).

Trade receivables that are neither past due nor impaired amounting to \$10,944,330 (2010 - \$16,524,380) are with existing customers with no defaults in the past.

Cash and cash equivalents amounting to \$26,199,742 (2010 - \$23,395,487) are largely held with Australia's big 4 banks.

### **(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 consolidated entity manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

### *Financing arrangements*

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

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Leasing facility	<u><b>1,000,000</b></u>	<u><b>1,000,000</b></u>

## 2 Financial risk management (continued)

### *Maturities of financial liabilities*

The following tables detail the consolidated entity'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 consolidated entity can be required to pay. The table includes both interest and principal cash flows. The consolidated entity had no derivative financial instruments.

Consolidated entity - At 30 June 2011	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying Amount (assets)/ liabilities
	\$	\$	\$	\$	\$	\$
<b>Non-derivatives</b>						
Trade payables	24,080,949	-	-	-	24,080,949	24,080,949
Finance lease liability and hire purchase	<u>1,130,085</u>	<u>902,230</u>	<u>734,042</u>	<u>309,531</u>	<u>3,075,888</u>	<u>2,690,962</u>
<b>Total non-derivatives</b>	<u>25,211,034</u>	<u>902,230</u>	<u>734,042</u>	<u>309,531</u>	<u>27,156,837</u>	<u>26,771,911</u>
<b>Consolidated entity - At 30 June 2010</b>						
<b>Non-derivatives</b>						
Trade payables	18,994,067	-	-	-	18,994,067	18,994,067
Finance lease liability and hire purchase	<u>953,183</u>	<u>711,235</u>	<u>567,372</u>	<u>370,839</u>	<u>2,602,629</u>	<u>2,255,921</u>
<b>Total non-derivatives</b>	<u>19,947,250</u>	<u>711,235</u>	<u>567,372</u>	<u>370,839</u>	<u>21,596,696</u>	<u>21,249,988</u>

## 3 Critical accounting estimates and judgments

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

### (a) Critical accounting estimates and assumptions

The consolidated entity 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) *Estimated impairment of goodwill*

The consolidated entity tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(p). 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 17 for details of these assumptions and the potential impact of changes to the assumptions.

#### (ii) *Service warranties*

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

## 4 Segment information

### (a) Description of segments

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

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

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

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

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

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

The segment information provided to the Board of Directors for the reportable segments for the year ended 30 June 2011 and 2010 are as follows:

2011	Segments			Total
	Corporate Services	Minerals	Other	
	\$	\$	\$	\$
Total segment revenue	16,658,193	148,721,029	36,174,002	201,553,224
Inter-segment revenue	(16,325,746)	(8,333,247)	(7,051,315)	(31,710,308)
<b>Revenue from external customers</b>	<b>332,447</b>	<b>140,387,782</b>	<b>29,122,687</b>	<b>169,842,916</b>
<b>(Loss) / Profit before tax</b>	<b>(933,655)</b>	<b>22,390,717</b>	<b>3,520,559</b>	<b>24,977,621</b>
Depreciation and amortisation	(367,075)	(541,141)	(378,003)	(1,286,219)
Income tax expense	175,238	(6,953,135)	(1,017,239)	(7,795,136)
<b>Total segment assets</b>	<b>11,677,751</b>	<b>51,974,557</b>	<b>17,419,745</b>	<b>81,072,053</b>
Total assets includes: Additions to non-current assets (other than financial assets and deferred tax)	566,419	1,031,155	956,150	2,553,724
<b>Total segment liabilities</b>	<b>1,763,516</b>	<b>26,075,807</b>	<b>8,973,336</b>	<b>36,812,659</b>

#### 4 Segment information (continued)

2010	Segments			Total
	Corporate Services	Minerals	Other	
	\$	\$	\$	\$
Total segment revenue	8,563,387	111,868,242	22,286,590	142,718,219
Inter-segment revenue	<u>(8,251,717)</u>	<u>(8,670,996)</u>	<u>(5,460,991)</u>	<u>(22,383,704)</u>
<b>Revenue from external customers</b>	<b><u>311,670</u></b>	<b><u>103,197,246</u></b>	<b><u>16,825,599</u></b>	<b><u>120,334,515</u></b>
<b>(Loss) / Profit before tax</b>	<b><u>(530,956)</u></b>	<b><u>16,409,671</u></b>	<b><u>2,821,301</u></b>	<b><u>18,700,016</u></b>
Depreciation and amortisation	(631,943)	(619,259)	(357,289)	(1,608,491)
Income tax expense	(10,750)	(2,036,351)	(606,211)	(2,653,312)
Share of profit of associate	26,042	-	-	26,042
<b>Total segment assets</b>	<b><u>11,429,478</u></b>	<b><u>38,130,396</u></b>	<b><u>14,360,016</u></b>	<b><u>63,919,890</u></b>
Total assets includes: Additions to non-current assets (other than financial assets and deferred tax)	-	462,855	241,595	704,450
<b>Total segment liabilities</b>	<b><u>2,282,391</u></b>	<b><u>14,419,380</u></b>	<b><u>7,917,089</u></b>	<b><u>24,618,860</u></b>

#### (c) Other segment information

##### (i) Segment revenue

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

Segment revenue reconciles to revenue from operations as per the statement of comprehensive income as follows:

	Consolidated	
	2011	2010
	\$	\$
<b>Total segment revenue</b>	<b>201,553,224</b>	142,718,219
Intersegment eliminations	<u>(31,710,308)</u>	<u>(22,383,704)</u>
<b>Total revenue from continuing operations</b>	<b><u>169,842,916</u></b>	<b><u>120,334,515</u></b>

The entity is domiciled in Australia. The result of its revenue from external customers in Australia is \$102,159,000 (2010: \$67,050,000), and the total of revenue from external customers from other countries is \$67,684,000 (2010: \$53,285,000). Segment revenues are allocated based on the country in which the customer is located.

Revenues of approximately \$69,858,000 (2010: \$47,503,000) are derived from the top 3 customers. These revenues are attributable to the Minerals segment.

#### 4 Segment information (continued)

(ii) *Profit before tax*

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

A reconciliation of segment profit before tax to the profit before tax in the statement of comprehensive income is provided as follows:

	Consolidated	
	2011	2010
	\$	\$
<b>Segment profit before tax</b>	<b>24,977,621</b>	18,700,016
Amortisation of customer relationships	(45,000)	(45,000)
Share of net profit of associate accounted for using the equity method	-	26,042
Other	<u>(24,732)</u>	<u>30,722</u>
<b>Profit before income tax</b>	<b><u>24,907,889</u></b>	<b><u>18,711,780</u></b>

(iii) *Segment assets*

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

Reportable segments' assets are reconciled to total assets as per the balance sheet as follows:

	Consolidated	
	2011	2010
	\$	\$
<b>Segment assets</b>	<b>81,072,053</b>	63,919,890
Intersegment eliminations	(2,866,979)	(2,565,075)
Intangibles arising on consolidation	5,742,583	5,787,580
Deferred tax arising on consolidation	<u>(67,500)</u>	<u>(81,000)</u>
<b>Total assets as per the balance sheet</b>	<b><u>83,880,157</u></b>	<b><u>67,061,395</u></b>

The total of non-current assets other than financial instruments and deferred tax assets located in Australia is \$9,994,000 (2010: \$8,799,000), and the total of these non-current assets located in other countries is \$276,000 (2010: \$367,000). Segment assets are allocated to countries based on where the assets are located.

(iv) *Segment liabilities*

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

Reportable segments' liabilities are reconciled to total liabilities as per the balance sheet as follows:

	Consolidated	
	2011	2010
	\$	\$
<b>Segment liabilities</b>	<b>36,812,659</b>	24,618,860
Intersegment eliminations	<u>(2,619,596)</u>	<u>(2,276,899)</u>
<b>Total liabilities as per the balance sheet</b>	<b><u>34,193,063</u></b>	<b><u>22,341,961</u></b>

## 5 Revenue

	Consolidated	
	2011	2010
	\$	\$
<b>From operations</b>		
Contract revenue	<u>168,507,990</u>	<u>119,570,470</u>
<i>Other revenue</i>		
Rents and sub-lease rentals	28,283	36,080
Bank interest	1,225,791	646,893
Other revenue	<u>80,852</u>	<u>81,072</u>
	<u>1,334,926</u>	<u>764,045</u>
	<u>169,842,916</u>	<u>120,334,515</u>

## 6 Other income

	Consolidated	
	2011	2010
	\$	\$
Gain on step-up of investment in associate (note 33)	-	466,947
	<u>-</u>	<u>466,947</u>

## 7 Expenses

	Consolidated	
	2011	2010
	\$	\$
<b>Profit before income tax includes the following specific expenses:</b>		
<i>Depreciation</i>		
Plant and equipment	258,868	301,588
Motor Vehicles	<u>22,854</u>	<u>18,561</u>
Total depreciation	<u>281,722</u>	<u>320,149</u>
<i>Amortisation</i>		
Leasehold improvements	443,074	398,633
Leased plant and equipment	383,128	379,583
Computer software	133,295	465,126
Customer contracts and relationships	<u>45,000</u>	<u>45,000</u>
Total amortisation	<u>1,004,497</u>	<u>1,288,342</u>
Total depreciation and amortisation	<u>1,286,219</u>	<u>1,608,491</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable	252,832	715,142
<i>Net foreign exchange losses</i>	349,647	185,086
<i>Net loss on disposal of property, plant and equipment</i>	25,503	868
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	5,094,450	4,329,130
<i>Earn out right paid to vendors of Sherwood Utilities Pty Ltd (note 33)</i>	400,000	-
<i>Defined contribution superannuation expense</i>	4,862,594	3,717,822

## 8 Income tax expense

	Consolidated	
	2011	2010
	\$	\$
<b>(a) Income tax expense</b>		
Current tax	9,998,353	6,127,823
Deferred tax	(2,120,418)	749,844
Adjustments for current tax of prior periods - overprovision of prior year income tax	20,301	(158,247)
Adjustments for current tax of prior periods - research and development concessions	(103,100)	(180,239)
Adjustments for current tax of prior periods - non-assessable, non-exempt income and related non-deductible expenses	-	(3,885,869)
	<u>7,795,136</u>	<u>2,653,312</u>
Deferred income tax (revenue) expense included in income tax expense comprises:		
Decrease (increase) in deferred tax assets (note 16)	(1,914,112)	689,426
Increase (decrease) in deferred tax liabilities (note 22)	(206,306)	60,418
	<u>(2,120,418)</u>	<u>749,844</u>
<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>		
Profit before income tax expense	24,907,889	18,711,780
Tax at the Australian tax rate of 30% (2010 - 30%)	7,472,366	5,613,534
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non deductible depreciation and amortisation	-	2,989
Share based payments	43,558	30,759
Sundry items	18,954	117,223
Subsidiary acquisition costs (note 33)	120,000	-
Exchange differences on translation	-	(588)
Non-assessable, non-exempt income and related non-deductible expenses	(118,142)	804,196
	<u>7,536,736</u>	<u>6,568,113</u>
Adjustments for current tax of prior periods - overprovision of prior year income tax	20,301	(158,247)
Adjustments for current tax of prior periods - research and development concessions	(103,100)	(180,239)
Adjustments for current tax of prior periods - non-assessable, non-exempt income and related non-deductible expenses	-	(3,885,869)
Difference in overseas tax rates	222,255	431,682
Previously unrecognised tax losses now recouped to reduce current tax expense	(92,661)	(122,128)
Deferred tax asset not recognised	211,605	-
Total income tax expense	<u>7,795,136</u>	<u>2,653,312</u>
	<b>Consolidated</b>	
	2011	2010
	\$	\$
<b>(c) Amounts recognised directly in equity</b>		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity		
Net deferred tax - debited (credited) directly to equity (notes 16 and 22)	<u>(300)</u>	<u>(5,100)</u>



## 8 Income tax expense (continued)

	Consolidated	
	2011	2010
	\$	\$
<b>(d) Tax losses</b>		
Unused tax losses for which no deferred tax asset has been recognised	<u>2,134,860</u>	<u>1,969,435</u>
Potential tax benefit @ 30%	<u>640,458</u>	<u>590,831</u>

All unused tax losses were incurred by Australian entities.

## 9 Current assets - Cash and cash equivalents

	Consolidated	
	2011	2010
	\$	\$
Cash at bank and in hand	<u>12,979,040</u>	17,885,079
Deposits at call	<u>13,220,702</u>	<u>5,510,408</u>
	<u>26,199,742</u>	<u>23,395,487</u>

### (a) Risk exposure

The consolidated entity's exposure to interest rate risk is discussed in note 2.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

## 10 Current assets - Trade and other receivables

	Consolidated	
	2011	2010
	\$	\$
Trade receivables	<u>40,431,992</u>	27,365,616
Provision for impairment of receivables	<u>(1,012,685)</u>	(651,719)
Trade receivable retention	<u>14,919</u>	<u>14,919</u>
	<u>39,434,226</u>	<u>26,728,816</u>
Loans to key management personnel	<u>659</u>	2,149
Other receivables	<u>347,915</u>	896,018
Cash advanced to employees	<u>52,568</u>	<u>38,286</u>
	<u>39,835,368</u>	<u>27,665,269</u>

Further information relating to loans to key management personnel are set out in note 28.

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

### (a) Impaired trade receivables

As at 30 June 2011 current trade receivables of the consolidated entity with a value of \$1,012,685 (2010 - \$651,719) were impaired, with the amounts being fully provided for.

The ageing of these receivables is as follows:

	Consolidated	
	2011	2010
	\$	\$
91 to 120 days	229,171	42,021
121 to 210 days	97,436	-
211 days or over	<u>686,078</u>	<u>609,698</u>
	<u>1,012,685</u>	<u>651,719</u>

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

	Consolidated	
	2011	2010
	\$	\$
At 1 July	651,719	808,576
Provision for impairment recognised during the year	460,910	42,021
Receivables written off during the year as uncollectible	(57,923)	(59,870)
Unused amount reversed	(42,021)	(134,624)
Exchange rate differences	-	(4,384)
	<u>1,012,685</u>	<u>651,719</u>

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

### (b) Past due but not impaired

As of 30 June 2011, trade receivables of \$2,409,885 (2010 - \$10,204,436) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Consolidated	
	2011	2010
	\$	\$
31 to 60 days	1,149,413	7,062,816
61 to 90 days	664,492	1,937,263
91 to 120 days	453,296	559,160
121 to 210 days	122,401	496,230
211 days and over	<u>20,283</u>	<u>148,967</u>
	<u>2,409,885</u>	<u>10,204,436</u>

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

Information about the consolidated entity's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in note 2.

### (d) Fair value and credit risk

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

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

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

### 11 Current assets - Other current assets

	Consolidated	
	2011	2010
	\$	\$
Other current assets (a)	905,919	795,069
Prepayments	<u>733,905</u>	<u>620,670</u>
	<u>1,639,824</u>	<u>1,415,739</u>

#### (a) Other current assets

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

### 12 Non-current assets - Other receivables

	Consolidated	
	2011	2010
	\$	\$
Loans under the senior manager share acquisition plan	<u>1,629,874</u>	<u>1,858,515</u>

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

#### (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

#### (a) Shares in associate

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. During the financial year 30 June 2010, the consolidated entity fully acquired the remaining interest in the associate (refer to note 33).

**14 Non-current assets - Available-for-sale financial assets**

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
At beginning of year	<b>33,000</b>	50,000
Revaluation (deficit) transfer to equity	<u><b>(1,000)</b></u>	<u>(17,000)</u>
At end of year	<u><b>32,000</b></u>	<u>33,000</u>

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Listed securities (note (a))		
Equity securities	<u><b>32,000</b></u>	<u>33,000</u>
	<u><b>32,000</b></u>	<u>33,000</u>

**(a) Listed securities**

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

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

**(b) Impairment and risk exposure**

None of the financial assets are impaired.

All available-for-sale financial assets are denominated in Australian currency. For an analysis of the sensitivity of available-for-sale financial assets to price risk refer to note 2.

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

	Fixtures and fittings \$	Motor vehicles \$	Leasehold improvements \$	Leased plant & equipment \$	Total \$
<b>At 1 July 2009</b>					
Cost	2,418,220	181,734	2,547,863	1,742,468	6,890,285
Accumulated depreciation	<u>(1,738,527)</u>	<u>(94,632)</u>	<u>(665,124)</u>	<u>(843,297)</u>	<u>(3,341,580)</u>
Net book amount	<u>679,693</u>	<u>87,102</u>	<u>1,882,739</u>	<u>899,171</u>	<u>3,548,705</u>
<b>Year ended 30 June 2010</b>					
Opening net book amount	679,693	87,102	1,882,739	899,171	3,548,705
Exchange differences	(12,898)	(860)	105	(2,821)	(16,474)
Acquisition of business	120,372	-	-	-	120,372
Additions	479,737	-	16,883	114,450	611,070
Disposals	(4,572)	(3,519)	(9,685)	-	(17,776)
Transfers	-	34,236	-	(34,236)	-
Depreciation charge	<u>(301,588)</u>	<u>(18,561)</u>	<u>(398,633)</u>	<u>(379,583)</u>	<u>(1,098,365)</u>
Closing net book amount	<u>960,744</u>	<u>98,398</u>	<u>1,491,409</u>	<u>596,981</u>	<u>3,147,532</u>
<b>At 30 June 2010</b>					
Cost	2,984,855	199,517	2,340,651	1,465,110	6,990,133
Accumulated depreciation	<u>(2,024,111)</u>	<u>(101,119)</u>	<u>(849,242)</u>	<u>(868,129)</u>	<u>(3,842,601)</u>
Net book amount	<u>960,744</u>	<u>98,398</u>	<u>1,491,409</u>	<u>596,981</u>	<u>3,147,532</u>
	Fixtures and fittings \$	Motor vehicles \$	Leasehold improvements \$	Leased plant & equipment \$	Total \$
<b>Year ended 30 June 2011</b>					
Opening net book amount	960,744	98,398	1,491,409	596,981	3,147,532
Exchange differences	(13,274)	(3,681)	(25,111)	(5,948)	(48,014)
Additions	899,654	69,815	553,027	878,308	2,400,804
Disposals	(33,338)	-	-	(81,761)	(115,099)
Transfer to intangible assets	(158,215)	-	-	-	(158,215)
Depreciation charge	<u>(258,868)</u>	<u>(22,854)</u>	<u>(443,074)</u>	<u>(383,127)</u>	<u>(1,107,923)</u>
Closing net book amount	<u>1,396,703</u>	<u>141,678</u>	<u>1,576,251</u>	<u>1,004,453</u>	<u>4,119,085</u>
<b>At 30 June 2011</b>					
Cost	3,469,746	262,820	2,848,409	1,860,968	8,441,943
Accumulated depreciation	<u>(2,073,043)</u>	<u>(121,142)</u>	<u>(1,272,158)</u>	<u>(856,515)</u>	<u>(4,322,858)</u>
Net book amount	<u>1,396,703</u>	<u>141,678</u>	<u>1,576,251</u>	<u>1,004,453</u>	<u>4,119,085</u>

#### (a) Leased assets

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

	Consolidated	
	2011 \$	2010 \$
<b>Leasehold improvements</b>		
Cost	2,417,717	1,888,011
Accumulated depreciation	<u>(1,032,338)</u>	<u>(668,671)</u>
Net book amount	<u>1,385,379</u>	<u>1,219,340</u>

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

### (b) Non-current assets pledged as security

Refer to note 21 for information on non-current assets pledged as security by the consolidated entity.

## 16 Non-current assets - Deferred tax assets

**Consolidated**  
**2011**                      **2010**  
**\$**                              **\$**

The balance comprises temporary differences attributable to:

Doubtful debts	299,737	161,464
Employee benefits	2,803,219	2,077,717
Accrued expenses	269,229	394,286
Deferred revenue	1,052,671	-
Other provisions	122,302	236,337
Depreciation	9,332	19,430
Finance leases	<u>470,833</u>	<u>223,677</u>
	<u><b>5,027,323</b></u>	<u><b>3,112,911</b></u>
Set-off of deferred tax liabilities pursuant to set-off provisions (note 22)	<u>(753,954)</u>	<u>(960,260)</u>
Net deferred tax assets	<u><b>4,273,369</b></u>	<u><b>2,152,651</b></u>
Deferred tax assets to be recovered within 12 months	<b>4,728,869</b>	2,804,359
Deferred tax assets to be recovered after more than 12 months	<u><b>298,454</b></u>	<u>308,552</u>
	<u><b>5,027,323</b></u>	<u><b>3,112,911</b></u>

Movements - Consolidated	Doubtful debts \$	Employee benefits \$	Accrued expenses \$	Deferred revenue \$	Other provisions \$	Depreciation & amortisation \$	Finance leases \$	Total \$
<b>At 1 July 2009</b>	458,516	1,675,610	327,434	-	948,039	79,454	238,119	3,727,172
(Charged)/credited to the profit and loss	(297,052)	332,630	66,325	-	(716,863)	(60,024)	(14,442)	(689,426)
Acquisition of business	-	69,477	-	-	-	-	-	69,477
(Charged)/credited directly to equity	-	-	-	-	5,100	-	-	5,100
Exchange rate differences	-	-	527	-	61	-	-	588
<b>At 30 June 2010</b>	<u>161,464</u>	<u>2,077,717</u>	<u>394,286</u>	<u>-</u>	<u>236,337</u>	<u>19,430</u>	<u>223,677</u>	<u>3,112,911</u>
Movements - Consolidated	Doubtful debts \$	Employee benefits \$	Accrued expenses \$	Deferred revenue \$	Other provisions \$	Depreciation & amortisation \$	Finance leases \$	Total \$
<b>At 1 July 2010</b>	161,464	2,077,717	394,286	-	236,337	19,430	223,677	3,112,911
Charged/(credited) to the profit and loss	138,273	725,502	(125,057)	1,052,671	(114,335)	(10,098)	247,156	1,914,112
(Charged)/credited directly to equity	-	-	-	-	300	-	-	300
<b>At 30 June 2011</b>	<u>299,737</u>	<u>2,803,219</u>	<u>269,229</u>	<u>1,052,671</u>	<u>122,302</u>	<u>9,332</u>	<u>470,833</u>	<u>5,027,323</u>

## 17 Non-current assets - Intangible assets

	Goodwill \$	Patents, trademarks and other rights \$	Computer software \$	Customer contracts and relationships \$	Total \$
<b>At 1 July 2009</b>					
Cost	5,325,332	1,910	2,482,534	-	7,809,776
Accumulated amortisation and impairment	<u>(819,842)</u>	<u>-</u>	<u>(1,926,752)</u>	<u>-</u>	<u>(2,746,594)</u>
Net book amount	<u>4,505,490</u>	<u>1,910</u>	<u>555,782</u>	<u>-</u>	<u>5,063,182</u>
<b>Year ended 30 June 2010</b>					
Opening net book amount	4,505,490	1,910	555,782	-	5,063,182
Exchange differences	-	-	(2,128)	-	(2,128)
Additions	-	-	59,144	-	59,144
Acquisition of business	1,095,048	-	-	315,000	1,410,048
Impairment charge	-	(1,910)	-	-	(1,910)
Amortisation charge *	<u>-</u>	<u>-</u>	<u>(465,125)</u>	<u>(45,000)</u>	<u>(510,125)</u>
Closing net book amount	<u>5,600,538</u>	<u>-</u>	<u>147,673</u>	<u>270,000</u>	<u>6,018,211</u>
<b>At 30 June 2010</b>					
Cost	6,420,380	-	2,527,430	315,000	9,262,810
Accumulated amortisation and impairment	<u>(819,842)</u>	<u>-</u>	<u>(2,379,757)</u>	<u>(45,000)</u>	<u>(3,244,599)</u>
Net book amount	<u>5,600,538</u>	<u>-</u>	<u>147,673</u>	<u>270,000</u>	<u>6,018,211</u>
<b>Year ended 30 June 2011</b>					
Opening net book amount	5,600,538	147,673	270,000	6,018,211	
Exchange differences	-	(154)	-	(154)	
Additions	-	152,918	-	152,918	
Transfers (to) from property, plant and equipment	-	158,215	-	158,215	
Amortisation charge *	<u>-</u>	<u>(133,295)</u>	<u>(45,000)</u>	<u>(178,295)</u>	
Closing net book amount	<u>5,600,538</u>	<u>325,357</u>	<u>225,000</u>	<u>6,150,895</u>	
<b>At 30 June 2011</b>					
Cost	6,420,380	2,836,047	315,000	9,571,427	
Accumulated amortisation and impairment	<u>(819,842)</u>	<u>(2,510,690)</u>	<u>(90,000)</u>	<u>(3,420,532)</u>	
Net book amount	<u>5,600,538</u>	<u>325,357</u>	<u>225,000</u>	<u>6,150,895</u>	

\* Consolidated entity amortisation of \$178,295 (2010: \$510,125) is included in depreciation and amortisation expense in the statement of comprehensive income.

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

### (a) Impairment tests for goodwill

Goodwill is allocated to the consolidated entity's cash-generating units (CGUs) identified according to business segment and country of operation for impairment testing purposes.

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

2011	Australia \$	Other countries \$	Total \$
Minerals	3,622,991	-	3,622,991
Other	<u>1,977,547</u>	<u>-</u>	<u>1,977,547</u>
	<u>5,600,538</u>	<u>-</u>	<u>5,600,538</u>
2010	Australia \$	Other countries \$	Total \$
Minerals	3,622,991	-	3,622,991
Other	<u>1,977,547</u>	<u>-</u>	<u>1,977,547</u>
	<u>5,600,538</u>	<u>-</u>	<u>5,600,538</u>

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

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

#### *Cash flows*

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

#### *Growth rate*

The growth rate used to extrapolate the cash flows beyond the three year period is 2.5% (2010 - 2.5%). The growth rate represents a steady indexation rate which does not exceed management's expectations of the long term average growth rate for the business in which each CGU operates.

#### *Discount rate*

The base discount rate applied to cash flow projections is 15.4% (2010: 16.8%). In performing the value-in-use calculations for each CGU, the group has applied post-discount rates to discount the forecast future attributable post-tax cash flows. The equivalent pre-tax discount rates are disclosed above. The discount rate is a pre-tax rate that reflects the current assessment of the time value of money and the overall perceived risk profile of the consolidated entity.

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

Any reasonably possible change in key assumptions will not result in an impairment charge.

## 18 Current liabilities - Trade and other payables

	Consolidated	
	2011 \$	2010 \$
Trade payables	2,346,591	3,136,769
Revenue received in advance	4,283,643	3,374,369
Goods and services tax (GST) payable	1,806,190	1,027,092
Sundry creditors and accrued expenses (a)	<u>15,644,527</u>	<u>11,455,836</u>
	<u>24,080,951</u>	<u>18,994,066</u>



## 18 Current liabilities - Trade and other payables (continued)

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

Other payables include accruals for annual leave and unconditional entitlements of long service leave. The entire obligation is presented as current, since the consolidated entity does not have an unconditional right to defer settlement. However, based on past experience, the consolidated entity 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	
	2011	2010
	\$	\$
Annual leave obligation expected to be settled after 12 months	1,156,107	845,667
Long service leave obligation expected to be settled after 12 months	<u>1,366,107</u>	<u>2,071,020</u>
	<u>2,522,214</u>	<u>2,916,687</u>

### (b) Risk exposure

Information about the consolidated entity's exposure to foreign exchange risk is provided in note 2.

## 19 Current liabilities - Borrowings

	Consolidated	
	2011	2010
	\$	\$
<b>Secured</b>		
Lease liabilities	888,664	722,415
Hire purchase	<u>21,090</u>	<u>59,588</u>
Total secured current borrowings	<u>909,754</u>	<u>782,003</u>

### (a) Security and fair value disclosures

Information about the security relating to each of the secured liabilities and the fair value of each of the borrowings is provided in note 21.

### (b) Risk exposures

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

## 20 Current liabilities - Provisions

	Consolidated	
	2011	2010
	\$	\$
Service warranties	316,431	-
Onerous contract	<u>-</u>	<u>475,000</u>
	<u>316,431</u>	<u>475,000</u>

### (a) Service warranties

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

## 20 Current liabilities - Provisions (continued)

### (b) Onerous contract

Provision is made based on estimated cost less revenue to see through the completion of the project. The project was fully completed in the current year, resulting in the reversal of the provision.

### (c) Movements in provisions

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

	Service warranties \$	Onerous contract \$	Total \$
<b>2011</b>			
<b>Current</b>			
Carrying amount at start of year	-	475,000	475,000
- provisions recognised	316,431	-	316,431
- unused amounts reversed	-	(475,000)	(475,000)
Carrying amount at end of year	<u>316,431</u>	<u>-</u>	<u>316,431</u>

## 21 Non-current liabilities - Borrowings

	Consolidated	
	2011	2010
	\$	\$
<b>Secured</b>		
Lease liabilities	1,611,408	1,167,459
Hire purchase	<u>169,800</u>	<u>306,459</u>
Total secured non-current borrowings	<u>1,781,208</u>	<u>1,473,918</u>

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

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

	Consolidated	
	2011	2010
	\$	\$
Lease liabilities	2,500,072	1,889,874
Hire purchase	<u>190,890</u>	<u>366,047</u>
Total secured liabilities	<u>2,690,962</u>	<u>2,255,921</u>

Lease liabilities and hire purchases are effectively secured as the rights to the leased or hire purchased assets recognised in the financial statements revert to the lessor/vendor in the event of default.

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

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

	Notes	Consolidated	
		2011	2010
		\$	\$
<i>Finance lease</i>			
Plant and equipment	15	1,004,453	596,981
Leasehold improvements	15	<u>1,385,579</u>	<u>1,219,340</u>
		<u><b>2,390,032</b></u>	<u><b>1,816,321</b></u>

### (b) Fair value

The carrying amounts and fair values of borrowings at balance date are:

	At 30 June 2011		At 30 June 2010	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$
<b>Consolidated entity</b>				
<b>On-balance sheet</b>				
<i>Non-traded financial liabilities</i>				
Lease liabilities	2,500,072	2,500,072	1,889,874	1,889,874
Hire purchase	<u>190,890</u>	<u>190,890</u>	<u>366,047</u>	<u>366,047</u>
	<u><b>2,690,962</b></u>	<u><b>2,690,962</b></u>	<u><b>2,255,921</b></u>	<u><b>2,255,921</b></u>

### (c) Risk exposures

Information about the consolidated entity's exposure to interest rate and foreign currency changes is provided in note 2.

## 22 Non-current liabilities - Deferred tax liabilities

	Consolidated	
	2011	2010
	\$	\$
<b>The balance comprises temporary differences attributable to:</b>		
Accrued income - contractors	208,308	567,568
Other provisions	17,907	137,734
Depreciation	527,739	254,958
Total deferred tax liabilities	753,954	960,260
Set-off of deferred tax liabilities pursuant to set-off provisions (note 16)	(753,954)	(960,260)
Net deferred tax liabilities	-	-
Deferred tax liabilities to be settled within 12 months	226,215	705,302
Deferred tax liabilities to be settled after more than 12 months	527,739	254,958
	753,954	960,260

Movements - Consolidated	Accrued income \$	Other provisions \$	Depreciation & amortisation \$	Prepayment \$	Total \$
<b>At 1 July 2009</b>	323,262	63,764	303,829	114,487	805,342
Charged/(credited) to the profit and loss	244,306	73,970	(143,371)	(114,487)	60,418
Acquisition of subsidiary	-	-	94,500	-	94,500
<b>At 30 June 2010</b>	567,568	137,734	254,958	-	960,260
Movements - Consolidated	Accrued income \$	Other provisions \$	Depreciation & amortisation \$	Prepayment \$	Total \$
<b>At 1 July 2010</b>	567,568	137,734	254,958	-	960,260
Charged/(credited) to the profit and loss	(359,260)	(119,827)	272,781	-	(206,306)
<b>At 30 June 2011</b>	208,308	17,907	527,739	-	753,954

## 23 Non-current liabilities - Provisions

	Consolidated	
	2011	2010
	\$	\$
Employee benefits - long service leave	861,971	616,973

## 24 Contributed equity

	Consolidated		Consolidated	
	2011 Shares	2010 Shares	2011 \$	2010 \$
<b>(a) Share capital</b>				
Ordinary shares				
Fully paid	<u>38,655,103</u>	38,655,103	<u>18,730,297</u>	18,730,297
<b>Total contributed equity - parent entity</b>			<u>18,730,297</u>	18,730,297

### (b) Movements in ordinary share capital:

Date	Details	Number of shares	Issue price	\$
1 July 2009	Opening balance	37,840,000		17,656,497
1 July 2009	Exercise of director performance rights	100,000	\$0.73	73,800
20 July 2009	Issue of shares - part consideration for acquisition of remaining 25% issued capital in Lycopodium Minerals QLD Pty Ltd	<u>715,103</u>	\$1.39	<u>1,000,000</u>
30 June 2010	Closing balance	38,655,103		18,730,297
1 July 2010	Opening balance	38,655,103		18,730,297
	No movements during the year	-		-
30 June 2011	Closing balance	<u>38,655,103</u>		<u>18,730,297</u>

### (c) Ordinary shares

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

### (d) Options and Rights

Information relating to the Performance Rights Plan, including details of rights issued, exercised and lapsed during the financial year and rights outstanding at the end of the financial year are set out in 39(a).

### (e) Capital risk management

The consolidated entity's objectives when managing capital is 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 consolidated entity 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 consolidated entity 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 balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet (including minority interest) plus net debt.

## 24 Contributed equity (continued)

During 2011, the consolidated entity's strategy was to maintain a gearing ratio less than 40%. The gearing ratios at 30 June 2011 and 30 June 2010 were as follows:

	Consolidated	
	2011	2010
	\$	\$
Total borrowings	26,771,912	21,249,988
Less: cash and cash equivalents (Note 9)	<u>(26,199,742)</u>	<u>(23,395,487)</u>
Net debt	572,170	(2,145,499)
Total equity	<u>49,687,094</u>	<u>44,719,434</u>
Total capital	<u>50,259,264</u>	<u>42,573,935</u>
Gearing ratio	1.15 %	- %

## 25 Reserves and retained profits

	Consolidated	
	2011	2010
	\$	\$
<b>(a) Reserves</b>		
Director performance rights reserve	418,604	273,411
Foreign currency translation reserve	<u>(267,686)</u>	<u>(347,012)</u>
Available-for-sale investments revaluation reserve	<u>(61,600)</u>	<u>(60,900)</u>
	<u>89,318</u>	<u>(134,501)</u>

	Consolidated	
	2011	2010
	\$	\$
<b>Movements:</b>		
<i>Available-for-sale investments revaluation reserve</i>		
Balance 1 July	(60,900)	(49,000)
Revaluation - gross	(1,000)	(17,000)
Deferred tax	<u>300</u>	<u>5,100</u>
Balance 30 June	<u>(61,600)</u>	<u>(60,900)</u>

	Consolidated	
	2011	2010
	\$	\$
<b>Movements:</b>		
<i>Share-based payments reserve</i>		
Balance 1 July	273,411	244,682
Transfer to share capital (rights exercised)	-	(73,800)
Director performance rights plan expense	<u>145,193</u>	<u>102,529</u>
Balance 30 June	<u>418,604</u>	<u>273,411</u>

## 25 Reserves and retained profits (continued)

	Consolidated	
	2011	2010
	\$	\$
<b>Movements:</b>		
<i>Foreign currency translation reserve</i>		
Balance 1 July	(347,012)	(353,825)
Currency translation differences arising during the year	<u>79,326</u>	<u>6,813</u>
Balance 30 June	<u>(267,686)</u>	<u>(347,012)</u>

### (b) Retained profits

Movements in retained profits were as follows:

	Consolidated	
	2011	2010
	\$	\$
Balance 1 July	26,123,639	21,622,524
Net profit for the year	17,162,237	16,058,468
Dividends paid or payable	(12,369,633)	(9,663,775)
Acquisition of minority interest	-	(2,500,000)
Transfer from minority interest	-	606,422
Balance 30 June	<u>30,916,243</u>	<u>26,123,639</u>

### (c) Nature and purpose of reserves

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

Changes in the fair value and exchange differences arising on translation of investments, such as equities, classified as available-for-sale financial assets, are taken to the available-for-sale investments revaluation reserve, as described in note 1(n). Amounts are recognised in profit and loss when the associated assets are sold or impaired.

*(ii) Director performance rights reserve*

The director performance rights reserve is used to recognise the fair value of rights issued to certain directors during the year.

*(iii) Foreign currency translation reserve*

Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve, as described in note 1(d). The reserve is recognised in profit and loss when the net investment is disposed of.

## 26 Non-controlling interest

	Consolidated	
	2011	2010
	\$	\$
Interest in:		
Share capital	1	35
Reserves	719	-
(Accumulated losses) / Retained profits	(49,484)	606,387
Transfer to retained earnings	-	(606,422)
	<u>(48,764)</u>	<u>-</u>

## 27 Dividends

	<b>Parent entity</b>	
	<b>2011</b>	<b>2010</b>
	\$	\$
<b>(a) Ordinary shares</b>		
Final dividend for the year ended 30 June 2010 of 22.0 cents (2009 - 20.0 cents) per fully paid share paid on 15 October 2010 (2010 - 16 October 2009)		
Fully franked based on tax paid @ 30% (2010 - 30%)	<b>8,504,123</b>	7,731,021
Interim dividend for the year ended 30 June 2011 of 10.0 cents (2010 - 5.0 cents) per fully paid share paid 15 April 2011 (2010 - 15 April 2010)		
Fully franked based on tax paid @ 30% (2010 - 30%)	<u><b>3,865,510</b></u>	<u>1,932,754</u>
Total dividends provided for or paid	<u><b>12,369,633</b></u>	<u>9,663,775</u>

	<b>Parent entity</b>	
	<b>2011</b>	<b>2010</b>
	\$	\$
<b>(b) Dividends not recognised at the end of the reporting period</b>		
In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 20.0 cents per fully paid ordinary share (2010 - 22.0 cents), fully franked based on tax paid at 30% (2010 - 30%). The aggregate amount of the proposed dividend expected to be paid on 14 October 2011 out of retained profits at 30 June 2011, but not recognised as a liability at year end, is		
	<u><b>7,731,021</b></u>	<u>8,504,123</u>

### (c) Franked dividends

The franked portions of the final dividends recommended after 30 June 2011 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ended 30 June 2011.

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	\$	\$
Franking credits available for subsequent financial years based on a tax rate of 30% (2010 - 30%)	<u><b>12,047,820</b></u>	<u>7,988,565</u>

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

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

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

The impact on the franking account of the dividend recommended by the directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of \$3,313,295 (2010: \$3,644,624).



## 28 Key management personnel disclosures

### (a) Directors

The following persons were directors of Lycopodium Limited during the financial year:

*(i) Chairman*

Michael Caratti BE (Elec) (Hons)

*(ii) Executive directors*

Rodney Leonard BE (Hons), MSc, MAusIMM, Managing Director

Robert Osmetti BE (Civ), MIEAust, CPEng

Bruno Ruggiero BE (Mech), GradDipMinSc, GradCert EngTech(Struct), MIEAust, MAusIMM

Peter De Leo BE (Civ), FIEAust, CPEng

*(iii) Non-executive director*

Lawrence Marshall CPA B.Bus (Acc)

### (b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, during the financial year:

<i>Name</i>	<i>Position</i>	<i>Employer</i>
Keith Bakker	Chief Financial Officer / Company Secretary	Lycopodium Limited

All of the above were also key management personnel during the year ended 30 June 2010.

### (c) Key management personnel compensation

	<b>Consolidated</b>	
	<b>2011</b>	2010
	\$	\$
Short-term employee benefits	<b>2,726,083</b>	2,453,700
Post-employment benefits	<b>254,788</b>	239,991
Termination benefits	-	325,000
Share-based payments	<b>145,191</b>	107,708
	<b><u>3,126,062</u></b>	<u>3,126,399</u>

Detailed remuneration disclosures are provided in the remuneration report on pages 9 to 14.

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

*(i) Options/Rights provided as remuneration and shares issued on exercise of such options/rights*

Details of rights provided as remuneration and shares issued on the exercise of such rights, together with terms and conditions of the rights, can be found in the remuneration report on pages 13 and 14.

There were no options provided as remuneration during the year.

## 28 Key management personnel disclosures (continued)

### (ii) Option/Rights holdings

The number of rights over ordinary shares in the company held during the financial year by directors of Lycopodium Ltd are set out below.

2011							
Name	Balance at start of the year	Granted as compensation	Exercised	Other changes #	Balance at end of the year	Vested and exercisable	Unvested
<b>Directors of Lycopodium Limited</b>							
Rodney Leonard	250,000	-	-	(40,000)	210,000	50,000	160,000
Robert Osmetti	250,000	-	-	(40,000)	210,000	50,000	160,000
Bruno Ruggiero	250,000	-	-	(40,000)	210,000	50,000	160,000
Peter De Leo	350,000	-	-	(40,000)	310,000	100,000	210,000
2010							
Name	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
<b>Directors of Lycopodium Limited</b>							
Rodney Leonard	250,000	-	-	-	250,000	-	250,000
Robert Osmetti	250,000	-	-	-	250,000	-	250,000
Bruno Ruggiero	250,000	-	-	-	250,000	-	250,000
Peter De Leo	350,000	-	-	-	350,000	-	350,000
Mark Ward ^	350,000	-	(100,000)	(250,000)	-	-	-

# These rights were forfeited as the performance hurdles were not fully achieved.

^ Mr Ward resigned as director on 1 July 2009 and exercised the rights in Tranche 1, while the rights in Tranche 2 to 5 was forfeited. Refer to page 13 of the Remuneration Report.

### (iii) Share holdings

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

2011				
Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
<b>Directors of Lycopodium Limited</b>				
<b>Ordinary shares</b>				
Michael Caratti	9,104,367	-	-	9,104,367
Lawrence Marshall	2,142,332	-	-	2,142,332
Rodney Leonard	2,812,332	-	-	2,812,332
Robert Osmetti	2,141,781	-	-	2,141,781
Bruno Ruggiero	3,167,332	-	-	3,167,332
Peter De Leo	1,253,771	-	1,000	1,254,771
<b>Other key management personnel of the consolidated entity</b>				
<b>Ordinary shares</b>				
Keith Bakker	125,000	-	-	125,000

## 28 Key management personnel disclosures (continued)

2010	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
<b>Directors of Lycopodium Limited</b>				
<b>Ordinary shares</b>				
Michael Caratti	9,205,696	-	(101,329)	9,104,367
Lawrence Marshall	2,142,332	-	-	2,142,332
Rodney Leonard	2,812,332	-	-	2,812,332
Robert Osmetti	3,142,332	-	(1,000,551)	2,141,781
Bruno Ruggiero	3,167,332	-	-	3,167,332
Peter De Leo	875,871	-	377,900	1,253,771
Mark Ward	-	100,000	(100,000)	-
<b>Other key management personnel of the consolidated entity</b>				
<b>Ordinary shares</b>				
Keith Bakker	100,000	-	25,000	125,000

### (e) Loans to key management personnel

Details of loans made to directors of Lycopodium Limited and other key management personnel of the consolidated entity, 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 the end of the year \$	Number in consolidated entity at the end of the year
<b>2011</b>	<b>78,631</b>	-	-	<b>69,141</b>	<b>3</b>
2010	11,259	-	-	78,631	5

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 (Note 39(a)).

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

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

## 29 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the consolidated entity, its related practices:

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Audit services</b>		
PwC Australian firm		
Audit and review of financial reports	<b>315,226</b>	319,108
Related practices of PwC Australian firm	<b>14,261</b>	18,228
Fees paid to Crowe Horwath for the audit of financial reports of Lycopodium Tanzania Limited	<b>11,221</b>	11,308
Total remuneration for audit services	<b>340,708</b>	348,644
<b>(b) Non-audit services</b>		
	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<i>Taxation services</i>		
PwC Australian firm		
Tax compliance services, including review of company income tax returns	<b>45,475</b>	76,725
Related practices of PwC Australian firm		
Tax compliance services, including review of company income tax returns	<b>5,767</b>	10,521
Fees paid to Crowe Horwath for taxation services provided in Tanzania.	<b>54,576</b>	-
Total remuneration for taxation services	<b>105,818</b>	87,246
<i>Other services</i>		
PwC Australian firm		
Fees paid to PwC	<b>52,462</b>	115,714
Total remuneration for other services	<b>52,462</b>	115,714
Total remuneration for non-audit services	<b>158,280</b>	202,960
<b>Total auditor's remuneration</b>	<b>498,988</b>	551,604

It is the consolidated entity's policy to employ PwC on assignments additional to their statutory audit duties where PwC's expertise and experience with the consolidated entity are important.

## 30 Contingencies

### (a) Contingent liabilities

The consolidated entity had the following contingent liability.

#### *Guarantees*

Guarantees are given in respect of a rental bond for \$1,039,141 (2010 - \$723,344).

These guarantees may give rise to liabilities in the event that the consolidated entity defaults on its obligations under the terms of the lease agreement for its premises at 1 Adelaide Terrace, East Perth, 163 Wharf Street, Spring Hill, 153-163 Leichhardt Street, Spring Hill, 253-269 Wellington Road, Mulgrave and 191 St Georges Terrace, Perth.

No material losses are anticipated in respect of any of the above contingent liabilities.

## 31 Commitments

### (a) Capital commitments

There were no capital expenditures contracted for at the reporting date which have not been recognised as liabilities.

### (b) Lease commitments

#### (i) Operating leases

The property under operating lease by Lycopodium Minerals Pty Ltd is a non cancellable lease with a 72 month term ending 31 January 2014, with an option to renew the lease at the end of the term for a further 48 months. Minimum lease payments are contingent upon both CPI-based and market-based reviews during the term of the lease. The lease allows for sub letting of all lease areas, subject to the consent of the landlord.

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

The property under operating lease by Lycopodium (Ghana) Pty Ltd is a non cancellable lease with a 60 month term ending 15 September 2010, with rent payable yearly in advance. The lease has been extended for another 24 months ending on 14 September 2012, with an option to renew for a further 24 month term.

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

The property under operating lease by Lycopodium Minerals QLD Pty Ltd is a non cancellable lease with a 60 month term ending 31 August 2012, with the option to renew for a further 60 month term. The rental agreement provides for an increase in the rental payments to the greater of 5% or calculated market index. The lease allows for sub-letting of all lease areas subject to prior consent of the landlord. This property has been vacated in favour of larger premises. A sub-lessee is in place.

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

The property under operating lease by Sherwood Utilities Pty Ltd is a non cancellable lease with a 30 month term ending 29 June 2013 with no option to renew. The lease agreement provides for an annual increase in the rental payments of 4.5% over the previous year's rental.

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

<b>Consolidated</b>	
<b>2011</b>	<b>2010</b>
\$	\$

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

Within one year	4,800,014	3,450,462
Later than one year but not later than five years	9,945,982	8,121,791
Later than five years	<u>85,000</u>	<u>85,000</u>
	<b><u>14,830,996</u></b>	<b><u>11,657,253</u></b>

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

The consolidated entity has finance leases and hire purchase contracts for various items of plant and equipment with a carrying amount of \$2,390,032 (2010 - \$1,816,321). These lease contracts expire within 1 to 5 years. Under the terms of the leases, the consolidated entity has the option to acquire the leased assets.

### 31 Commitments (continued)

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Commitments in relation to finance leases are payable as follows:		
Within one year	<b>1,129,837</b>	953,189
Later than one year but not later than five years	<b><u>1,946,051</u></b>	<u>1,649,440</u>
Minimum lease payments	<b><u>3,075,888</u></b>	<u>2,602,629</u>
Future finance charges	<b><u>(384,926)</u></b>	<u>(346,708)</u>
Recognised as a liability	<b><u>2,690,962</u></b>	<u>2,255,921</u>
Total lease liabilities	<b><u>2,690,962</u></b>	<u>2,255,921</u>
Representing lease liabilities:		
Current (note 19)	<b>909,754</b>	782,003
Non-current (note 21)	<b><u>1,781,208</u></b>	<u>1,473,918</u>
	<b><u>2,690,962</u></b>	<u>2,255,921</u>

The weighted average interest rate implicit in the leases and hire purchases is 8.83% (2010 - 9.13%).

### 32 Related party transactions

#### (a) Parent entities

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

#### (b) Subsidiaries

Interests in subsidiaries are set out in note 34.

#### (c) Key management personnel

Disclosures relating to key management personnel are set out in note 28.

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

The following transactions occurred with related parties other than key management personnel or entities related to them:

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<i>Sales of goods and services</i>		
Sales to associates	-	127,571
<i>Purchases of goods</i>		
Purchases from associates	-	1,430

### 33 Business combination

#### Acquisition of remaining 60% interest in Sherwood Utilities Pty Ltd

##### (a) Summary of acquisition

On 31 August 2009 Lycopodium Limited acquired the remaining 60% of the issued share capital of its associate Sherwood Utilities Pty Ltd not held by it.

The acquired business contributed revenues of \$5,750,000 and net profit of \$510,000 to the consolidated entity for the period from 31 August 2009 to 30 June 2010. If the acquisition had occurred on 1 July 2009, consolidated revenue and consolidated profit for the year ended 30 June 2010 would have been \$121,406,000 and \$16,127,000 respectively. These amounts have been calculated using the consolidated entity's accounting policies and by adjusting the results of the subsidiary to reflect the additional amortisation that would have been charged assuming the fair value adjustments to intangible assets (customer contracts and relationships) had applied from 1 July 2009, together with the consequential tax effects.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

Purchase consideration	
Cash paid	<u>1,400,000</u>
Total purchase consideration	<u>1,400,000</u>
Fair value of net identifiable assets acquired (60% of \$1,238,284) (refer to (c) below)	<u>742,971</u>
Goodwill in respect of 60% of interest acquired	<u>657,029</u>

The goodwill arises on the acquisition of the remaining 60% interest in Sherwood Utilities Pty Ltd.

The goodwill is attributable to Sherwood Utilities Pty Ltd's profitability and synergies expected to arise after the acquisition of the subsidiary.

Based on the above purchase consideration, the value of the previously equity accounted investment was revalued. A gain of \$466,947 is included in the other income for the 2010 year.

##### (b) Purchase consideration

	2010
	\$
Outflow of cash to acquire business, net of cash acquired	
Cash consideration	<u>1,400,000</u>
Less: Balances acquired	
Cash	<u>529,868</u>
Outflow of cash	<u>870,132</u>

### 33 Business combination (continued)

#### (c) Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount \$	Fair value \$
Cash and cash equivalents	529,868	529,868
Trade and other receivables	841,858	841,858
Property, plant and equipment	121,356	121,356
Intangibles	390	315,390
Trade and other payables	(251,705)	(251,705)
Employee benefit liabilities, including superannuation	(231,591)	(231,591)
Borrowings	(61,869)	(61,869)
Net deferred tax asset (liability)	<u>69,477</u>	<u>(25,023)</u>
Net assets	<u>1,017,784</u>	<u>1,238,284</u>
Net identifiable assets acquired		<u>1,238,284</u>

#### *Earn out right*

The earn out right by the vendors of Sherwood Utilities Pty Ltd as disclosed in the annual report for the year ended 30 June 2010 has now been settled. A payment of \$400,000 was made which has been expensed in the profit and loss of the consolidated entity for the year ended 30 June 2011.

#### *Acquired receivables*

The fair value of acquired trade and other receivables is \$841,858 and includes trade receivables with a fair value of \$811,768. The gross contractual amount for trade receivables due is \$811,768, of which the full amount is expected to be collectible.

#### **Acquisition of remaining 25% minority interest in Lycopodium Minerals QLD Pty Ltd**

##### (a) Summary of acquisition

On 13 July 2009 Lycopodium Limited completed the acquisition of all the minority interests' shares in its subsidiary Lycopodium Minerals QLD Pty Ltd pursuant to the exercise of an existing option for a total consideration of \$2,500,000 consisting of \$1,500,000 cash paid and \$1,000,000 in fully paid shares in Lycopodium Limited.

In addition, a maximum of five equal installments of \$200,000 per annum is payable on successive anniversary dates of completion of the business combination. These payments are considered to be post acquisition employment benefits and will be recognised as part of employee benefits expense in the period to which the service relates.

The consolidated entity recognised a decrease in minority interest of \$606,422 in 2010 as noted in Note 26.



### 34 Subsidiaries

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

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2011 %	2010 %
Lycopodium Minerals Pty Ltd	Australia	Ordinary	100	100
Orway Mineral Consultants (WA) Pty Ltd	Australia	Ordinary	100	100
Lycopodium Process Industries Pty Ltd	Australia	Ordinary	100	100
Lycopodium (Ghana) Pty Ltd	Australia	Ordinary	100	100
Lycopodium (Ghana) Limited	Ghana	Ordinary	100	100
Lycopodium Tanzania Limited	Tanzania	Ordinary	100	100
Lycopodium (Philippines) Pty Ltd	Australia	Ordinary	100	100
Lycopodium Minerals QLD Pty Ltd	Australia	Ordinary	100	100
Lycopodium Infrastructure Pty Ltd	Australia	Ordinary	100	100
Sherwood Utilities Pty Ltd	Australia	Ordinary	100	100
Process Design & Fabrication Pty Ltd	Australia	Ordinary	100	100
Lycopodium Share Plan Pty Ltd	Australia	Ordinary	100	100
Lycopodium Mauritius (i)	Mauritius	Ordinary	100	-
Lycopodium Mauritania SARL (ii)	Mauritania	Ordinary	100	-
Lycopodium Americas Pty Ltd (iii)	Australia	Ordinary	85	-
Lycopodium Minerals U.S.A. Inc. (iv)	America	Ordinary	100	-
Lycopodium Minerals Canada Ltd (v)	Canada	Ordinary	100	-
Orway Minerals Consultants Americas Pty Ltd (vi)	Australia	Ordinary	85	-
Orway Minerals Consultants Canada Ltd (vii)	Canada	Ordinary	100	-
Lycopodium PNG Ltd (viii)	Papua New Guinea	Ordinary	100	-

- (i) Lycopodium Mauritius was incorporated on 7 October 2010.
- (ii) Lycopodium Mauritania SARL was incorporated on 19 July 2010.
- (iii) Lycopodium Americas Pty Ltd was incorporated on 6 September 2010.
- (iv) Lycopodium Minerals U.S.A. Inc. was incorporated on 20 September 2010.
- (v) Lycopodium Minerals Canada Ltd was incorporated on 19 October 2010.
- (vi) Orway Minerals Consultants Americas Pty Ltd was incorporated on 5 May 2011.
- (vii) Orway Minerals Consultants Canada Ltd was incorporated on 21 April 2011.
- (viii) Lycopodium PNG Ltd was incorporated on 6 December 2010.

### 35 Events occurring after the balance sheet date

#### (a) Dividends

Since year end the directors have recommended the payment of a final dividend on ordinary shares in respect of the 2011 financial year. The total amount of the dividend is \$7,731,021 (2010 - \$8,504,123), which represents a fully franked dividend of 20.0 (2010 - 22.0) 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 consolidated entity's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the consolidated entity's state of affairs in future financial years.

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

	Consolidated	
	2011	2010
	\$	\$
Profit for the year	17,112,753	16,058,468
Depreciation and amortisation	1,286,219	1,608,491
Non-cash employee benefits expense - share-based payments	145,193	102,529
Net loss/(profit) on sale of non-current assets	25,503	-
Purchase on business expensed	400,000	-
Gain on step-up acquisition of investment in associate	-	(466,947)
Share of profits of associate not received as dividends or distributions	-	(26,042)
Net exchange differences	1,022	4,353
Non cash interest expense	225,319	221,728
Change in operating assets and liabilities		
Increase in trade debtors and other receivables	(12,170,100)	(2,722,845)
(Decrease) / increase in deferred tax assets	(2,120,716)	769,179
Decrease in other operating assets	658,788	805,970
Increase in trade creditors and other payables	5,086,883	2,166,426
Increase / (Decrease) in provision for income taxes payable	7,617,739	(4,224,904)
Increase / (Decrease) in other provisions	86,429	(1,120,742)
Net cash inflow from operating activities	<u>18,355,032</u>	<u>13,175,664</u>

### 37 Non-cash investing and financing activities

	Consolidated	
	2011	2010
	\$	\$
Acquisition of plant and equipment by means of finance leases or hire purchase arrangements	<u>1,408,014</u>	<u>114,450</u>

### 38 Earnings per share

	Consolidated	
	2011 Cents	2010 Cents
<b>(a) Basic earnings per share</b>		
Profit attributable to the ordinary equity holders of the company	44.3	41.6
<b>(b) Diluted earnings per share</b>		
Profit attributable to the ordinary equity holders of the company	44.0	41.4
<b>(c) Reconciliations of earnings used in calculating earnings per share</b>		

	Consolidated	
	2011 \$	2010 \$
<i>Basic earnings per share</i>		
Profit from operations	17,162,237	16,058,468
(Profit) loss from operations attributable to minority interests	(49,484)	-
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	17,112,753	16,058,468
<i>Diluted earnings per share</i>		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	17,112,753	16,058,467
Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	17,112,753	16,058,467

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

	Consolidated	
	2011 Number	2010 Number
<i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share</i>	38,655,103	38,617,878
Adjustments for calculation of diluted earnings per share:		
Director performance rights	280,092	164,807
<i>Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share</i>	38,935,195	38,782,685

#### (e) Information concerning the classification of securities

##### (i) Director performance rights

Performance rights issued during the year are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share from their date of issue. The rights have not been included in the determination of basic earnings per share. Details relating to the rights are set out in note 39.

## **39 Share-based payments**

### **(a) Director performance rights plan**

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

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

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

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

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

#### *Fair value of rights granted*

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

The model inputs for options granted during the year ended 30 June 2011 included:

- (a) exercise price: \$0.0
- (b) grant date: 27 November 2008
- (c) expiry date: 30 June 2016
- (d) share price at grant date: \$1.95
- (e) expected price volatility of the company's shares: 45.6%
- (f) expected dividend yield: 12.8%
- (g) risk-free interest rate: 5.25%

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

The total number of rights issued under this plan to participating directors for the financial year ended 30 June 2011 was Nil (2010: Nil).

### **(b) 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 consolidated entity 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.

### 39 Share-based payments (continued)

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>Consolidated</b>	
	<b>2011</b>	2010
	<b>Number</b>	Number
Number of shares acquired under the senior manager share acquisition plan	-	607,500

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

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

	<b>Consolidated</b>	
	<b>2011</b>	2010
	<b>\$</b>	\$
Rights issued under the Director Performance Rights plan	145,193	102,529
Shares issued under the senior manager share acquisition plan	-	125,855
	<b>145,193</b>	<b>228,384</b>

### 40 Parent entity financial information

#### (a) Summary financial information

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

	<b>Parent entity</b>	
	<b>2011</b>	2010
	<b>\$</b>	\$
<b>Balance sheet</b>		
Current assets	8,315,029	8,212,694
Non-current assets	19,579,874	19,433,933
Total assets	27,894,903	27,646,627
Current liabilities	640,076	1,173,489
Non-current liabilities	1,123,441	1,108,901
Total liabilities	1,763,517	2,282,390
<i>Shareholders' equity</i>		
Contributed equity	18,730,297	18,730,297
Share-based payments reserve	418,604	273,411
Retained earnings	6,982,485	6,360,529
	<b>26,549,990</b>	<b>25,637,648</b>
<b>Profit for the year</b>	<b>12,846,390</b>	5,380,764
<b>Total comprehensive income</b>	<b>12,991,583</b>	<b>5,483,293</b>

#### **40 Parent entity financial information (continued)**

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

The parent entity has not provided any financial guarantees as at 30 June 2011 or 30 June 2010.

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

The parent entity does not have any contingent liability at 30 June 2011 but had contingent liability at 30 June 2010.

The earn out right by vendors of Sherwood Utilities Pty Ltd as disclosed in the annual report for the year ended 30 June 2010 has now been settled (Note 33).

**(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 2011 or 30 June 2010.

In the directors' opinion:

- (a) the financial statements and notes set out on pages 21 to 76 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, and

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

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

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



Rodney Lloyd Leonard  
Managing Director

Perth  
28 September 2011



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

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

We have audited the accompanying financial report of Lycopodium Limited (the company), which comprises the balance sheet as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Lycopodium Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

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

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

#### *Auditor's responsibility*

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

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

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

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

### *Independence*

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

### *Auditor's opinion*

In our opinion:

- (a) the financial report of Lycopodium Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

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

We have audited the remuneration report included in pages 9 to 14 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

### *Auditor's opinion*

In our opinion, the remuneration report of Lycopodium Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

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

PricewaterhouseCoopers

A large, stylized handwritten signature in black ink, likely belonging to Pierre Dreyer, written in a cursive style.

Pierre Dreyer  
Partner

Perth  
28 September 2011

The shareholder information set out below was applicable as at 23 September 2011.

**A. Distribution of equity securities**

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

	<b>Ordinary shares</b>
1 - 1000	469
1,001 - 5,000	737
5,001 - 10,000	223
10,001 - 100,000	201
100,001 and over	<u>27</u>
	<u>1,657</u>

There were 45 holders of less than a marketable parcel of ordinary shares.

**B. Equity security holders**

*Twenty largest quoted equity security holders*

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

<b>Name</b>	<b>Ordinary shares</b>	
	<b>Number held</b>	<b>% of issued shares</b>
Reesh Pty Ltd	9,104,637	23.55
Luala Pty Ltd	3,167,332	8.19
HSBC Custody Nominees (Australia) Pty Ltd	2,979,159	7.71
Caddy Fox Pty Ltd	2,812,332	7.28
Accede Pty Ltd	2,142,332	5.54
Selso Pty Ltd	2,141,781	5.54
Citicorp Nominees Pty Ltd (Colonial First State Inv A/C)	905,907	2.34
Equity Trustees Limited	903,176	2.34
JP Morgan Nominees Australia Limited	637,772	1.65
Lycopodium Share Plan Pty Ltd	595,000	1.54
Mr Peter De Leo	572,466	1.48
Mr Ian Yovich & Ms Kay Somerville	500,103	1.29
De Leo Nominees Pty Ltd	407,900	1.06
Mr Glenn Robertson	309,997	0.80
National Nominees Limited	261,302	0.68
Mirrabooka Investments Limited	242,497	0.63
Botech Pty Ltd	225,405	0.58
Citicorp Nominees Pty Limited	217,984	0.56
Mr Peter De Leo & Mrs Tiana De Leo	216,405	0.56
Mr David James Taylor	<u>200,000</u>	<u>0.52</u>
	<u>28,543,487</u>	<u>73.84</u>

**C. Substantial holders**

Substantial holders in the company are set out below:

	<b>Number held</b>	<b>% of issued shares</b>
Ordinary shares		
Reesh Pty Ltd	9,104,637	23.55 %
Luala Pty Ltd	3,167,332	8.19 %
HSBC Custody Nominees (Australia) Limited	2,979,159	7.71 %
Caddy Fox Pty Ltd	2,812,332	7.28 %
Accede Pty Ltd	2,142,332	5.54 %
Selso Pty Ltd	2,141,781	5.54 %

**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.